



## The African Seed Company

# SEED CO LIMITED TRADING UPDATE FOR THE THIRD QUARTER ENDED 31 DECEMBER 2021

### Trading Environment

The Omicron Covid-19 variant afflicted the country during the quarter under review and the Government heightened control measures to manage the pandemic. The pandemic situation together with the slow onset of the rainfall season as well as fertilizer shortages had an adverse impact on farming activities and in particular seed uptake during the normally peak selling season.

On the economic front, the period was characterised by the continued widening of the gap between the official and parallel exchange rates presenting pricing and value-preservation challenges to the Company. In addition, high interest rates, under the monetary policy regime aimed at containing local money supply, made the trading environment extremely difficult.

### Sales Volume Performance

Coming off last financial year's good sales season, sales volumes in Zimbabwe declined by 20% for the 9 month's period and by 40% for the quarter mainly attributable to the late start of the rainfall season.

Maize and wheat seed sales volumes were 20% and 6% lower than prior year for the 9 months ended 31 December 2021 due to the slow uptake of seed in the wake of the late onset of rainfall season.

### Financial Performance

Revenue grew by 54% year to date and declined 32% during the quarter in historical cost terms. After IAS 29 inflation-adjusted restatements, revenue marginally declined by 3% year on year and by 14% compared to the same quarter prior year reflective of the volume drop. The average consumer price indices used for inflation adjusted calculations were 3,977.46 and 2,474.51 while average conversion factors were 1.23 and 2.36 for the current and comparative periods respectively.

The foreign associate, Seed Co International Limited, positive contribution to the Group performance receded mainly on account of somewhat late rains in Southern Africa, drought in Kenya and product shortage in Nigeria. On the other hand, the local associates, Quton and Prime Seed Co, posted losses due to delayed cotton seed sales caused by the late rains and exchange losses from vegetable seed imports.

### Outlook

The full establishment of the rainfall season in January 2022 stimulated seed uptake activity in some areas of Zimbabwe as well as in the region whilst in some areas the rains came too heavy to allow for normal planting activities. Volumes have been recovering in the last quarter and the extent of the recovery will become apparent by the end of the financial year.

In addition to delayed rains in Southern Africa and the drought in Kenya as well as global fertilizer shortages, the Zimbabwean business environment remains challenging and unpredictable characterised with countless policy and regulatory interventions. These challenges, and in particular the local currency pricing quagmire in Zimbabwe, are expected to continue weighing down the Company's performance in real terms.

Notwithstanding the largely external threats, the Board and management remain committed to grow and preserve the Company's value in Zimbabwe and beyond for the benefit of farmers, shareholders, and all stakeholders.

By Order of the Board

Tineyi Chatiza  
Group Secretary  
15 February 2022

**Directors:** D. E. B. Long (Chairman); M. Nzwere (CEO)\*; R. C. D. Chitengu; D. Garwe; P. Gowero; D. P. R. Fournier; J. Matorofa (CFO)\*; M.S. Ndoro; F. Savin; P. Spadin. \*Executive

