

Artificial Seed Maize Dryer



The African Seed Company



SEED CO LIMITED AUGUST 2021 AGM TRADING UPDATE

TOWARDS VALUE & GROWTH

Overview:

- ❖ Covid-19 pandemic continuing to torment livelihoods & economies
- ❖ Zimbabwe's operating environment continues to be challenging albeit with some managed foreign currency market stability
- ❖ 1st half is off-season in most South & East African markets
- ❖ Main trading activity is in:
 - ✓ winter cereals in Zimbabwe & Zambia
 - ✓ maize seed in Nigeria & Kenya

Performance highlights:

- ✓ Zimbabwe achieved 23% volume growth in 4 months to July 2021 from winter cereals
- ✓ The regional business registered 99% wheat volume growth, all out of Zambia. This was off a low base since prior year sales were made in advance towards the close of FY20 due to Covid-19 pre-stocking

Overview continued:

- ❖ Regional business had maize seed sales in Nigeria & Kenya (bi-modal seasons) that were 17% lower than prior year due to:
 - ✓ 2nd season commencement drought in Kenya; and
 - ✓ lower repeat sales in Nigeria on the back of a very successful prior season and ongoing excessive rains (flooding in most parts of West Africa).
- ❖ Zimbabwe vegetable seed turnover stable in real terms but higher nominal terms due to the distortions on translation to USD
- ❖ Regional vegetable seed sales (Zambia, Tanzania, RSA, Kenya & Malawi) was 15% lower than prior year due to excessive rains in Southern Africa that slowed down vegetable plantings

Research & Development

- ❖ Seed Co products continue to out-perform competitor products in independent trials in our major markets
- ❖ Several exciting new products in the pipeline
 - ✓ **Maize:** -
 - SC419, SC555 & SC659 commercialized in Zimbabwe, Zambia, Tanzania & Kenya
 - SC733 launched in Zambia -a green mealie product
 - Cob rot and tip cover breeding projects have been initiated Group wide in response to feedback from farmers
 - ✓ **Dry beans:** - a new variety is at the cusp of being released in Zimbabwe following successful national trials
 - ✓ **Canola :** - 65.5ha pilot production, of the recently registered Jazz variety, established in Zimbabwe in partnership with an off-taker
- ❖ **Soybean:** - COMESA catalogue registration in advanced stages
- ❖ **Other:**
 - ✓ Rice hybrid commercialization projects in advanced stages
 - ✓ Local veggie seed production launched in Zimbabwe for the species that can be produced in our climate (legumes and okra)

Product

- ❖ Expected Group wide maize seed production yield (55,650mt) 25% higher than last season adequate to replenish stocks and satisfy anticipated demand
- ❖ The intake of seed from our growers and own farms for processing is now at about 40% for maize and about 60% for soya

Working Capital

- ❖ In Zimbabwe we have collected 96% of our year-end closing receivables and expect to collect the rest before the end of September 2021
- ❖ In the region, out of US\$41m in trade receivables at year-end, US\$22m (54%) has been collected to date
- ❖ Total stocks available for current amount to 67,800mt & these are adequate to satisfy forecast demand in the upcoming selling season

Zimbabwe Artificial Drier Project

- ❖ Technically commissioned and slated for official launch on 23 September 2021

OUTLOOK

- ❖ The main strategic objective is to continue consolidating the growth trajectory leveraging the strong pan African brand equity, skills and distribution channels in both existing and new markets whilst mitigating Covid-19 headwinds
- ❖ The business is well position to defend the growth registered last season anchored on: -
 - ❖ early rainfall forecasts -increased likelihood of a weak La Niña is expected to be favourable for above-normal rainfall in Southern Africa's FY21/22 season.
 - ❖ continued Gvt & Dvpt partner interventions to ensure food security amidst the Pandemic.
 - ❖ in-roads in new markets (Angola, DRC, Mozambique & parts of West Africa).

OUTLOOK CONTINUED...

- ❖ IMF Special Drawing Rights (SDRs) expected to stimulate economies
- ❖ Input programs continuing:
 - Gvt & Private Sector Inputs Program expected to continue at same levels as prior year as Zimbabwe consolidates its return to maize self sufficiency and also promotes soybean & wheat import substitution
 - Zambia's new Gvt yet to spell out its input support program - it has only promised to do away with middlemen in the procurement chain
 - The Govt of Malawi has reduced its Affordable Inputs Program (“AIP”) beneficiaries from 3.5 million to 2.7 million farmers this coming season. The reduced maize seed order of 17,500mt is still very high compared to 900,000 families (7,000mt) in FY20 going back

OUTLOOK CONTINUED

- ❖ Volumes in Nigeria expected to come down slightly on the back of an excellent last season and flooding at the beginning of the current season
- ❖ Continued market share growth expected in our frontier East African markets, i.e. Tanzania and Kenya
- ❖ Business Development efforts continuing in Francophone West and Central Africa
- ❖ Vegetable seed business, in its 3rd year of being established, expected to rebound in the dry season
- ❖ Closely monitoring security situation in Ethiopia (Tigray war & outstanding federal elections) in anticipation of launching operations

Wet Ear Corn Cages & Sorting Shed

