

ASTRAL FOODS LTD

NATURE PLUS NURTURE
MAKES NUTRITION



NATURE PLUS NURTURE MAKES NUTRITION

Against a backdrop of increasing competition from cheap imports and rising transport costs, Astral Foods' CEO Chris Schutte tells Andrew Pelis how South Africa's leading integrated poultry producer is going from strength to strength



Meadow Feeds
Randfontein



The story of Astral Foods' consistent year-on-year growth traces back to its beginnings in 2001 when conglomerate Tiger Brands decided to unbundle its agricultural arm.

Astral's current CEO Chris Schutte had already been with the poultry arm of Tiger Brands for some 18 years when the decision was taken to create the new business, and after moving to Astral in 2002 has now been in the poultry industry for close to 30 years. The infrastructural, cultural and operational expertise to ensure Astral Foods was an instant success was in place from the beginning, and Astral listed on the Johannesburg Stock Exchange during April 2001.

"April 2011 saw the 10th anniversary of our listing and we are currently trading at a healthy R125 price as one of the top 100 companies on the Stock Exchange," Schutte states. "When Tiger Brands unbundled the 25 business units there were already measures in place to ensure we operated efficiently and to high quality standards from day one."

Headquartered in Doringkloof, Centurion, the company operates a decentralised business with three main divisions producing chicks, manufacturing feed and slaughtering poultry. While similar South African companies may specialise in one area, Schutte says that Astral Foods is the largest fully integrated poultry producer in the country, boasting seven local feed mills and four abattoirs capable of slaughtering 4.3 million broilers every week.

CARGILL



Cargill offers supply chain solutions and risk management services to the Southern African agricultural markets. Our customers include producers in all of the major grain and oilseed producing regions and also the end consumers of raw materials. Cargill delivers to the main participants in the animal feed industry as well as to white maize and wheat millers and oilseed crushers.



It is Cargill's philosophy to create distinctive value through building long term strategic partnerships with its customers. Cargill is proud to be the supplier of South African maize to

Astral Foods and wishes them every success in our future growth together.

T +27 11 745 9600
www.cargill.co.za



Cargill is an international producer and marketer of food, agricultural, financial and industrial products and services.

Montagu Office Park
Building Number 2
Corner Cedar Road &
Cedar Lakes Boulevard
Broadacres
Gauteng, South Africa
Tel: (+2711) 745-9600

Founded in 1865, our company employs 142,000 people in 66 countries. We help customers succeed through collaboration and innovation, and are committed to sharing our global knowledge and experience to help meet economic, environmental and social challenges. We originate, process and distribute grain, oilseeds and other commodities to makers of food and animal nutrition products. We also provide crop and livestock producers with farm services and products.



www.cargill.co.za

Nourishing Ideas. Nourishing People.



Bird at Natchix

Most of the poultry is produced for South Africa's leading supermarkets with further supplies to wholesalers; and Astral is now making its first enquiries into entering the quick service restaurant market.

"At any time we have as many as 34 million chickens on the floor and we sell 1.3 million tonnes of feed per annum both to our own internal operations and externally to the open market," explains Schutte. "So we are involved in the industry from breeding through to the marketing of chickens but we are also heavily into nutrition."

**R500
MILLION**

Astral Foods' investment in acquisitions and automation over the last decade

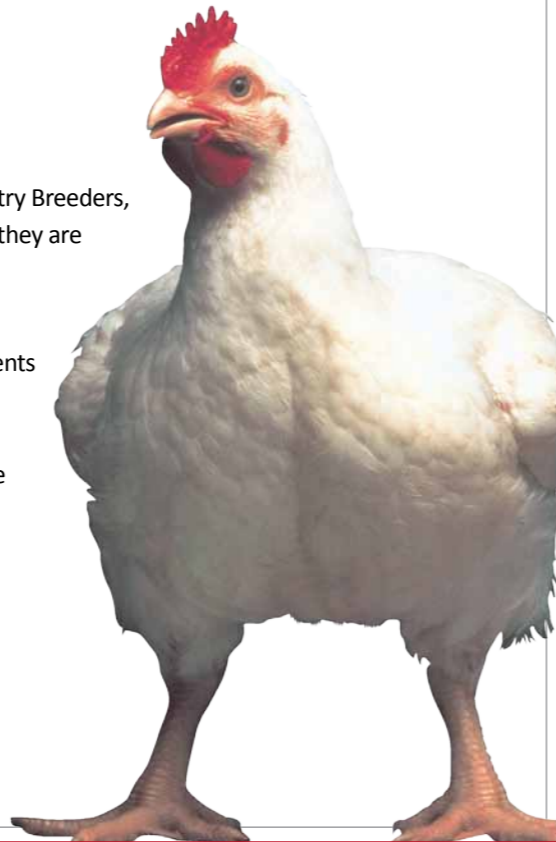
The business has had to adjust to changing transportation dynamics in South Africa: rail transport, which once accounted for up to 85 per cent of Astral Foods' logistics provision, has greatly reduced as a result of increased mining, making agricultural use of the rail roads a lower priority.

"This was always one of our strong points but we now rely on road systems, which accounts for 85 per cent of our transportation but which is three times more expensive," Schutte reveals. "As a consequence, our base costs for the raw materials we use in our feed

Breed of Choice

The Ross 308 has a strong partner and distributor, Ross Poultry Breeders, a division of Astral Operations Ltd in South Africa - together they are continuing to grow and lead in the market.

The Ross 308 breeder offers the best balance of important genetic traits and increased broiler performance improvements each year. The Ross 308 breeder is owned by Aviagen who invest 10% annual gross revenue in the breeding program and continued product development to ensure performance efficiencies and bird health improvements are available to all customers. Ross 308 is the breed of choice.



www.aviagen.com

have gone up significantly and we have had to look at where our business units are located. This has meant moving closer to grain and maize production.

“At the same time our energy costs have been rising by an average of 25 per cent each year over the last four years,” he continues. “The combination of these two challenges puts pressure on the poultry industry here in South Africa and creates a tougher environment for us to compete with cheap imports from countries like Brazil.”

Schutte says that whilst the efficiency of South African poultry producers compares favourably with other areas of the world, rising production costs are making the industry less competitive and susceptible to the threat of cheaper imported meat that may not be subjected to such stringent quality checks.

“White meat such as chicken breasts is always sold at a premium price but some countries will sell their less desirable portions (like chicken legs) into South Africa at cheaper prices than they can get

ROSS 308

The Ross 308 has a unique selection programme employing the multiple environments of first class pedigree facilities together with more challenging, industry-like conditions to identify the most efficient and robust families as the source for future commercial stock. These selection conditions together with the introduction of new technology in lifetime feed conversion monitoring, also a first in the industry, is providing the data to ensure the current Ross 308 product performance is increasing at a faster rate than the competition and keeping the product at the forefront of the industry.

www.aviagen.com



Staff at Ross Poultry Breeders

Subscribe
to our newsletter

BEinspired

Your weekly digest of
business news and views

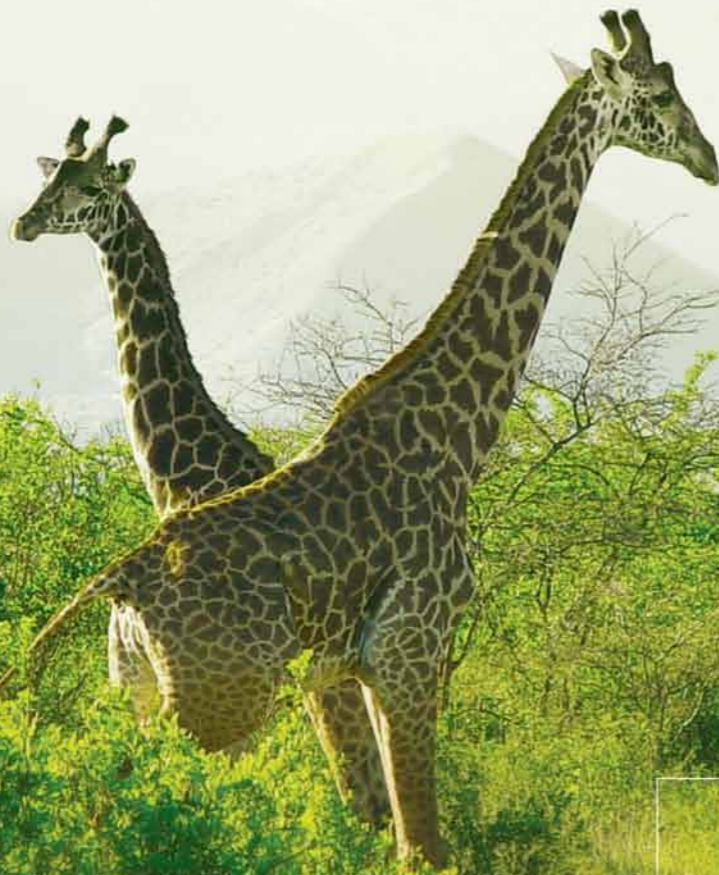
www.bus-ex.com

“WE ARE CURRENTLY TRADING AT A HEALTHY R125 PRICE AS ONE OF THE TOP 100 COMPANIES ON THE STOCK EXCHANGE”



KONICA MINOLTA
SOUTH AFRICA

bizhub



➔ Our **most important** showroom.

Keeping nature's diversity is an important challenge for everyone.

That's why we make it a top priority and show maximum consideration for the environment. To achieve successful results in this field we continually consider the whole life cycle of our products. Beginning with environmentally conscious procurement and production. Another important goal is to save resources during the devices' operation. Intelligent recycling concepts complete our activities as responsible global citizens.

There's only one world . We know it takes a great deal of effort to keep it a friendly place.

Konica Minolta South Africa - for more information call us on 0800 bizhub (249482) or visit www.konicaminoltasa.com



at home,” Schutte explains. He says that Astral Foods is trying to meet this problem head-on by opening channels of dialogue with the government now that it has joined the South African Business Chamber.

“We hope over the next couple of years to see some improvements that will make us more competitive globally while at a local level we are now preparing for economic fitness for the next 10 years.”

Part of that preparation has seen Astral Foods invest some R500 million in acquisitions and increased automation over the last

decade with further spend likely in the near future. “Some of the acquisitions we have made have been opportunistic but we have only ever made purchases out of free cash and have never borrowed to achieve,” Schutte emphasises. “The strategy has been part of our focus to add value within our markets

and has seen us diversify into producing dairy feed as well as poultry feed in recent years.

“The combination of organic growth and acquisitions has seen a 40 per cent increase in volume from the poultry side of the business. We

**30,000
TONNES**

.....
**Projected monthly feed
output of new feed mill**



Broiler breeders - parents

are constantly looking at new business opportunities and sites that will increase our geographic reach,” he adds.

A recent investment in the company’s KwaZulu Natal poultry site will see production increase from 120,000 to 300,000 birds slaughtered each week and should be completed within two years.

Further spend on a modern feed mill in Standerton will increase productivity while reducing the number of necessary workers, Schutte says. “The site, when fully operational in February 2014, will produce 30,000 tonnes of feed a month requiring

approximately 60 people to run the factory over three shifts. Using new equipment and technology sourced from Europe (where we regularly purchase machinery), the new mill will consume up to 30 per cent less energy when compared to existing facilities.”

Astral Foods has already passed stringent quality assurance tests as it looks to supply the burgeoning retail fast food marketplace. The growth of companies like KFC and McDonald’s in Southern Africa has not escaped notice in Doringkloof: “It is a market that has grown significantly and we have to take a serious look at it,” Schutte

“WE ARE CONSTANTLY LOOKING AT NEW BUSINESS OPPORTUNITIES AND SITES THAT WILL INCREASE OUR GEOGRAPHIC REACH”



Meadow trucks



View of Earlybird Farm

insists. “The contracts involved offer considerable stability as they come with cost-plus protection.”

Elsewhere the company has commenced poultry production in Mozambique and Zambia and is set to expand these operations while also looking at opportunities in Swaziland. “We aim to double our capacity in Zambia and we will also look to invest further in our existing plants in line with our gross domestic produce (GDP) growth,” Schutte adds.

Research into improved animal feed nutrition is another key area of development and Astral has agreements in place to work with international companies Provimi and Cargill as they explore new feed developments. “Feed is a key driver for our contract producers, in particular how well they manage the feed conversion into

meat,” Schutte states. “We work very closely with each farmer to ensure they meet our quality assurance expectations and ensure that they continue to invest in their assets to improve production.”

Schutte believes that recent trends have seen increased consumption of chicken with a rising middle class and consumers eating more chicken rather than staple food products, which bodes well for Astral Foods. “We have seen a 50 per cent increase in chicken consumption over the last decade and still believe that poultry is the best converter of raw materials into protein.” **BE**

For more information about Astral Foods Ltd visit: www.astralfoods.co.za



ASTRAL FOODS LTD

92 Koranna Avenue

Doringkloof

Centurion

0157

T 012 667 5468

www.astralfoods.co.za

Produced by:

ACHIEVING BUSINESS EXCELLENCE ONLINE

BE BusinessExcellence

www.bus-ex.com