

SEED CO LIMITED

AGM

Trading Update

29 August 2013



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Sales

- As usual first quarter a very quiet period



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Winter Cereals

- Winter Cereals up by 57% in Zim and by 11% in Zambia compared to prior year, but coming off low volumes
 - Buoyed by
 - contract farming activities in Zimbabwe
 - a robust commercial farming segment in Zambia
 - Underlying fundamentals though still need to be sorted out before any meaningful recovery can be recorded:
 - Irrigation infrastructure
 - Reliable electricity
 - Funding
 - All the other SBUs do not sell winter cereals



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Maize & Cotton

- Maize sales still marginal again coming off low volumes
 - Early sales thrust with stocks sent to the market earlier than normal
 - Business revolving around tobacco and cotton sales proceeds
 - In Zimbabwe post elections , enquiries have already started to come from our major stakeholders
 - Still a huge mismatch between supply and demand of maize, with projections at between 800-900 000 mt and national requirements historically around 2.1m
 - Post election policies expected to be pro-agricultural



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Maize & Cotton...cont'd

- Awarded tender to supply 1800mt of cotton seed to Malawi
 - However demand for cotton seed is expected to remain subdued owing to the negative impact of the protracted slump in world prices
- Encouraging early tenders won in Rwanda, Botswana and DRC for maize seed and soyabean
- The government seed subsidy programmes in Zambia and Malawi are continuing



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OVERHEADS

- Overheads 4% lower than prior year despite increased activity – a reflection of the cost cutting measures promulgated in prior year



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GOVERNMENT DEBT COLLECTION

- Debt collection from Government and quasi Government a key priority
- In Zim expected to gather momentum after elections
- In Zambia Govt paying slowly and pushed collectively by ZASTA
- In Malawi all amounts due have been paid



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RESEARCH

- 5 new maize varieties released in Kenya
- 1 new soyabean variety released in Kenya
- 3 soyabean varieties released in Rwanda
- Our products continue to top the Art farm trials
- Double haploids lab nearing completion at RARS
- Breeding activities commenced on the ground in Gwagwalada, Nigeria
- Work on MNLD Continuing in East Africa



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PRODUCTION

- We are continuing with rightsizing inventory holding
- At year end we expect to hold 18000mt of maize seed compared to 37000mt last year
- Long waiting list of growers and current focus is on raising the quality bar
- Bulking activities of highland varieties continuing in Kenya



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BUSINESS DEVELOPMENT

- Work carrying on in Nigeria – major focus is now to establish a proper production base
- In Ethiopia varieties gaining a foothold and working on business licence issues which tend to take a long time in this market



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PROJECTS

- Construction project in Malawi progressing smoothly – expected to complete by April 2014; new plant ordered
- Search for farm to do own production continuing in Zambia
- New plant installed in Arusha



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TREASURY

- Average cost of borrowings is around 11.5%



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OUTLOOK

- A more pro-agricultural policy thrust in Zimbabwe following the new political dispensation.
- Continued growth in East Africa with further gains in market share in Tanzania and entry into the highland market in Kenya
- Increased subsidy and Presidential Input Initiatives program in Malawi with elections coming up in 2014. Political jockeying has already started and seed is a very important factor in elections in Malawi
- Better returns in Malawi coming from agreed pricing in US\$



OUTLOOK...cont'd

- In-roads into Rwanda with local production having started
- Coming of age of the new cotton seed businesses in Tanzania and Malawi, with all the plants now fully installed and operational
- Reduced costs with rightsizing of the businesses carried out at the end of the last financial year now beginning to pay dividends
- Introduction of the voucher system in Zambia which will give the farmer choice in terms of the seed he chooses
- Improved group earnings



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Thank you.



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