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Afrifocus Food Producers' Monthly

Food Industry Statistics for May

www.afrifocus.co.za

Thursday, June 1, 2023

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Fig 1: JSE Food Producers' Index Movers during May

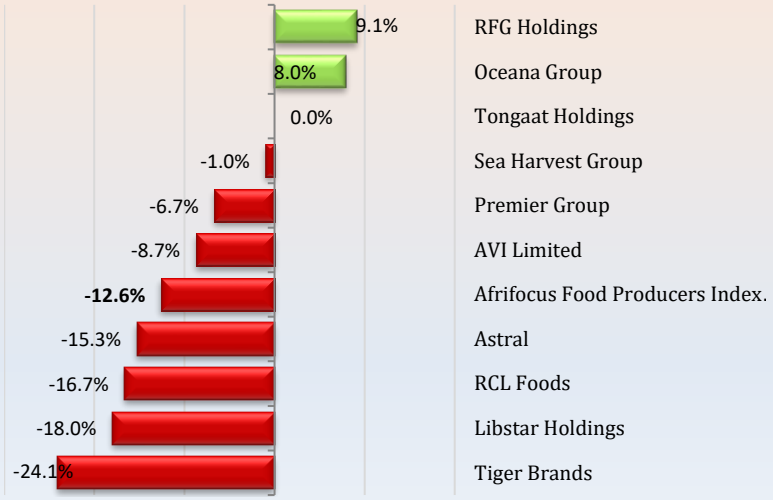
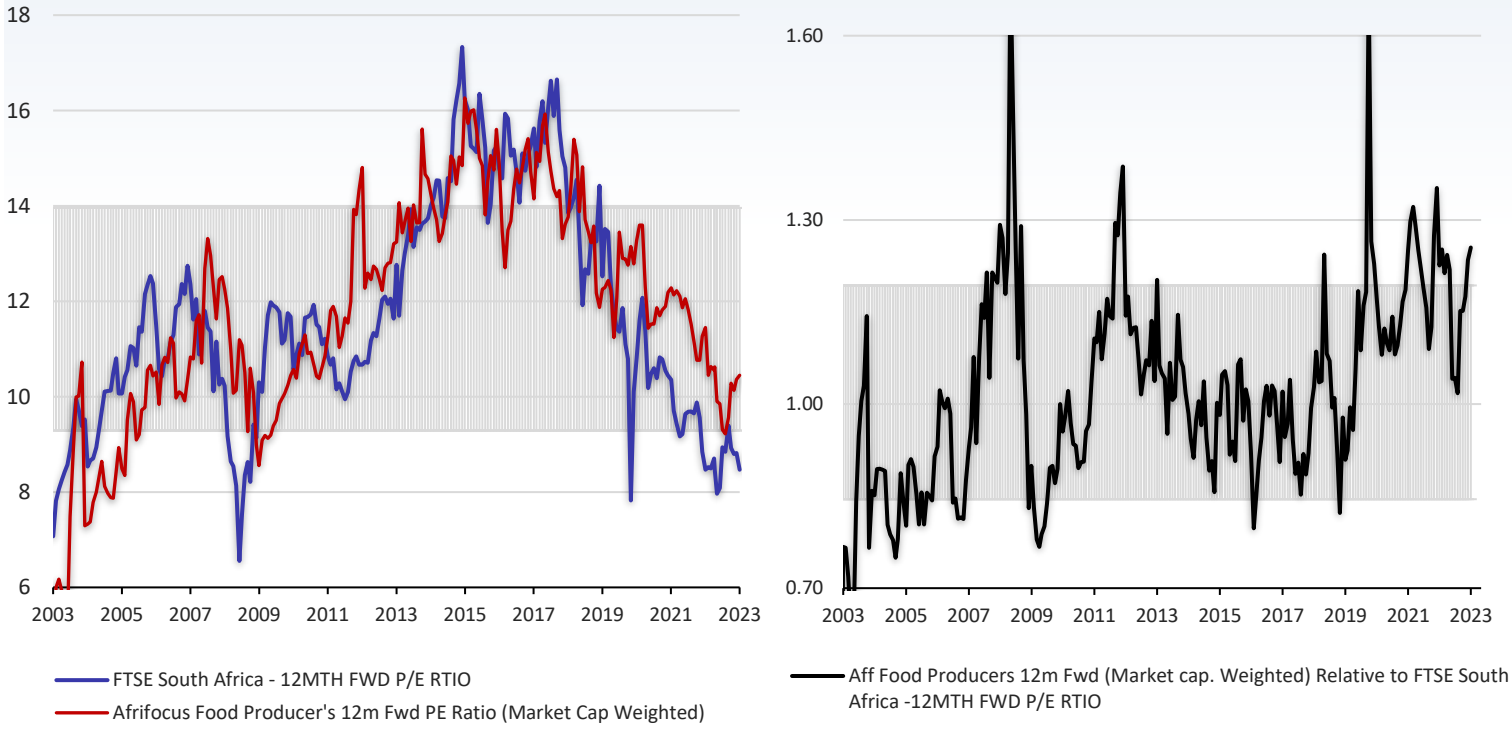


Fig 2: Aff Food Producers' 12 Mth. Fwd P/E Relative to FTSE South Africa (ALSI Equivalent)



*Source: Refinitiv Eikon; Aff Food Producer Index constituents - ARL, OCE, TBS, AVI, RFG, LBR, SHG, RCL, TON, PMR, PFG*delisted, ILV*delisted*

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 23

Highlights for May 2023

Listed Food Producers - Recent Highlights

Rhodes Food Group (JSE:RFG) [9.1% up in May 2023] – Updated Target Price R13.90
RFG released their 2023 interim results in May with an impressive recovery in EBIT margins from previous years (highest since H1-2017 at 9.2%). The shares are trading below book value (with goodwill and intangibles stripped) and is the closest to its tangible assets that its ever been. Revenue growth targets achieved (10.2% H1-23). Load shedding did not impact RFG as much as other food producers with relatively low energy and water demands. CAPEX spend up (R280m FY23 vs R260m FY22) with priority in growth areas, - i.e., pineapple plantations, ready meals, juice, pies, meat products and extra power capacity. International segment is currently a strong performer with firm prices globally, magnified by the Rand weakness that benefits RFG. As long as USDZAR is above R17 the international segment earnings should remain strong. Lower input costs overall to keep margins higher, areas where costs remain high are in packaging, and sugar prices that have increased exponentially since April 2023.

Astral Foods (JSE:ARL) [down 15.3% in May 2023] – Updated Target Price R179.85
Astral Food's interim results were released on the 22nd of May 2023. The key highlights were the changes in the balance sheet, with an increase in working capital coming from higher inventory and biological assets. This forced the company to pick up debt to finance the working capital. Operating profits decreased compared to the comparable period. This was the compound effect of loadshedding and the diesel costs that came with it, higher soft commodity prices and the weakening Rand putting pressure on margins. The weak operating environment meant that they couldn't push the prices onto consumers and therefore had to absorb those costs. The poultry segment faced the most challenges but was cushioned by the feed business. The disruption caused by loadshedding and ailing municipal infrastructure caused medium to long-term issues for the company as they aim to reach normalization by the end of the year.

Potential catalysts include 1) SAFEX grains trading back down at 2021 levels (in line with lower Brazil base), 2) 58% decline in USD coal prices from 2022 peaks and thus Astrals coal spend could come down dramatically (52% of energy mix) as well as a possible positive impact on Eskom, 3) Poultry is a commodity that should sell unlike non-discretionary goods and thus the current large inventory and working capital can be cleared out, 4) beyond current essential CAPEX spend on energy and water, Astral will be more independent than before which is something that peers do not have to offer.

Tiger Brands (JSE:TBS) [down 24.1% in May 2023]
TBS released their 2023 interim results in May and declined 24% with an indication that the positive FY22 results were once off, and the company faces a crunch from a weak consumer market. Revenue increased 16% for H1-23 (at the loss of 1% in volume) while the EBIT margin fell 9%. Load shedding costs amounted to R76m and going forward will likely not be less (with possibilities of Stage 8 and above). TBS benefited from consumer buying down into cheaper carbs (rather than meats) however, the consumer has many cheaper substitutes to choose from. There is an active initiation of introducing Tier 2 products alongside existing mayo and tomato sauce which will allow TBS to tap into unused capacity and also target lower LSM's. We view that growth will be muted and a significant improvement in unemployment and economic growth will be needed.

Premier (JSE:PMR) [down 6.7% in May 2023]
Premier has stated that their FY23 EPS is going to be up 83%-93% at 605-640 by achieving strong revenue and EBITDA growth. The company has successfully increased their prices over the period without a significant impact on volumes. PMR has also been shielded from load shedding to a large extent which is not expected to have a material impact on operations at this stage.

There were no other significant SENS announcements in the month of April.

Results Releases:

- Oceana 2023 Interim Results out 5 June 2023

- Premier Group FY23 results out 6 June 2023.

Highlights for May 2023

USA Rapid onset drought risk. Lack of needed rain in USA during current planting season is a risk, outlook remains volatile for 2023, but signs of a wetter season in 2024 with El Nino.

USA corn planting usually take place March to June and there has been a persistent drought through most of this 2023 season likely keeping CBOT corn high. A large part of the USA corn belt will not receive rain in the first half of June 2023 and might turn into a dry pattern for the second half of June. With these being very key months for plantings we expect yields and acres planted to decline, and for Chicago corn to trade on weather in the next few months as USA remains dry. USA Soybeans traded lower in May and back to Q4 2021 likely as a result from increase supply from Brazil and a drop in demand for USA soybeans. The weather in USA is significant as it its the largest food producing reagion in the world followed by rising Brazil.

Exhibit 1: US National Weather Service issues risk of Rapid Onset Drought (Valid 06/08/2023 - 06/14/2023) near the end of the corn planting season in the middle of the corn belt

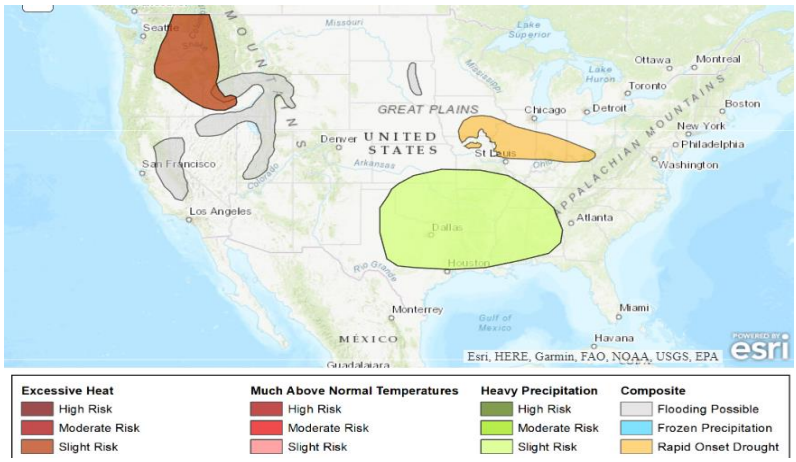
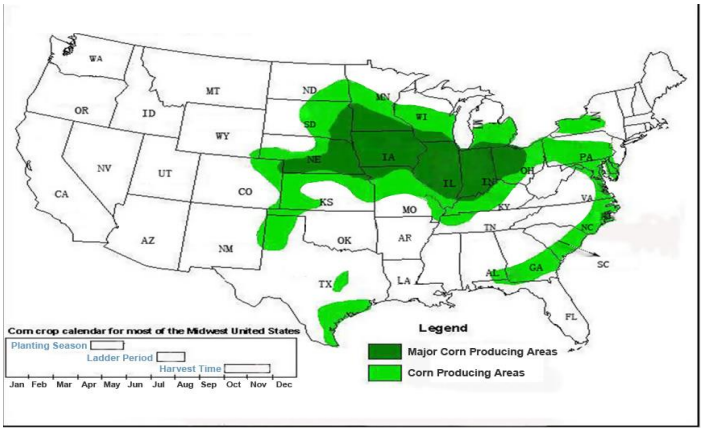


Exhibit 2: Corn farming areas & planting season cycle



Source: NWS Climate Prediction Center

Exhibit 3: Chicago Corn likely to remain high (despite rest of world corn prices coming down) & trade on weather through to July 2023 unless drought improves

Highlights for May 2023

SAFEX Soft Commodities - Pull back in prices back to Q4 2021 to provide input cost relief for food producers. Asia opting out of high priced US grain for Brazil and SA at a better price

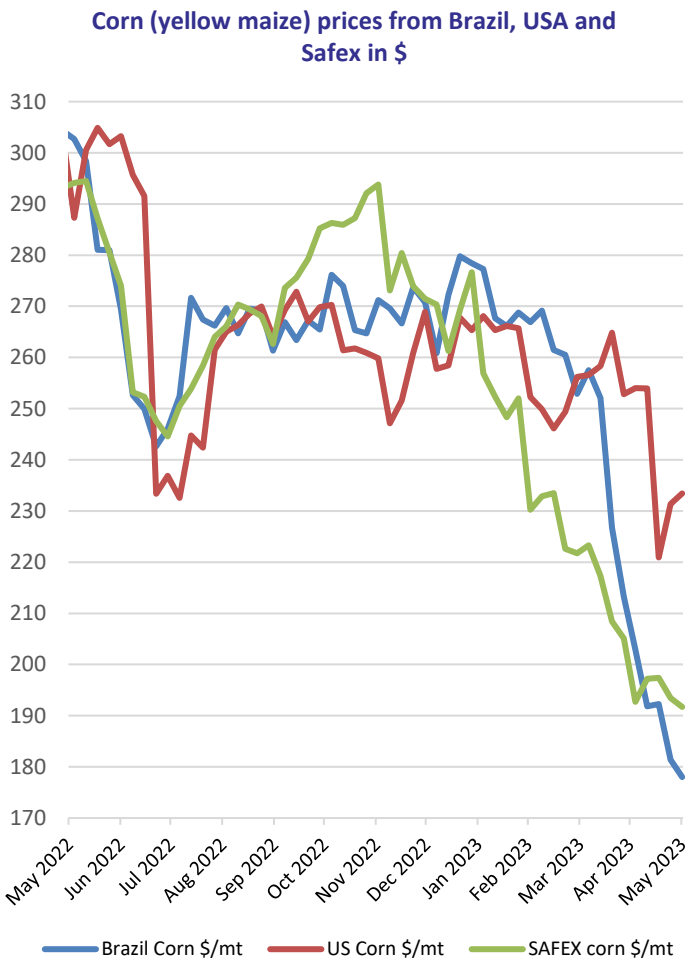
Record soy production in Brazil as well as higher production in South Africa is ensuring local supply with surplus to export. The Brazilian and South African crop is now selling way below Chicago in international markets which is further driving Chinese interest to the south as a better price per tonnage is being offered. This is also pulling SAFEX markets down as a result and benefiting food producers.

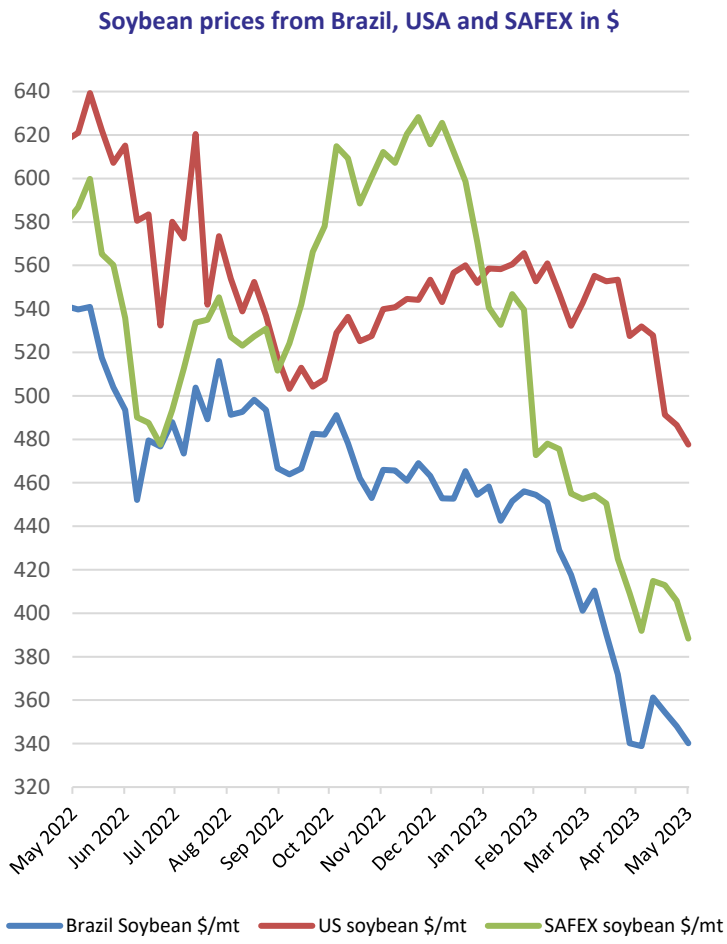
We are of the opinion that at the moment SAFEX is trading well below the Chicago parity to compete with the Brazil prices in the Asian markets. These lower prices are also likely going to hurt farmers in the next crop season (2023/2024) as current harvests coming in May are likely already sold forward at prices seen in 2022.

The lower commodities (back to where they were late 2021) will start to benefit food producers that pushed food prices 12% in 2022 (StatsSA Dec 2022). Apart from the additional costs related to electricity generation, the relief on input prices should support recovery in margins in the second half of 2023.

SA grain exports are fully booked for the rest of the year supported by additional demand from China as SA has more competitive prices than Chicago. SA trading inline with Brazil price parity and more competitive than USA. Lack of working rail and port infrastructure in South Africa's limits the capacity that the local farming sector can export, and thus SA agriculture exports cannot reach its full potential remaining relatively less competitive than South America. Brazil grains continue to exceed expectations and the country benefit from having two crop cycles in one year. It was expected that a drop in Russian/Belarus fertilizer would have hit Brazilian farming, however, this has not materialized. Brazil also sits with logistical challenges, bad roads and a lack for grains storage which are areas that with investment would make Brazil even more competitive.

All indications point to Chicago being expensive - trading on drought conditions

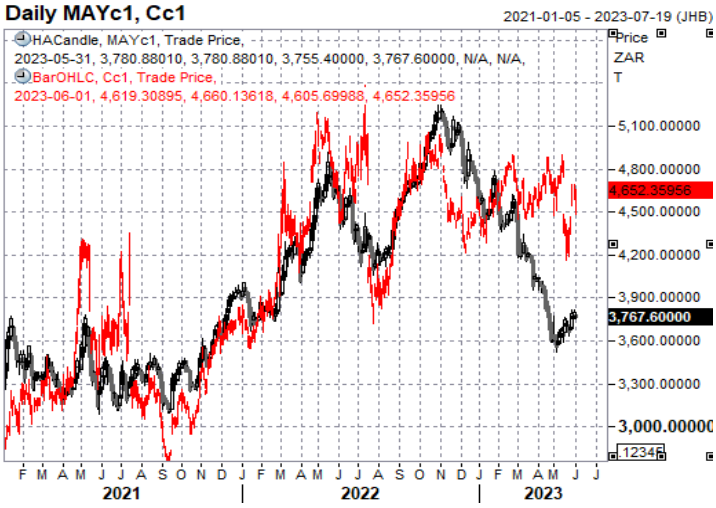




Source: Refinitiv Eikon

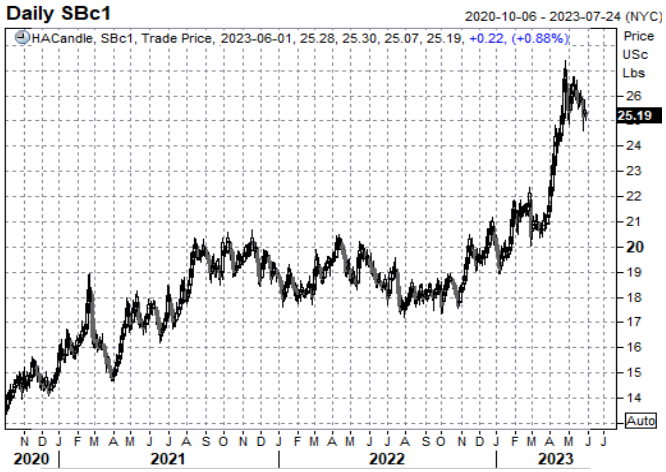
Highlights for May 2023

SAFEX Maize (Black) bounced off lows pointing to R3900 at the end of the years while US corn (red) remains expensive



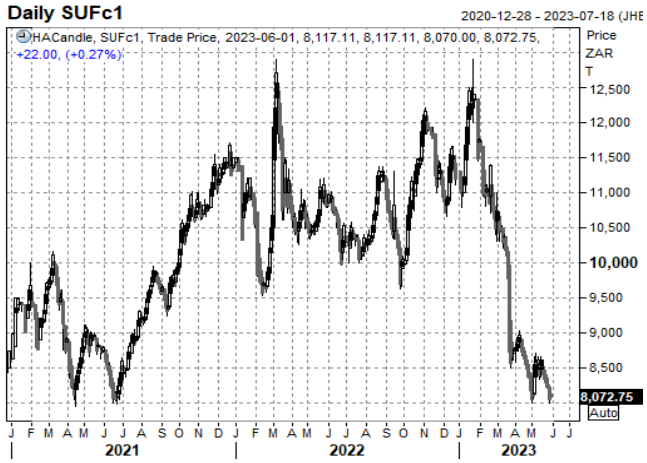
SAFEX Soy (Black) pointing down to remain competitive with large Brazil crop at significantly less than US Soy (ZAR/t)

Sugar ($c/lbs) coming down but still stubbornly high which is a major food input - up 28% YTD in $, up 51% YTD in ZAR.



Wheat (ZAR/t) remains flat despite talks of Black Sea grain deal ending, risks are wheat could soar, offset by more wheat supply this year

Sunflower seed (ZAR/t) remains low which will be a major input relief across the board. Benefiting from more supply.



White Maize (Red ZAR/t) trading about R109 less than Yellow which will benefit pricing for human consumption more than feed compared to 6 month ago.

Source: *Refinitiv Eikon*

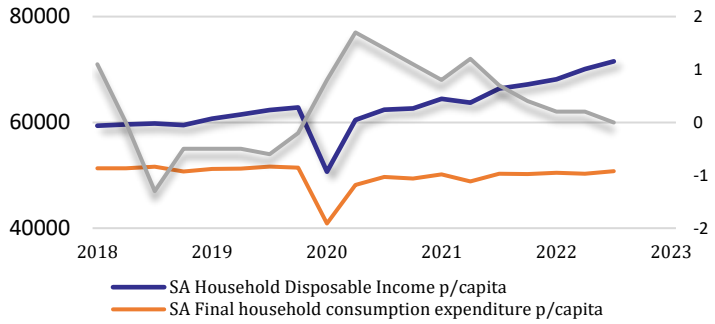
SA Economic Snapshot

Consumer Market - Rand slide with interest rate hikes not enough

Petrol prices expected to decline R1.27-R1.37 p/l off the back of lower oil prices and should leave a few extra Rands in consumers' pockets. The SARB rose interest rates by another 50 basis points yet the Rand immediately weakened, closing at R19.79 on the 25th of May from R19.2 to the USD. This indicated that 50bp was not enough. Much like in 1998, high interest rates were not enough to support the Rand. Despite SA Inc ratings are significantly lower relative to other emerging markets, we suspect it is going to take a lot more tangible improvement in South Africa's infrastructure, electricity and service delivery before foreign investment will return. In 2022 the Rand decline significantly (from a strong dollar) and the commodities boom in 2022 also helped to support the Rand, however, these circumstances are not the case currently. On a technical basis we view that the Rand could decline to R22 to USD until the 2024 elections and only to recover off of a USA recession or an improvement in loadshedding and leadership. The significant Rand depreciation will make all imports more expensive and contribute to additional inflationary pressures across all manufacturing and industrial sectors while benfiting exporters.

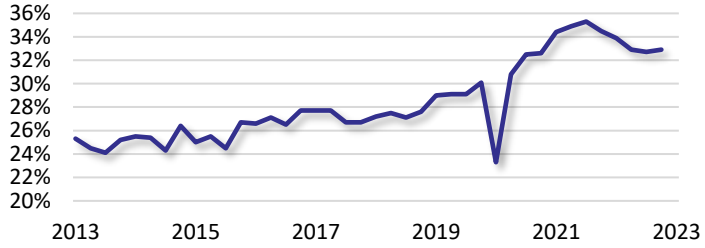
The PPI came in at 8.6% in April, down from 10.6% in March, continuing its contraction since July 2022. Headline CPI decreased to 6.8% YOY in the month of April, from 7.1% in the previous month, however, it increased by 0.4% on a month-on-month basis. Inflation on food and non-alcoholic beverages decreased to 13.9% YOY, coming down from 14.4% in the previous month. With this, the market anticipated further interest rate hikes by the SARB, with some analysts expecting a hike of up to 75bps on the 25th of May. After a hawkish speech by the governor with the market watching anxiously, the repo rate was hiked by 50bps.

Fig 5: SA Disposable Income & Final Consumption Trends



Source: Stats SA; next release date end of July 2023

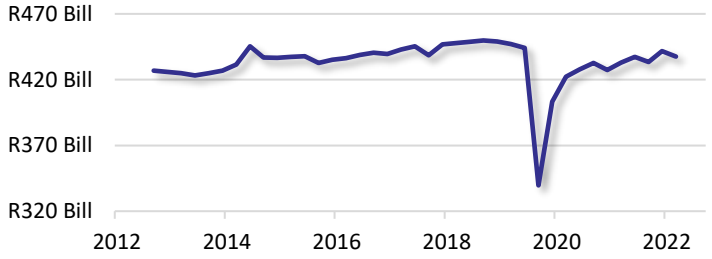
Fig 6: SA Official Unemployment Rate



Source: Stats SA

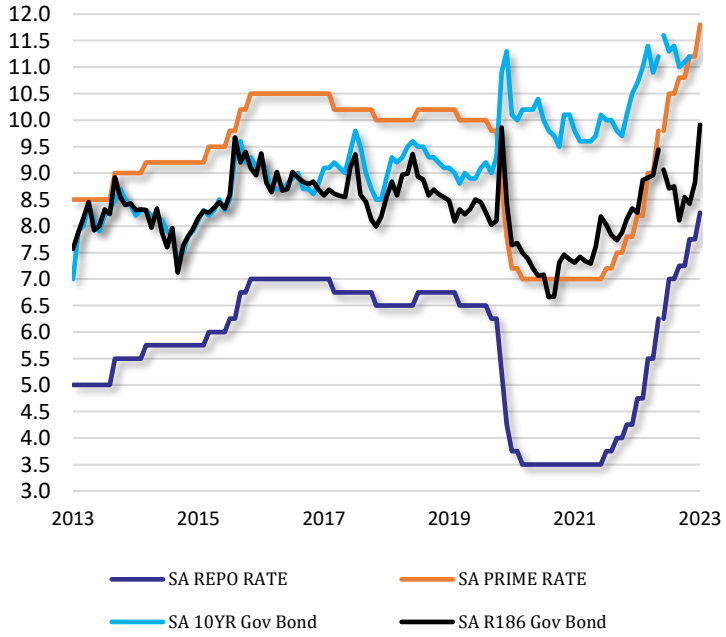
Fig 7: SA GDP: Government Taxes less Subsidiaries

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



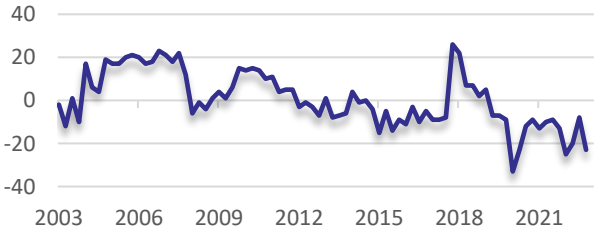
Source: Stats SA

Fig 8: SA Fixed Income Interest Rate Trends



Source: South African Reserve Bank

Fig 9: Business Confidence Index 2020=100



Source: SA FNB/BER CONSUMER CONFIDENCE INDEX NADJ

SA Inflation Snapshot

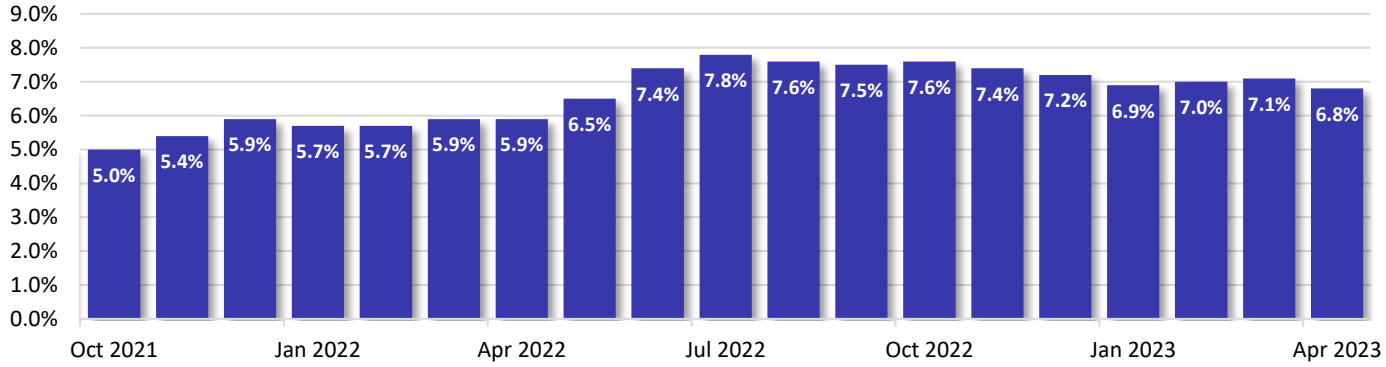
SA - Food Inflation

South Africa's food inflation remains well above CPI

Food and non-alcoholic beverage inflation for all urban areas advanced and now sits at 13.95% for the year up until Feb 2023 according to Stats SA (down from 14.05% in March 22). The recent surge in prices have been a result of the significant weakening of the Rand, soaring commodities in 2022 and load shedding, which should improve as SAFEX commodities have declines. Russian invasion of Ukraine caused prices for oilseeds and grains to surge in 2022 however, since March all key SAFEX commodities came down significantly indicating that input inflation should start to ease on food producers. Going forward we only see logistics, load shedding and much higher sugar prices being a challenge from the input cost side for JSE Food Producers. 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.

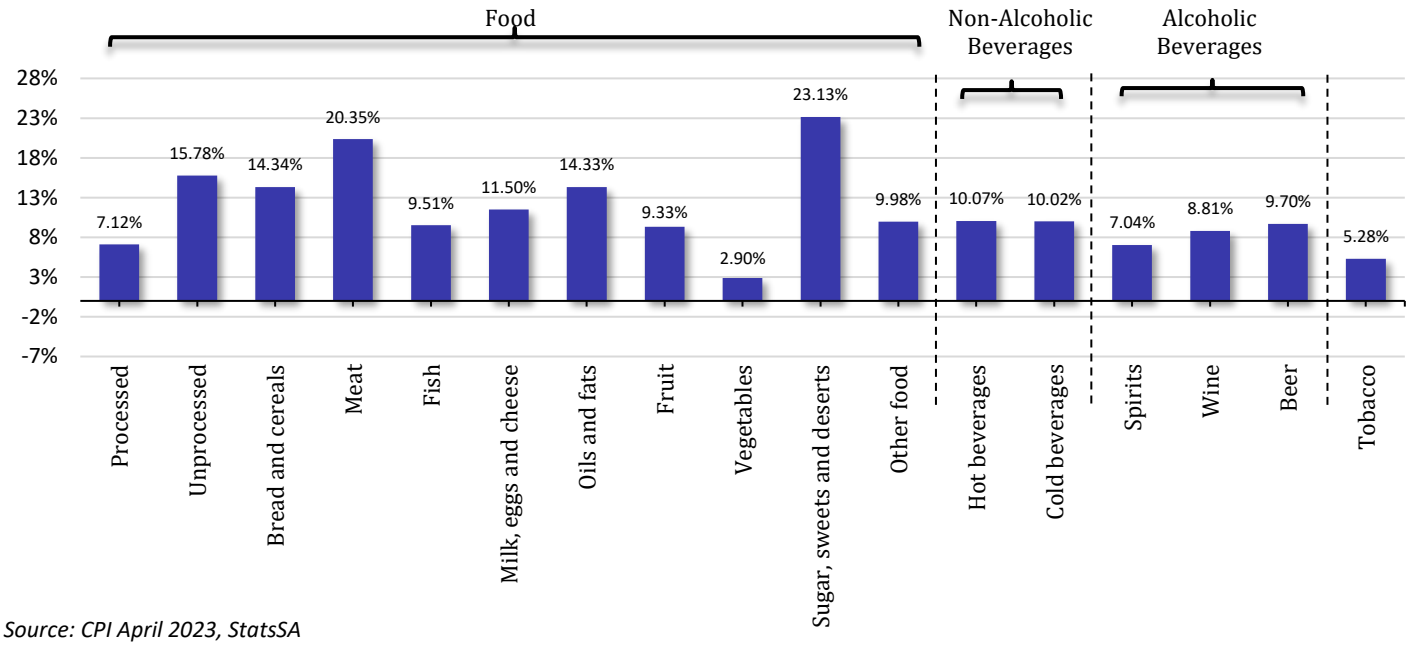
Fig 11: South Africa YoY Annual CPI

Annual consumer price inflation as reported by Stats SA was 6.8% in April 2023, down from 7.1% in March 2023. The consumer price index increased by 0.4% month-on-month in April 2023. The largest movers contributing to the 2023 annual inflation rate were Public transport (15.4%); Food (All) (14.3%); Food and non alcoholic beverages (14%); Personal care (11.9%); Books, newspapers and stationery (11.7%); Non-alcoholic beverages (10.1%); Package holidays (9.1%).



Source: CPI April 2023, StatsSA

Fig 12: SA CPI - Total Country - Apr 2023 vs Apr 2022 (YoY % change)



Source: CPI April 2023, StatsSA

Inflation Snapshot (continued...)

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

Food and non-alcoholic beverages remains much higher (13.95%) than the total CPI annual rate (6.8%).

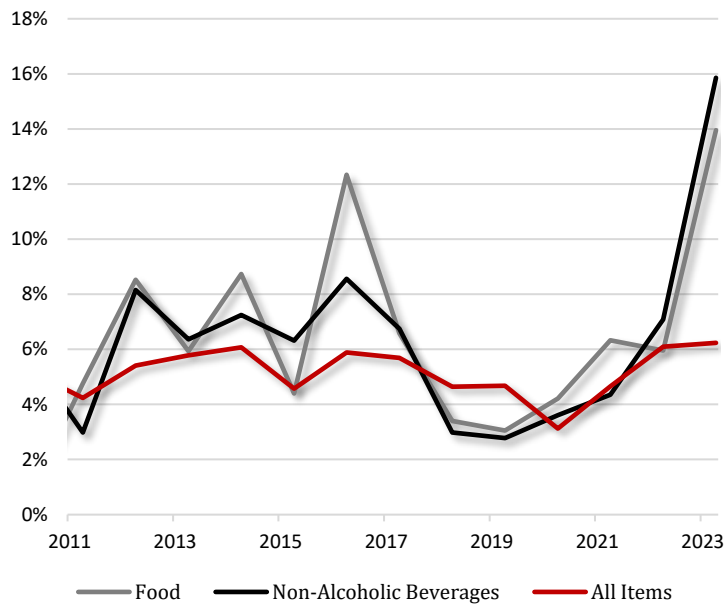
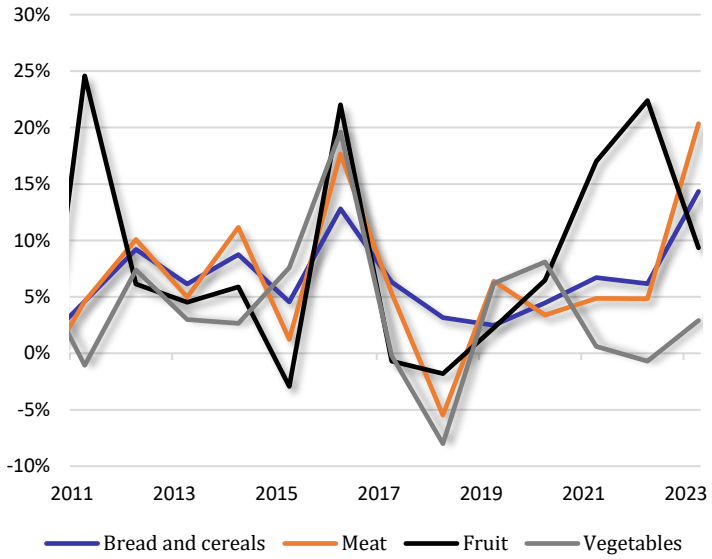


Fig 14: SA CPI Bread & Cereals, Fruits, Vegetables & Meat Trends (YoY 5 change)

Prices of fruits increased 9.33% and vegetables increased by 2.9%, respectively, in Aprily 2023. Meat prices remain high increased by 20.35% annually up until April 2023, while Bread and Cereals are at 14.34%



Source: CPI April 2023, StatsSA

As can be seen in Figure 15, South Africa has had some of the highest Consumer price inflation rates on Food compared 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 May 2021 the average Food inflation for the year in the group below was 10,12% (SA = 19%).

Fig 15: World Core CPI Trends (Indexed 2013)

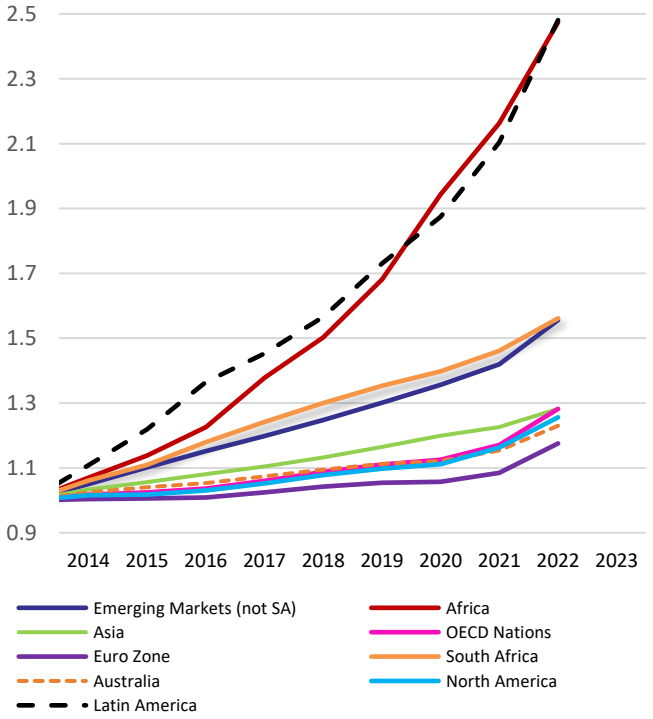
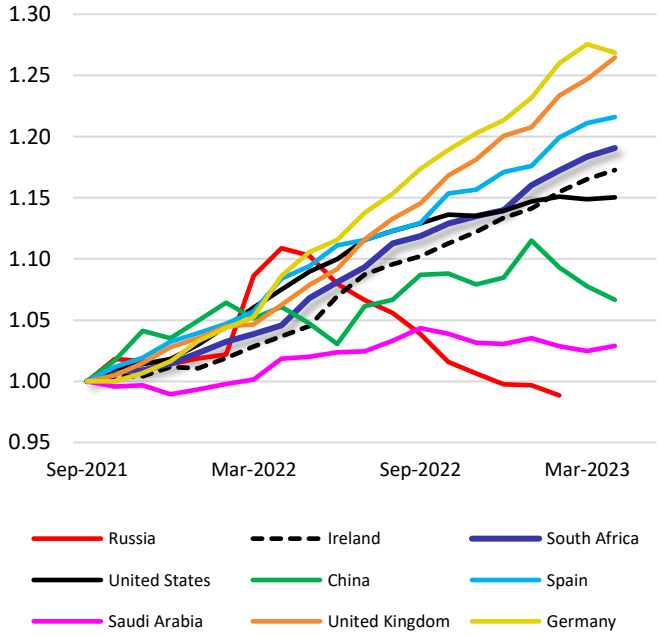


Fig 16: World CPI Trends (Food & Non-Alc. May 2021=1)



Source: Refinitiv Eikon

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

Inflation Snapshot (continued...)

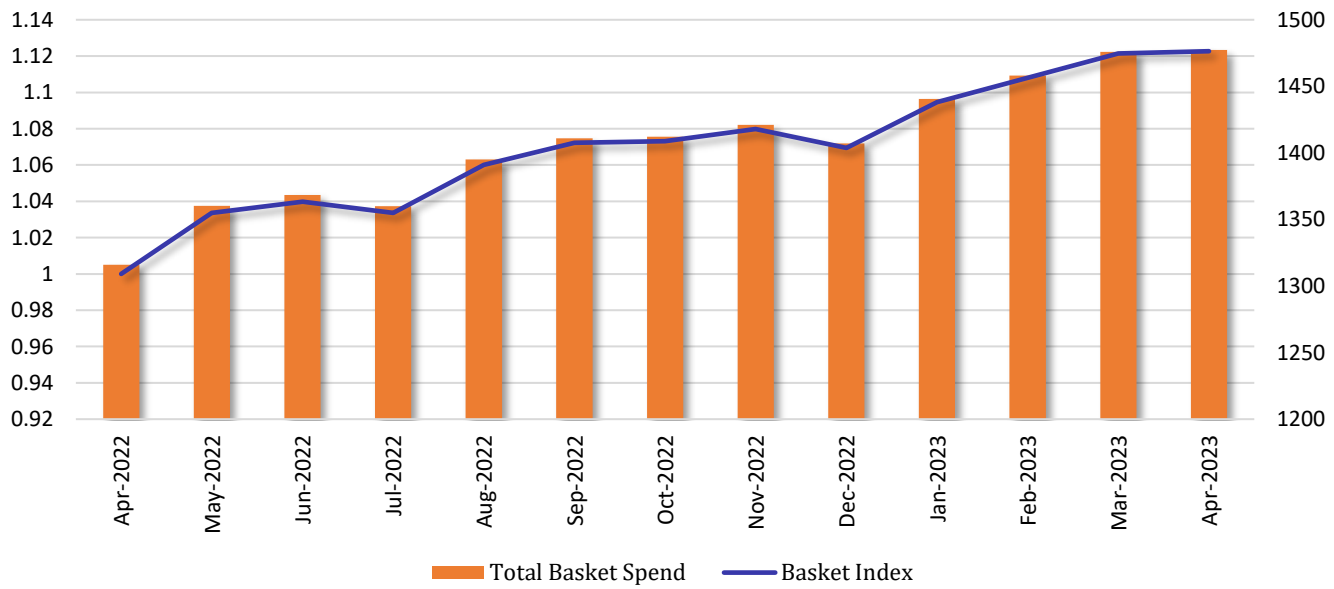
Table 1: Afrifocus Montlhy Food Basket Cost

The Table below is compiled by Afrifocus using a grocery basket with basic food staples assumed to sustain a healthy diet for one person for a month. For the month of April 2023 the basket cost a person 0.11% more than in March 2023 and 12.27% more than a year ago in April 2022.

Food Item	Apr-2022	Feb-2023	Mar-2023	Apr-2023	YoY % chg	Basket QTY
750ml Sunflower oil	34.89	37.47	36.82	36.34	4.2%	1
1kg Tomatoes	23.81	28.09	29.79	30.89	29.7%	1
Onions	15.30	22.53	22.02	23.2	51.6%	1
Tin of baked beans	12.64	14.39	14.88	15.06	19.1%	2
Loaf of white bread	16.24	18.79	18.97	19.07	17.4%	4
200g Gouda cheese	31.12	35.69	39.42	36.95	18.7%	1
2.5kg Maize Meal	27.84	37.63	37.86	37.98	36.4%	2
500g Pasta	23.41	25.94	26.14	26.15	11.7%	2
1L FC Longlife Milk	16.02	18.24	18.48	18.71	16.8%	4
500g cereals	44.05	48.35	49.19	49.01	11.3%	2
2.5kg White Sugar	48.46	50.15	51.48	50.9	5.0%	1
1kg beef mince	102.09	108.17	108.48	108.04	5.8%	1
1kg Stewing beef	99.59	103.72	107.8	106.24	6.7%	2
Cabbage	17.78	20.59	20.71	21.69	22.0%	1
170g tinned Tuna	22.06	24.75	23.87	23.84	8.1%	1
6 eggs	20.38	21.13	21.25	21.59	5.9%	2
1kg Potatoes	13.72	16.4	17.22	17.76	29.4%	2
2kg IQF Chicken Portions	85.68	91.15	92.94	92.5	8.0%	2
Whole Chicken	58.50	61	58.62	57.59	-1.6%	2
1kg Carrots	13.00	14.63	15.45	17.5	34.6%	1
1kg pork chops	83.02	104.98	102.35	105.02	26.5%	1
1kg Rice	23.75	23.54	23.85	24.13	1.6%	1
Basket cost	**1315.94**	**1458.13**	**1475.84**	**1477.38**	**12.3%**	**37**

Source: StatsSA and the Afrifocus Grocery Basket.

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



Source: CPI All Urban April 2023, Stats SA and Afrifocus calculations using food own basket

Grains & Crop Snapshot

SA Grains Industry

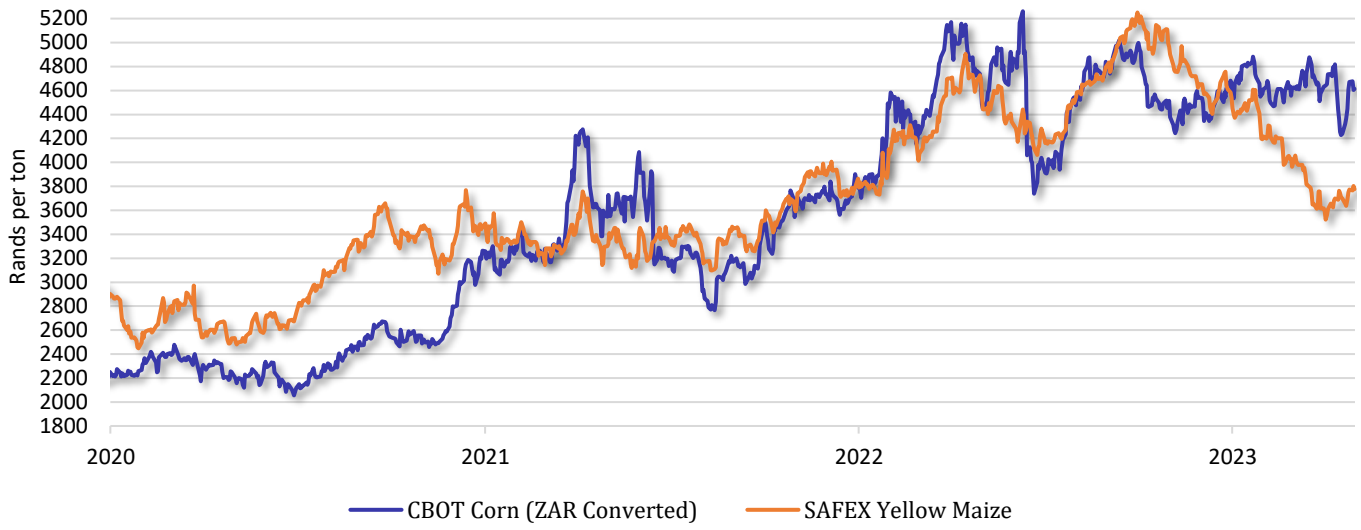
South Africa has some relief from record high maize prices above R5200 per ton

We expect SAFEX Maize to trade below Chicago parity for some time as the Brazil prices have collapsed dramatically. This means that South Africa has to trade inline with the Brazil crop prices in order to remain competitive with Brazil in selling to Asian markets. The lower prices will benefit all food producers and especially the big millers, Premier, TBS, RCL and Astral. 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. This is keeping CBOT Corn prices up.

High SA Maize exports are driving local SAFEX maize prices to trade in line with Brazil prices and less so CBOT. We anticipate these lower grains prices will hurt local farmers that went long on the high prices seen in late 2022 and thus there might be a big drop in crop plantings in November - Decemebr 2023 if the prices remain low.

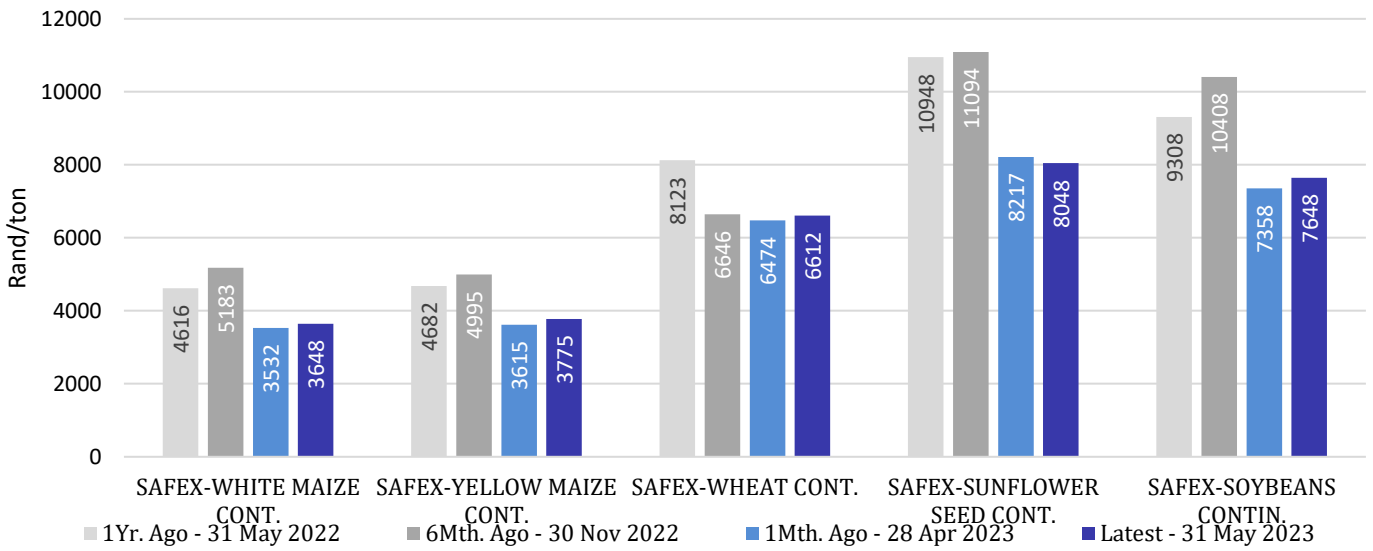
SAFEX maize futures are pointing to R3900 towards the end of 2023.

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)

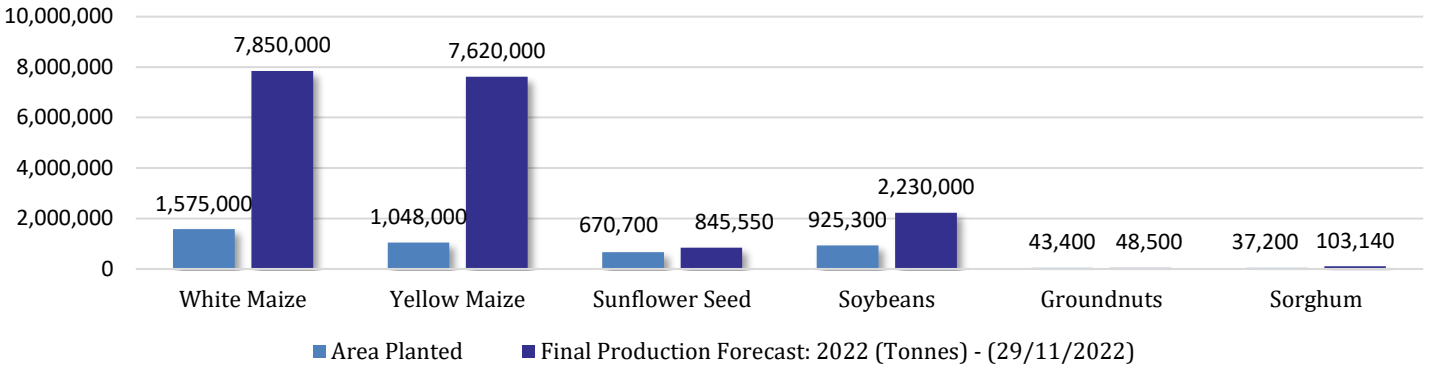


Source: Refinitiv Eikon

Grains & Crop Snapshot(continued...)

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

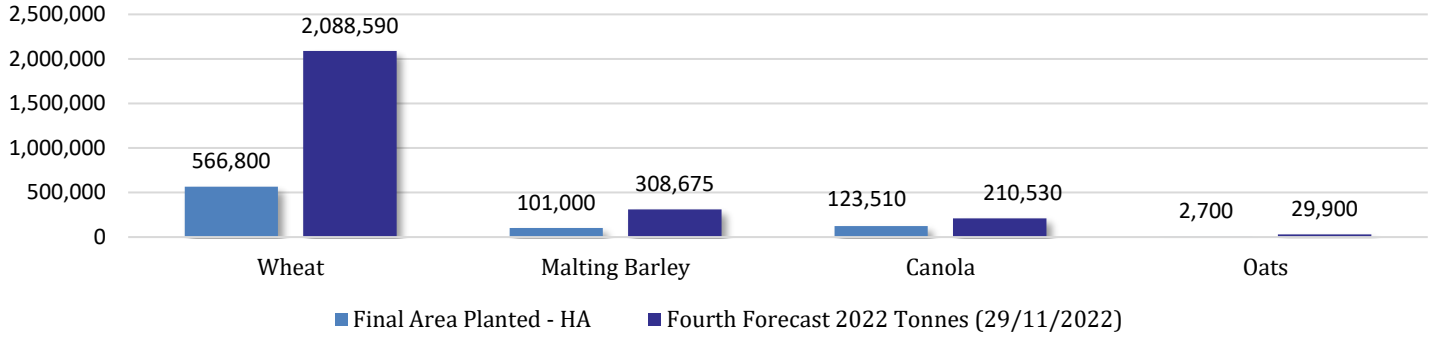
The production forecast for white maize has been set at 7.85 million tonnes, which is 5% more than the previous forecast of 7,470 million tonnes. The yield for white maize is 4.98/ha. In the case of yellow maize the production forecast is 7,62 million tonnes, which is 5.2% more than the previous forecast of 7,243 million tonnes. The yield for yellow maize is 7.27 t/ha.



Source: Department of Agriculture, Land Reform & Rural Development

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

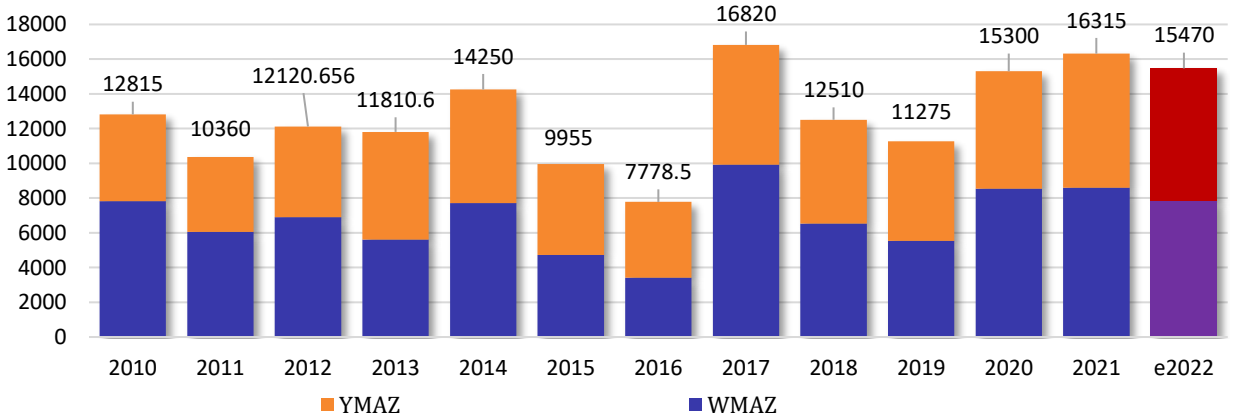
The expected production of wheat is 2,089 million tonnes. The area estimate for wheat was revised to 566,800 ha. The production forecast for barley is 308,675 tonnes. The area planted for barley is estimated at 101,000 ha. The expected canola crop is 210,530 tonnes. The expected crop for oats for the 2022 season is 29,900 tonnes and the revised area planted is 2700 ha.



Source: Department of Agriculture, Land Reform & Rural Development

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

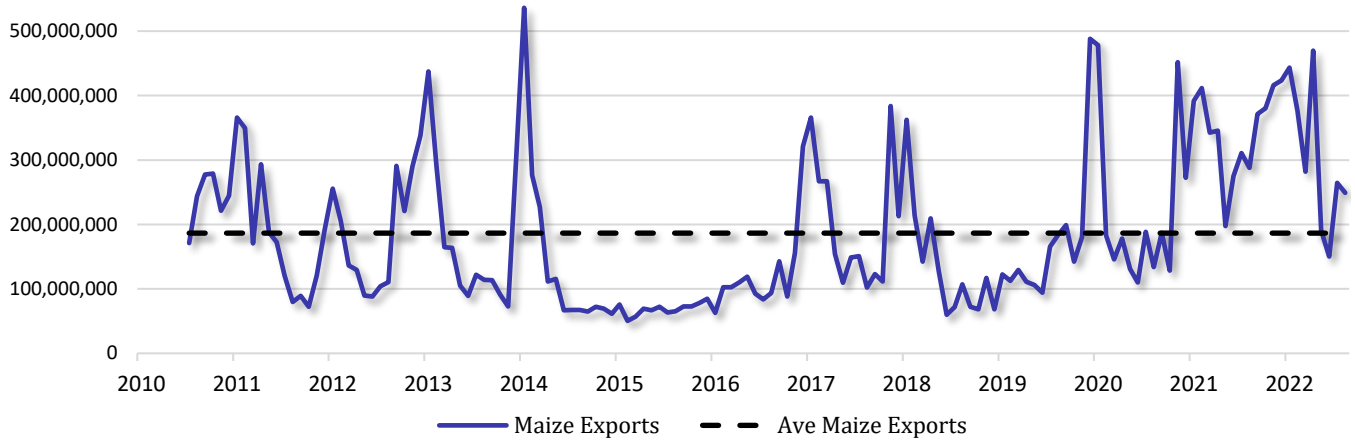
Due to good harvests recently, South Africa has been able to sustain a surplus of maize (yellow and white) over recent years. However, this is expected to decline by 5,5% in 2023 from 16 315 million tons to 15 470 million tons according to CEC Final Production forecast. The recent surplus has help local 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. However, this has declined sharply in December 2022 likely as a result of Inefficient ports and rail hampering the ability to export. Main export destinations are Japan, Taiwan and Europe. Due to less exports and surplus supply, SAFEX grain prices have been trading well below international fair prices which should be aiding food producers to recover input costs seen in 2022.



Source: Department of Agriculture, Land Reform & Rural Development

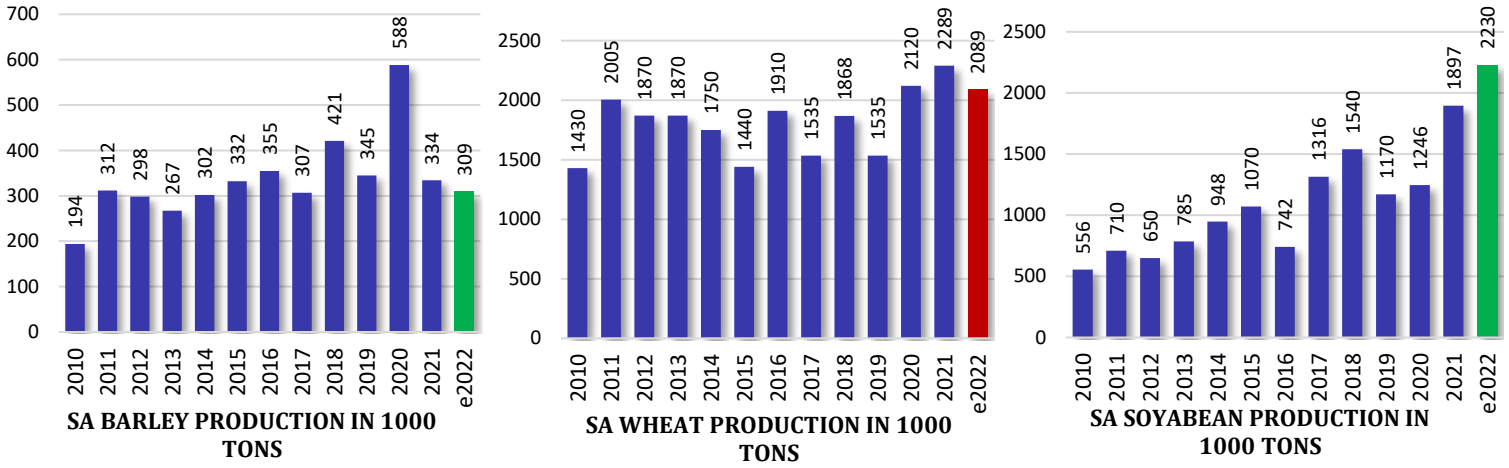
Grains & Crop Snapshot (continued...)

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



Source: SARS, 2022

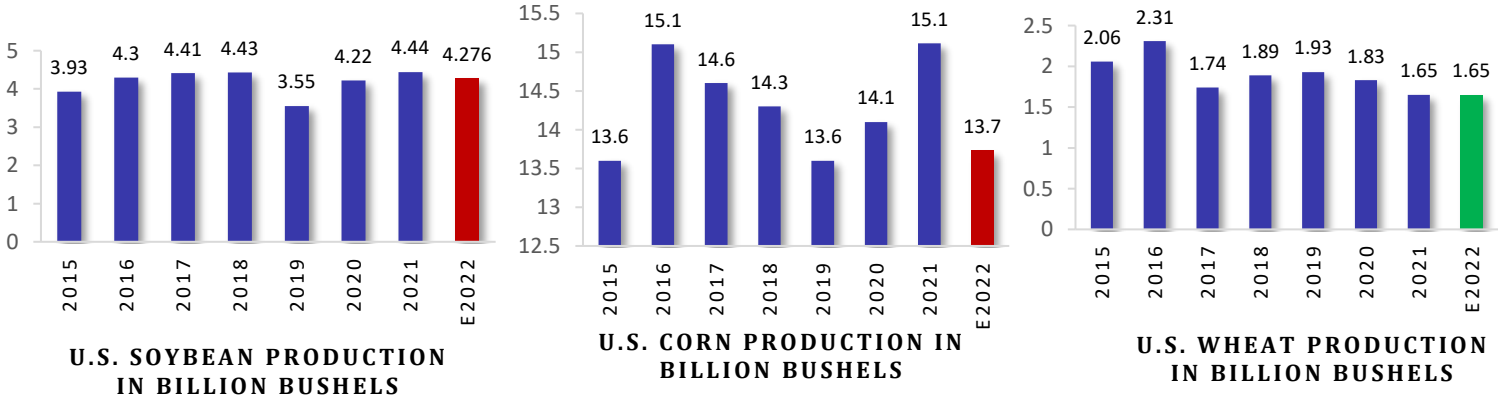
Fig 24: SA Wheat, Soyabean and Barley Production



Source: Department of Agriculture, Land Reform & Rural Development

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 could be seen in Figure 18 and 23 above, 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, soybean and corn are forcasted to be down as opposed to the previous years while wheat remains flat.



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

Agri & Livestock Commodities Outlook

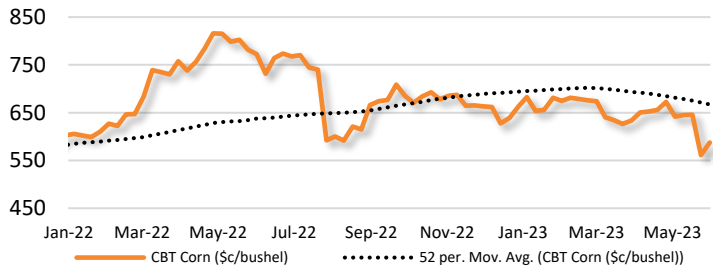
Livestock	Latest Price	%	Q1/23	%	Q2/23	%	Q3/23	%	Q4/23
Beef (BRL/Kg)	19.56	-0.4%	19.49	-0.7%	19.35	-0.7%	19.22	-0.7%	19.0
Live Cattle (USD/Lbs)	156.8500	1.9%	159.7527	1.1%	161.5847	1.2%	163.4484	1.1%	165.327
Lean Hogs (USD/Lbs)	85.0750	6.6%	90.6710	3.1%	93.4509	3.1%	96.3275	3.1%	99.283
Poultry (BRL/Kgs)	7.65	1.7%	7.78	1.3%	7.88	1.3%	7.98	1.4%	8.0
Feeder Cattle (USD/Lbs)	182.7000	2.4%	187.0157	1.9%	190.5402	1.9%	194.1197	1.9%	197.754
Eggs US (USD/Dozen)	5.16	10.7%	5.71	8.1%	6.17	7.9%	6.66	8.0%	7.1
Eggs CH (CNY/T)	3,930.00	92.0%	3,773.93	-7.4%	3,642.56	-7.7%	3,515.87	-8.1%	3,393.4
Salmon (NOK/KG)	83.75	6.5%	89.18	6.5%	94.96	6.5%	101.11	6.5%	107.6

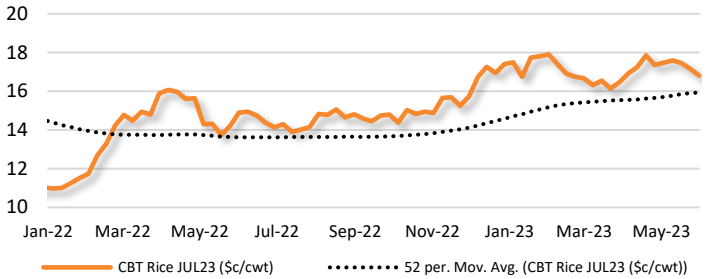
Agri Commodities	Latest Price	%	Q1/23	%	Q2/23	%	Q3/23	%	Q4/23
Soybeans (Usd/Bu)	1,498.25	3.7%	1,553.38	2.3%	1,588.76	2.3%	1,625.06	2.3%	1,662.1
Wheat (Usd/Bu)	775.60	5.8%	820.42	3.7%	850.88	3.7%	882.44	3.7%	915.2
Lumber (USD/1000 BF)	363.50	-2.2%	355.35	-4.9%	337.90	-4.9%	321.31	-4.9%	305.5
Palm Oil (MYR/T)	4,212.00	64.4%	3,992.43	-8.7%	3,818.79	-9.1%	3,652.67	-9.6%	3,493.6
Cheese (USD/Lbs)	2.0500	2.0%	2.0916	2.0%	2.1341	2.0%	2.1773	2.0%	2.221
Milk (USD/CWT)	20.46	2.1%	20.89	2.0%	21.31	2.1%	21.75	2.0%	22.1
Wool (AUD/100Kg)	1,331.00	-0.8%	1,319.69	-0.8%	1,308.51	-0.9%	1,297.33	-0.9%	1,286.2
Rice (USD/cwt)	17.9700	1.7%	18.2764	1.6%	18.5731	1.6%	18.8735	1.6%	19.179
Cotton (USD/Lbs)	83.46	-3.9%	80.18	-3.9%	77.03	-3.9%	74.01	-3.9%	71.1
Tea (USD/Kgs)	2.83	-2.5%	2.76	-2.2%	2.70	-2.6%	2.63	-2.3%	2.5
Canola (CAD/T)	864.20	-3.1%	837.28	-2.5%	816.68	-2.5%	796.60	-2.5%	777.0
Sugar (USD/Lbs)	19.70	3.6%	20.41	1.9%	20.79	1.8%	21.17	1.9%	21.5
Oat (USD/Bu)	362.9594	-4.8%	345.4280	-5.4%	326.6515	-5.4%	308.8614	-5.4%	292.057
Rubber (USDc/Kg)	133.80	-4.3%	128.05	-1.6%	125.94	-1.7%	123.86	-1.6%	121.8
Orange Juice (USD/Lbs)	203.00	5.3%	213.81	3.6%	221.49	3.6%	229.43	3.6%	237.6
Coffee (Usd/Lbs)	166.30	-2.5%	162.21	-3.0%	157.28	-3.0%	152.49	-3.0%	147.8
Cocoa (USD/T)	2,572.00	5.4%	2,656.94	3.5%	2,715.18	3.5%	2,774.46	3.4%	2,835.3
Rapeseed Oil (EUR/T)	594.75	-5.1%	564.39	-3.4%	545.22	-3.4%	526.64	-3.4%	508.7
Potatoes 9EUR/100KG)	29.00	3.9%	30.13	4.6%	31.53	4.6%	32.99	4.6%	34.5
Sunflower Oil (USD/T)	1,285.00	-2.2%	1,256.73	-2.2%	1,229.10	-2.2%	1,201.99	-2.2%	1,175.6
Butter (EUR/T)	5,150.00	-8.7%	5,050.09	85.9%	4,952.24	-4.9%	4,855.94	-5.1%	4,761.6
Corn (USD/Bu)	670.8787	3.5%	694.2744	2.3%	710.4881	2.3%	727.1767	2.3%	744.136

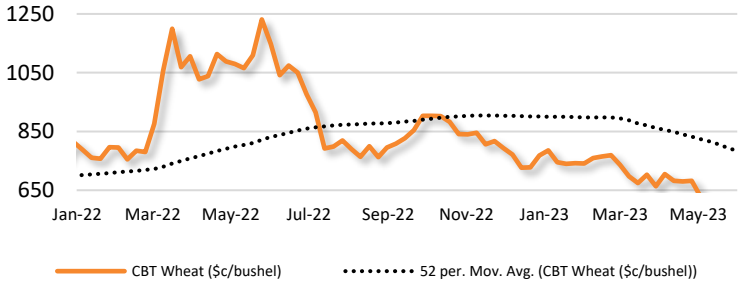
Source: Trading Economics; values as at 03 April 2023

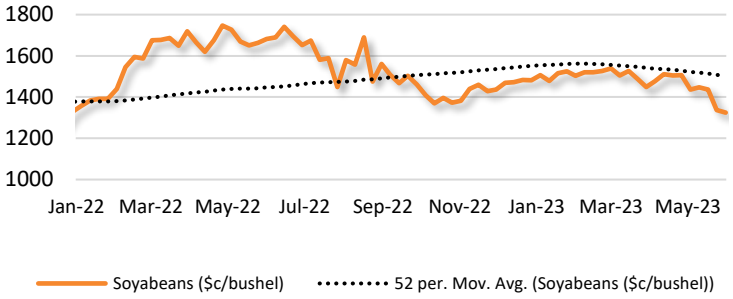
Soft Commodities Snapshot

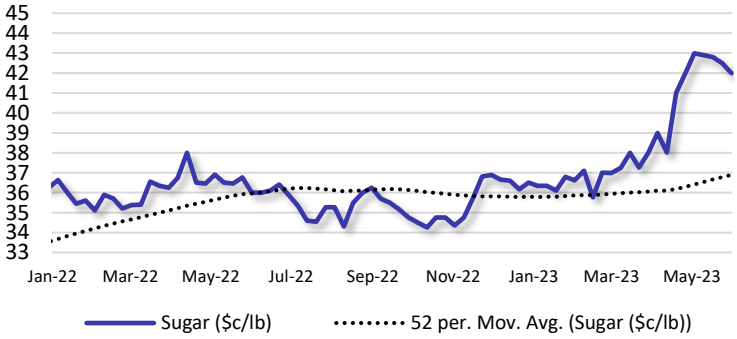
Date	CBT Corn ($c/bushel)	CBT Rice JUL23 ($c/cwt)	CBT Wheat ($c/bushel)	Soyabeans ($c/bushel)	Sugar ($c/lb)	Milk (NFD $c/lb)	Sunflower Oil ($/MT)	Coffee ($c/lb)	Live Cattle ($c/lb)	Lean Hog ($c/lb)
27 Jan 2023	683.0	17.7	750.0	1509.5	36.9	137.8	1220.0	169.9	156.7	75.9
24 Feb 2023	650.0	16.4	708.3	1529.0	37.2	125.3	1180.0	191.2	165.2	86.0
Feb % chg.	-4.8%	-7.1%	-5.6%	1.3%	1.1%	-9.1%	-3.3%	12.5%	5.4%	13.4%
31 Mar 2023	660.5	17.18	692.25	1505.5	39.25	120.5	1090	170.5	168.35	75.25
Mar % chg.	1.6%	4.6%	-2.3%	-1.5%	5.4%	-3.8%	-7.6%	-10.8%	1.9%	-12.5%

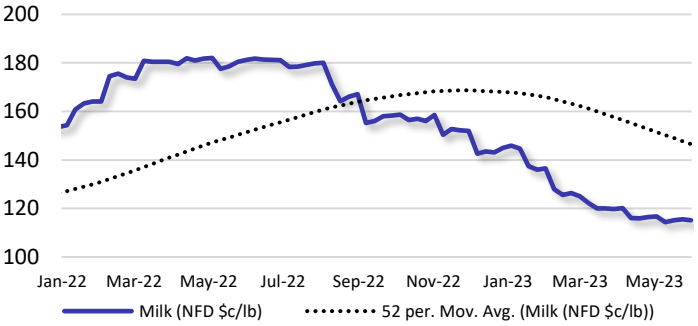


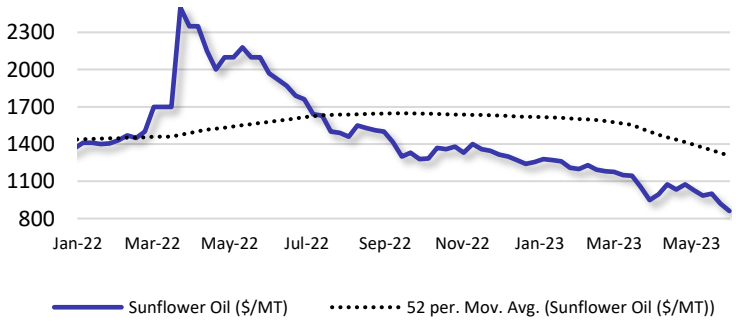


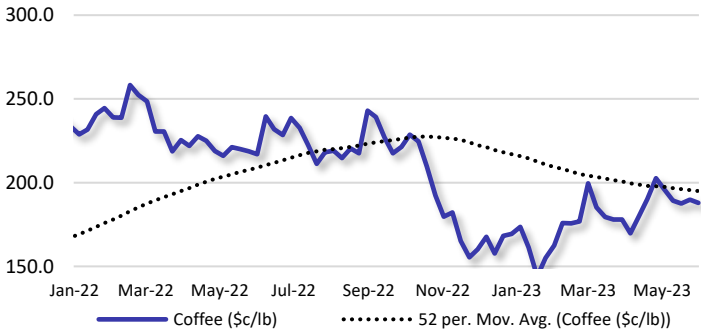


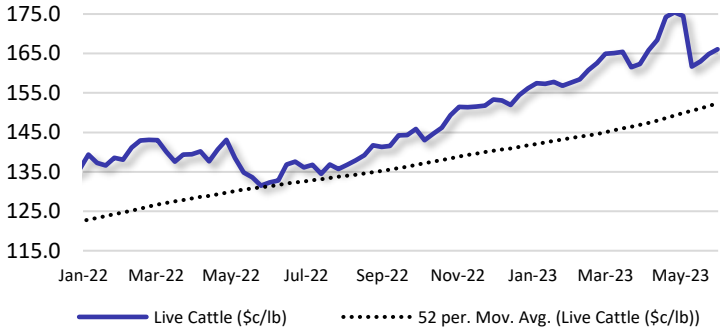


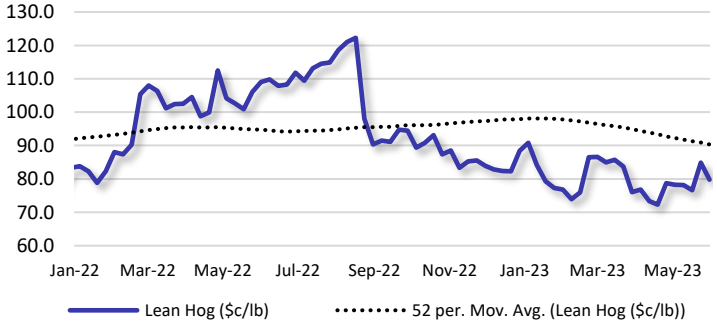






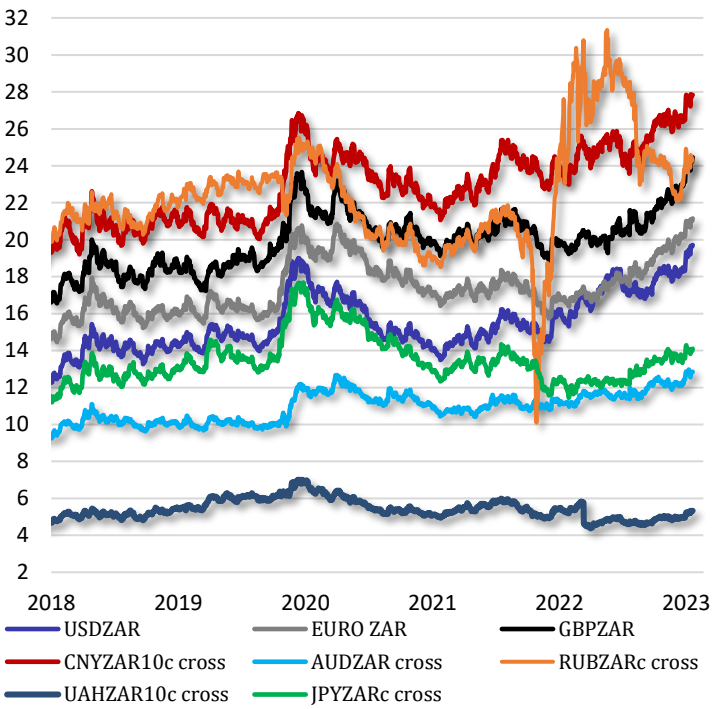






Currency Snapshot

Fig 46: Rand relative to other world currencies



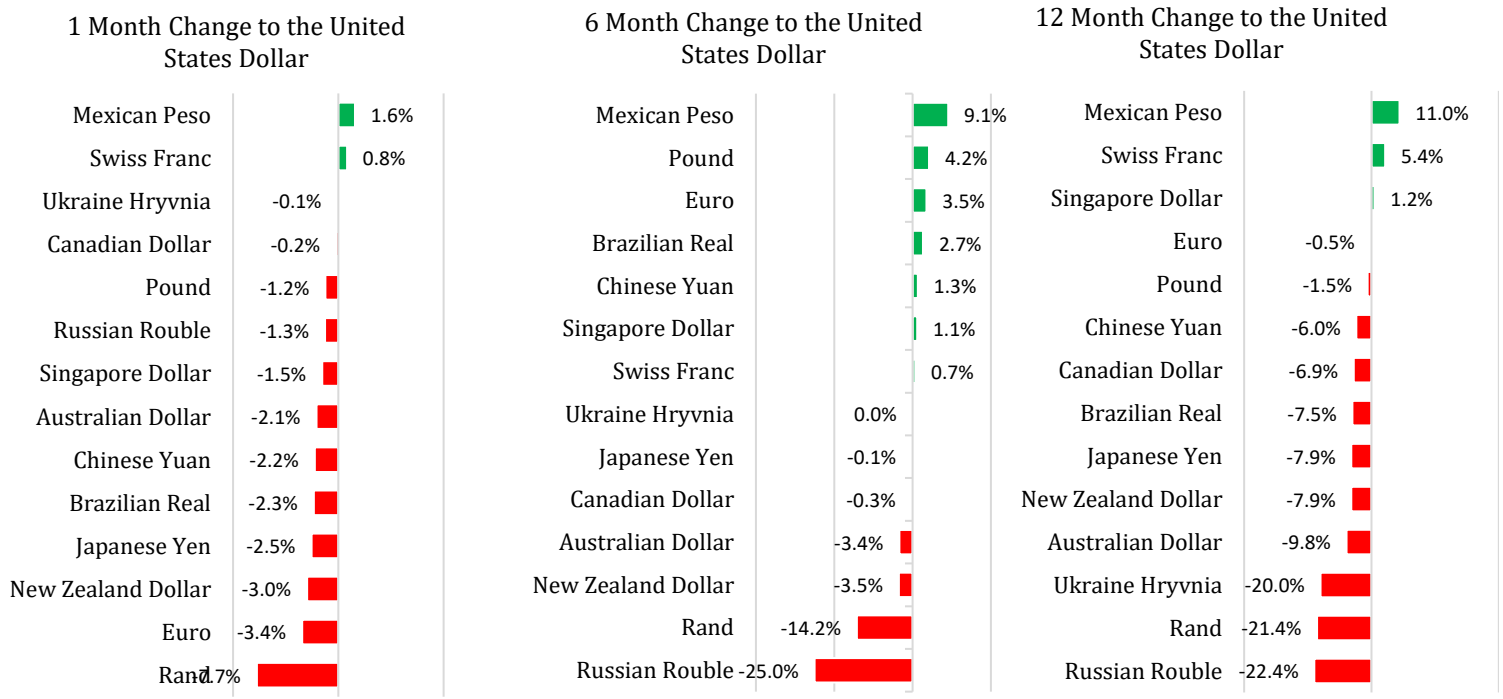
Source: Refinitiv Eikon

Fig 47: 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. The Rand weakened at an accelerated rate in May, feeling the compound effects of falling rhodium and platinum prices, the anticipation of a change in credit rating which ended up staying unchanged and stable, fears of sanctions after a comment by a US Ambassador, and what the SARB describes as idiosyncratic factors such as loadshedding, logistics constraints and a low growth rate compared to the country's peers. The SARB raised the repo rate another 50bp and the currency still did not hold up.

Fig 48: Major Global Currency Strength Changes to the Unites States Dollar



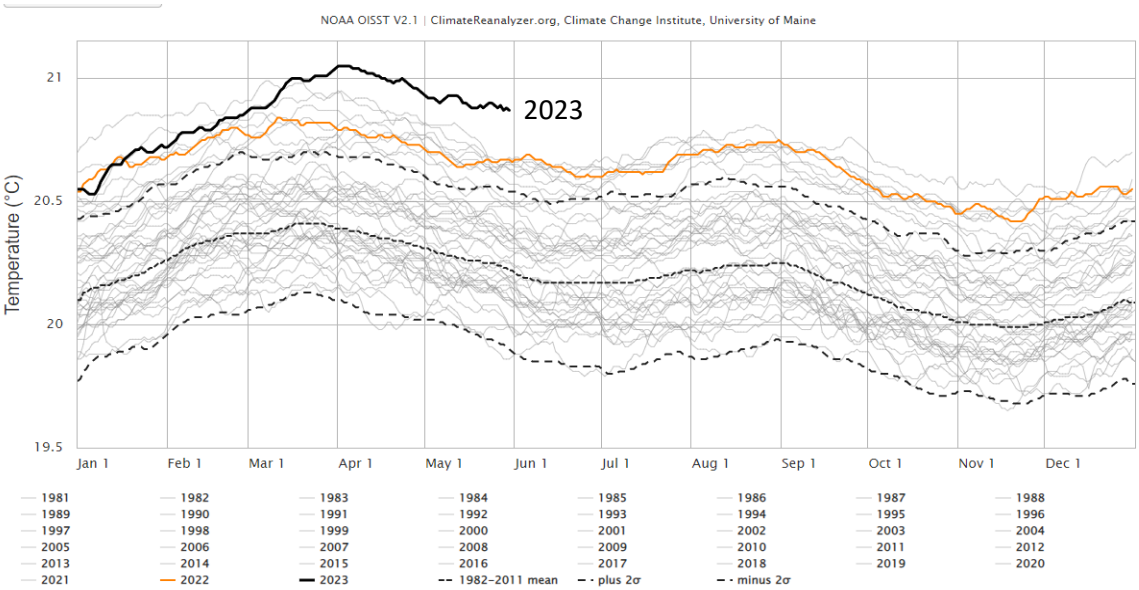
*Source: Refinitiv Eikon; ** negative indicates that the currency has depreciated relative to the US Dollar*

Climate Snapshot

Climate Outlook - El Nino development & Warmer Ocean Temperatures

Changes in wind patterns over the Pacific Ocean are what cause El Nino. The predominant winds typically blow from east to west, pushing Indonesia's direction with the warm surface waters of the tropical Pacific Ocean. This enables chilly water to rise up along South America's coast. The Peruvian fishing sector benefits greatly from the cool water's abundance of nutrients and fish. However, the winds that blow across the surface of the tropical Pacific Ocean ease during an El Nino year. Although its cause is unknown, this can have very negative consequences. The nutrient-rich cold waters remain hidden while the warm water sloshes back towards South America, ensuring a dearth of fish. El Nino's effects on fish stocks can

Fig 49: Ocean Temperatures SST 60S-60N



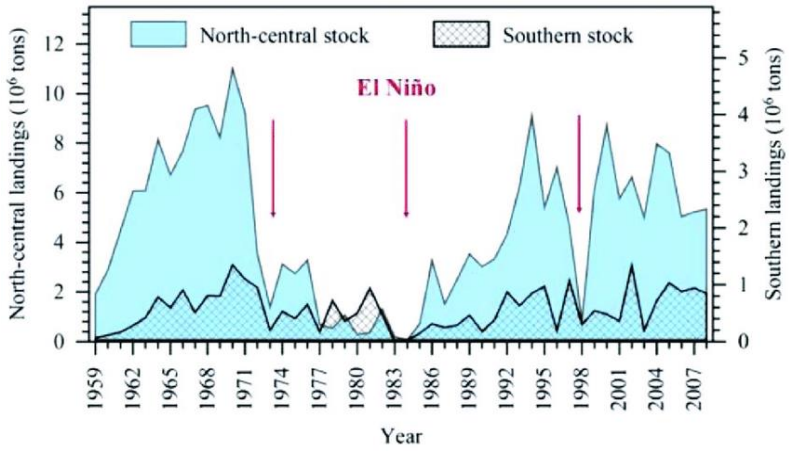
Source: NOAA Maine Climate Office Temperatures 60 Degrees north and South of equator

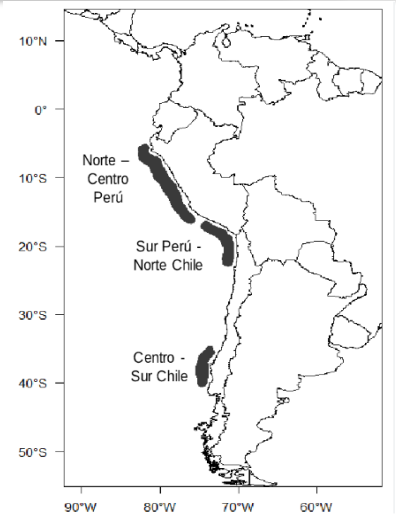
Fishing & Ocean Temperatures

Ocean Temperatures Coming in Hot

There has been no update on the Peruvian Anchovy TAC for 2023 yet which makes up one of the largest fish resources in the World. The El Nino development is coming in strong with ocean temperatures being extremely hot compared to previous years. During periods of warmer Pacific Ocean temperatures the amount of fish caught falls dramatically as seen below. This remains a risk in 2023, however, the development could lead to higher fish meal and fish oil prices which could benefit Oceana Daybrook that does not fish in the Pacific Ocean (Gulf of Mexico), while this development could put canned fish stocks at risk of lower supply which would impact Lucky Star and TBS canned fish. Sea Harvest could benefit from a potential increase in fish pricing as supply is reduced. According to Global Sea Alliance most fish are responding by moving closer to the poles.

Fig 27: Peru Fish Stocks in Warmer Waters Decline



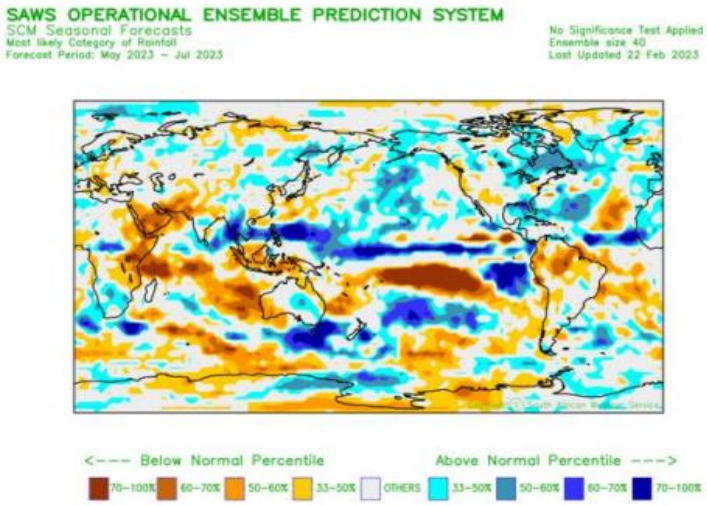


Climate Snapshot

Climate Advisory - South African Weather Service (SAWS)

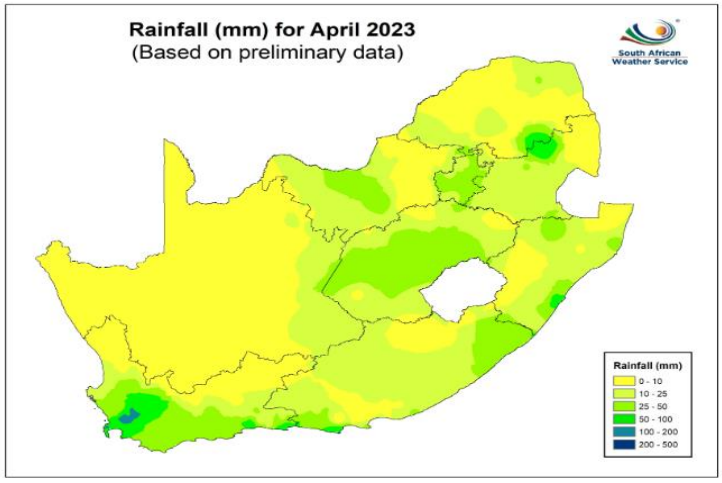
The El Nino Southern oscillation is currently in a neutral state (trasitioned from La Nina state) and will remain so into mid 2023. South Africa is expected to have above average precipatation and rainfall in the coming summer months which will bode well for the agricultural sector. Holding all else constant crop and livestock production has the potential to achieve great yields due to the availability of water in the next season. Sectors such as water and energy will also be positively impacted, with South Africa bringing in stage 2 water shedding during October, it is likely that this should fall away as the rainfall picks up for the season. There is a heightened risk of flash flooding in regions that are prone to flooding which needs to be paid attention to. The 2021/22 rain season lead to bad floods in KZN which could be another posibility in the coming summer months.

La Nina is expected to be neutral in 2023 and could switch to El Nino which will lead to drier conditions for SA in late 2023 into 2024.



Mar - May 2023, global prediction for total rainfall probabilities.

Fig 51: Recent Rainfall in South Africa



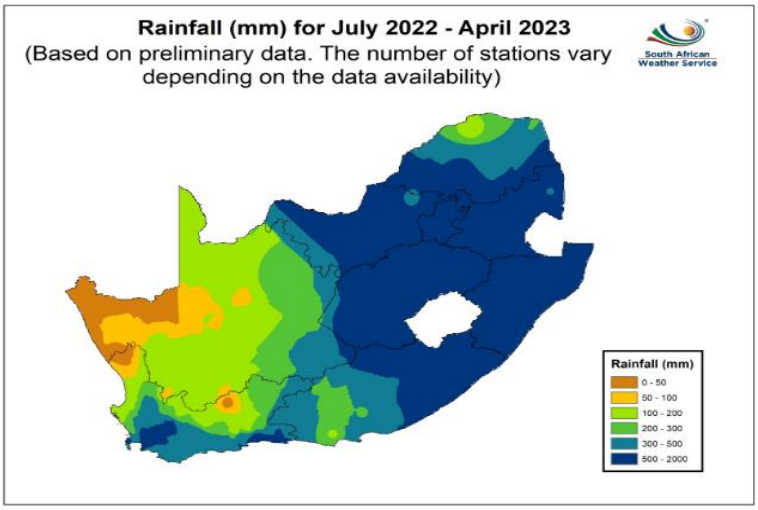
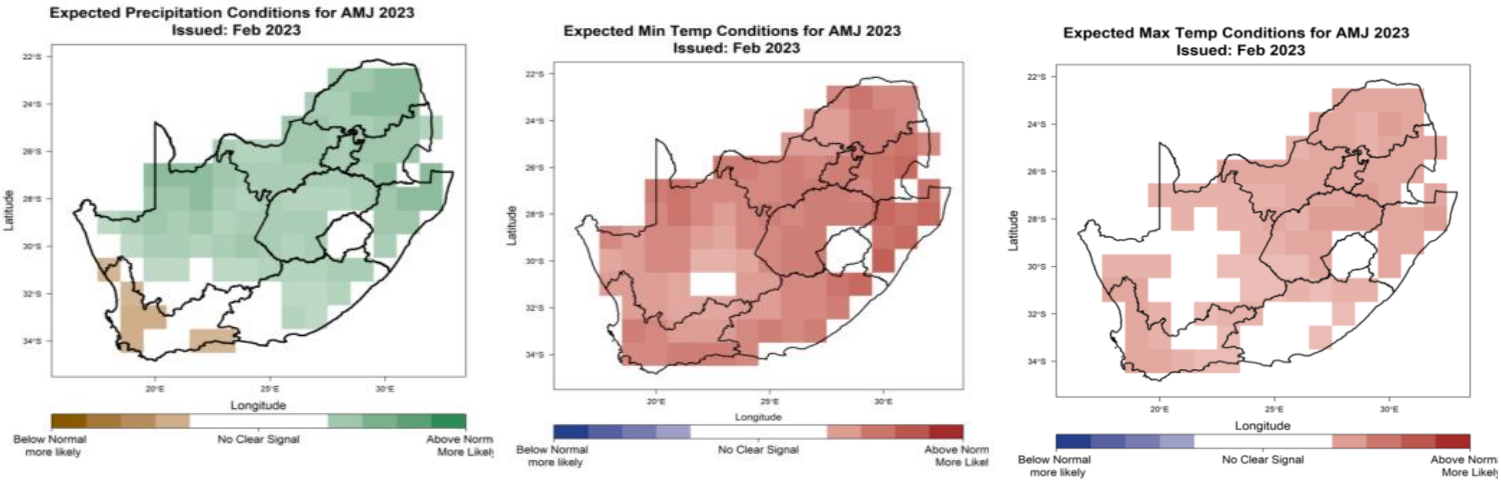


Fig 52: SA Expected Precipitation, Minimum & Maximum Temperature Conditions (Aug-Oct 2022)



Maps indicate Apr - Jun 2023 (left) expected precipitation conditions; ***Apr - Jun 2023*** *(middle) expected minimum temperature conditions and Apr - Jun 2023 (right) expected maximum temperature conditions.*

Worldwide Drought & Commodities

Fig 53: Global Crop Monitor

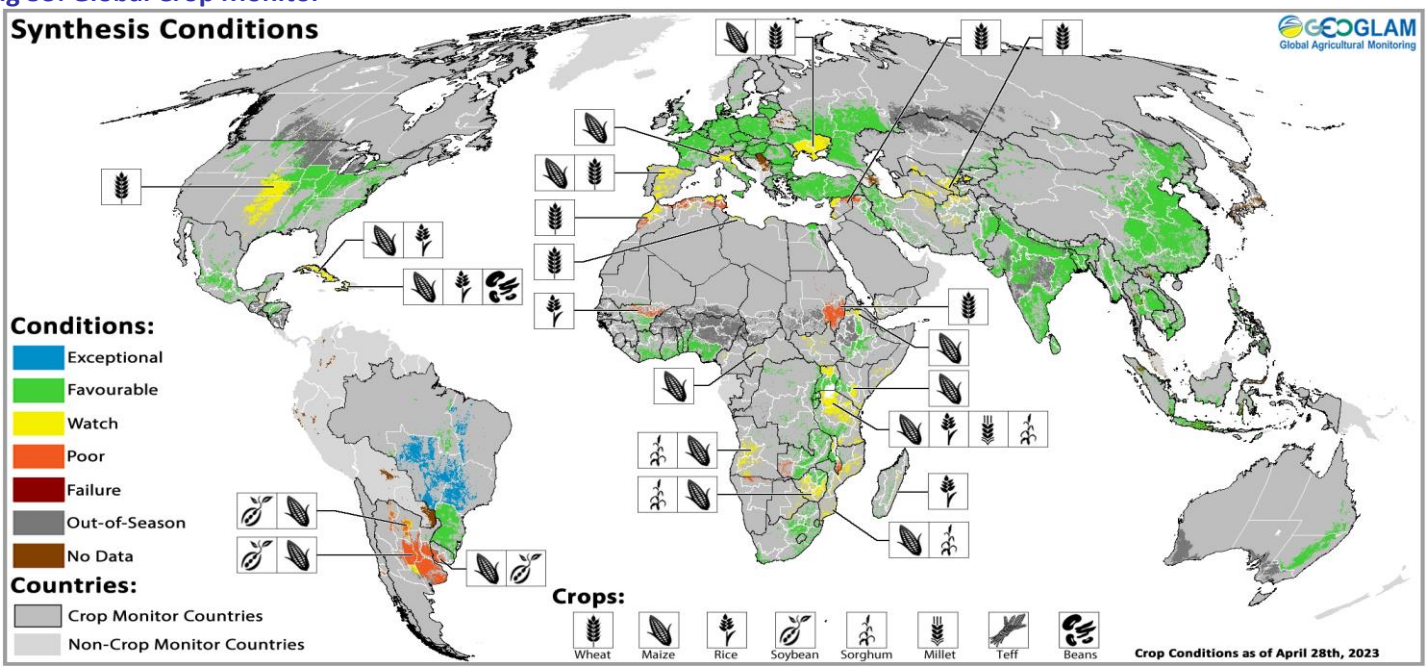
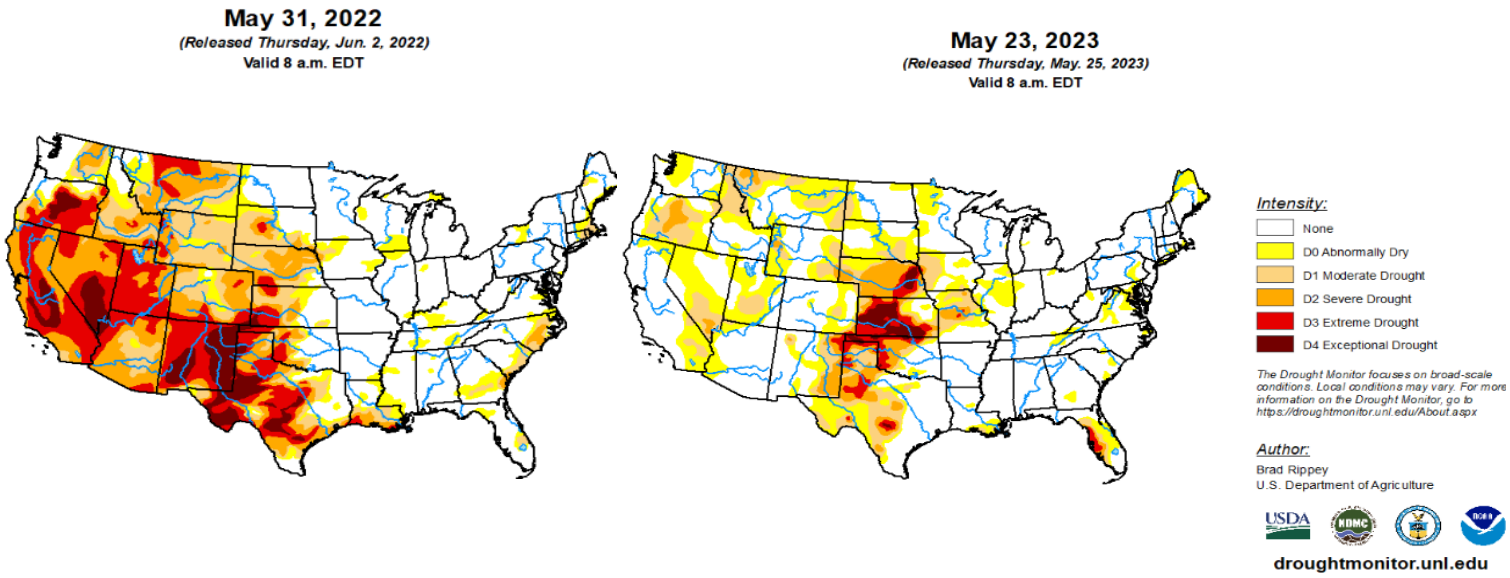


Fig 54: U.S. Drought Monitor: Last Month vs 1 Year ago—Contiguous U.S. (CONSUS)



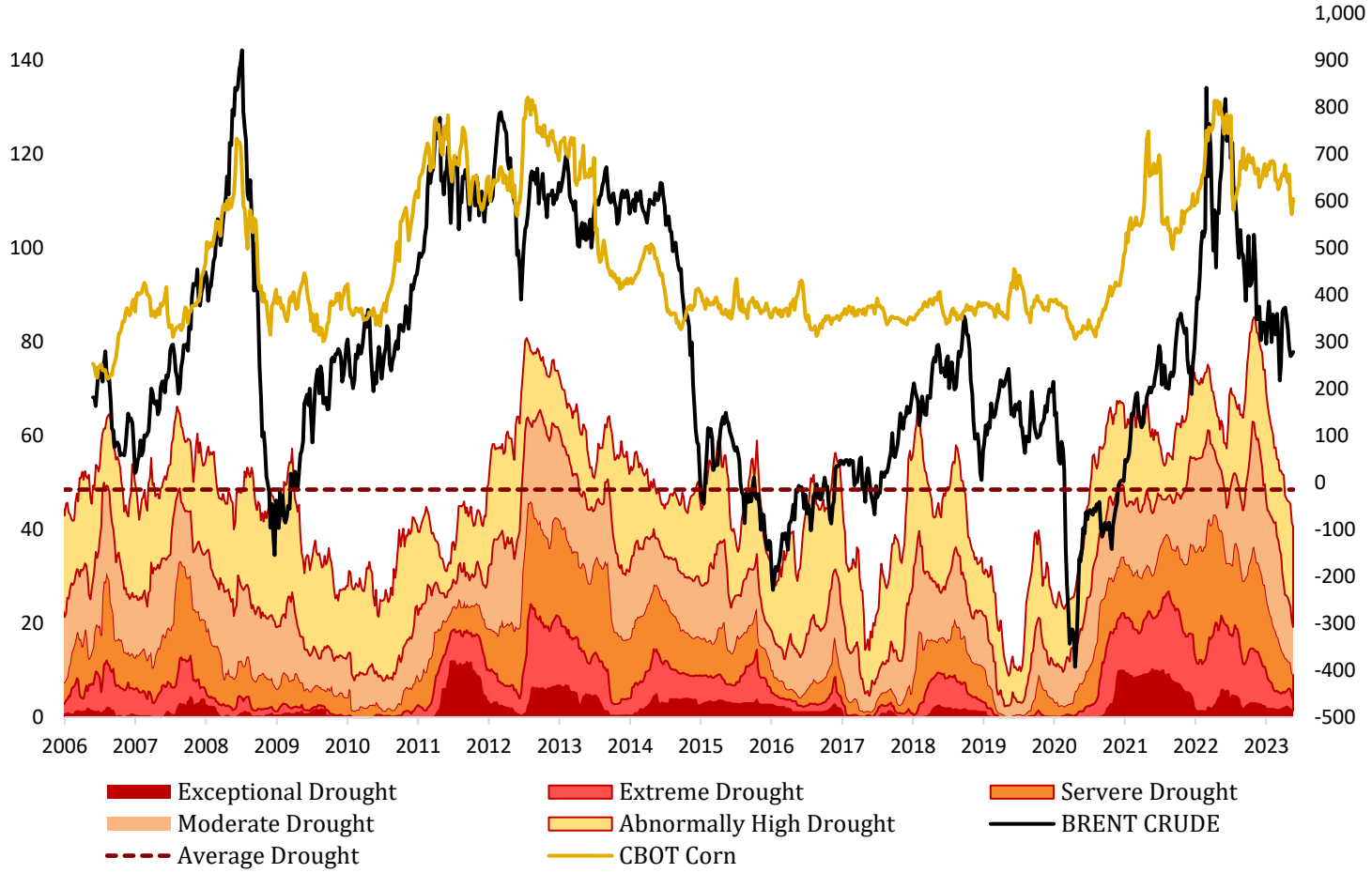
Source: https://droughtmonitor.unl.edu/

As can be seen in the comparable figures above, the drought conditions (while still high) have slightly improved for Mar 2023 compared to 2022 in terms of severity. It is also expected that the drought conditions that were in effect since 2020 are likely to improve coing forward particularly along the USA corn belt. This will provide major relief in CBOT corn prices which will heavily improve local SAFEX commodity prices in the latter half of 2023.

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 saw a depressed Sep-Dec 2022 harvest in USA. 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 55: U.S. Drought Presence vs Commodities Prices



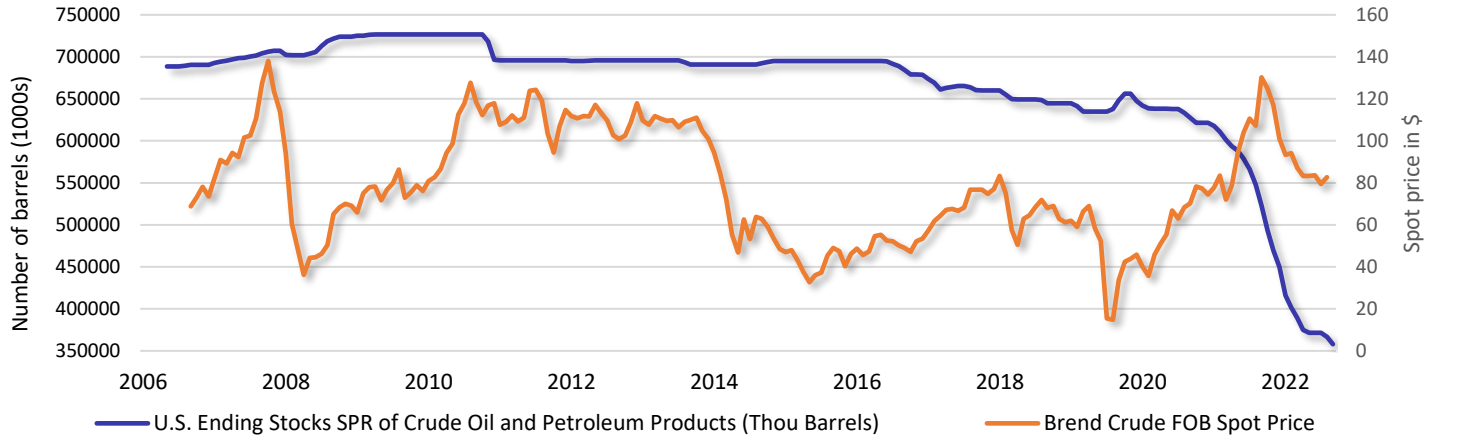
Source: www.droughtmonitor.unl.edu and Refinitiv Eikon

** 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 56: U.S. Strategic Petroleum Reserves vs Brent Crude Price

As a method to try and 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. With the oil price coming down to $80 a barrel in Feb 2023, oil could start to be purchased on the market rather than taken from reserves, which is why the reserves have not been declining for 3 consecutive months. 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.

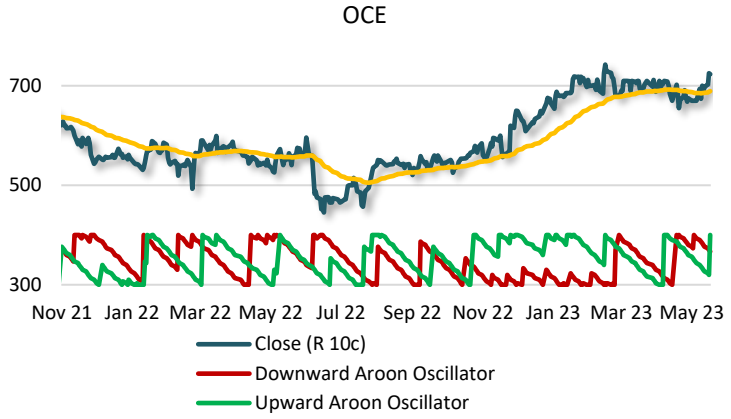
US Strategic Petrolum reserves are currently sitting at 318 million barrels bellow the historical average reverves prior 2021

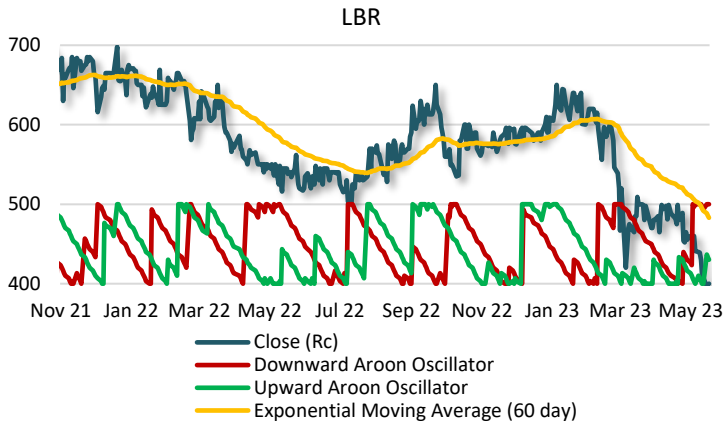


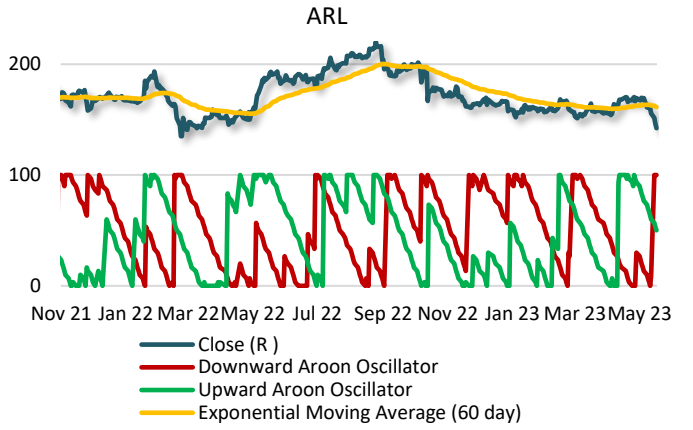
Source: U.S. Energy Information Administration

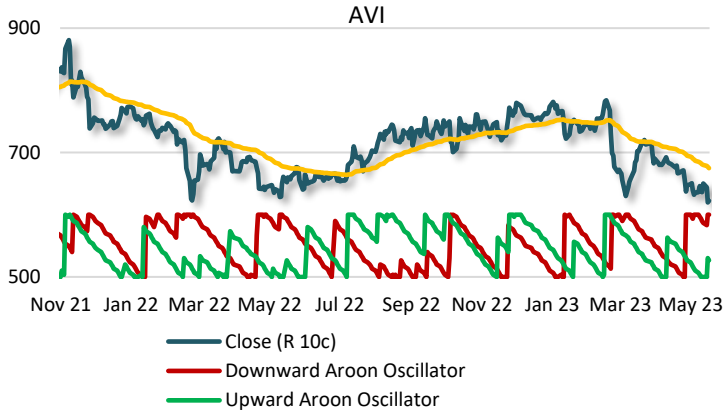
SA Food Producers' Technical Analysis

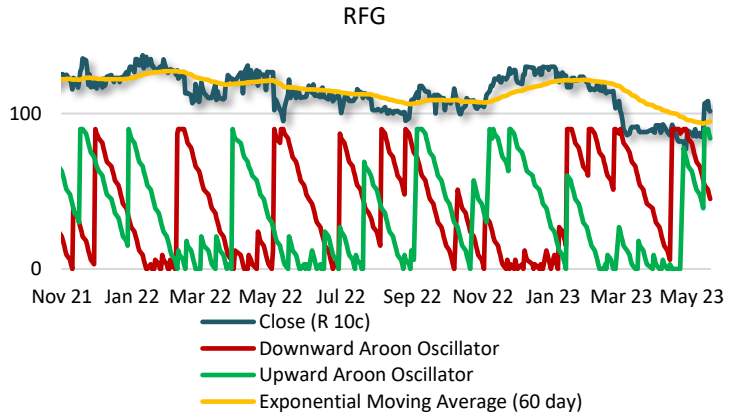
SA Food Producers' Technical Analysis

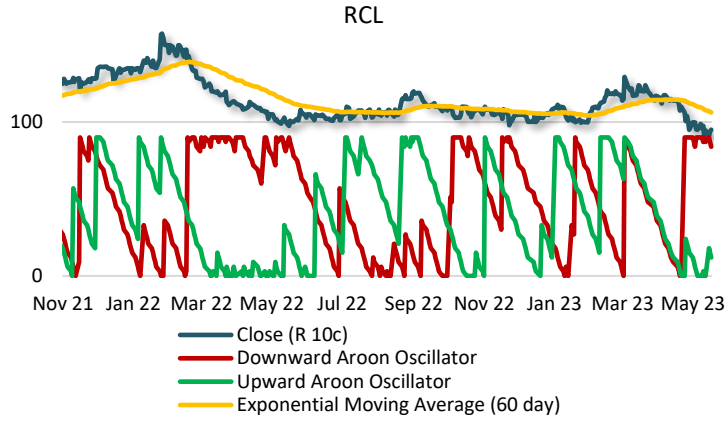


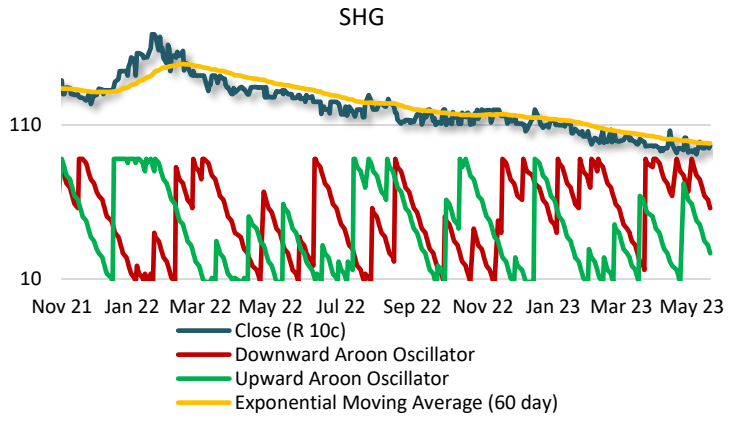


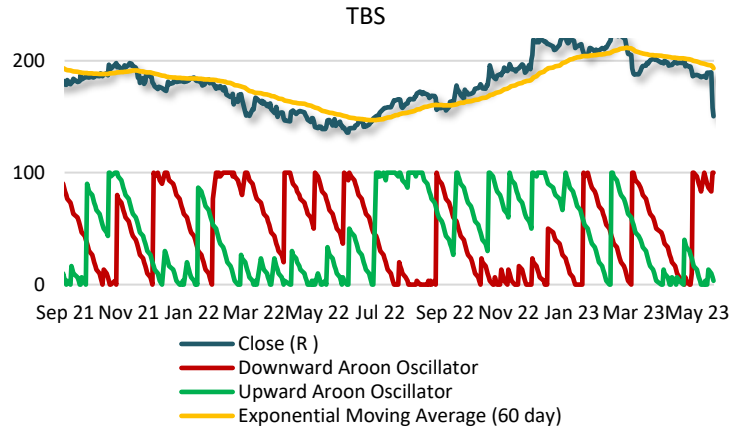












Source: Refinitiv Eikon & Tulip Cell Technical Analysis Calculations

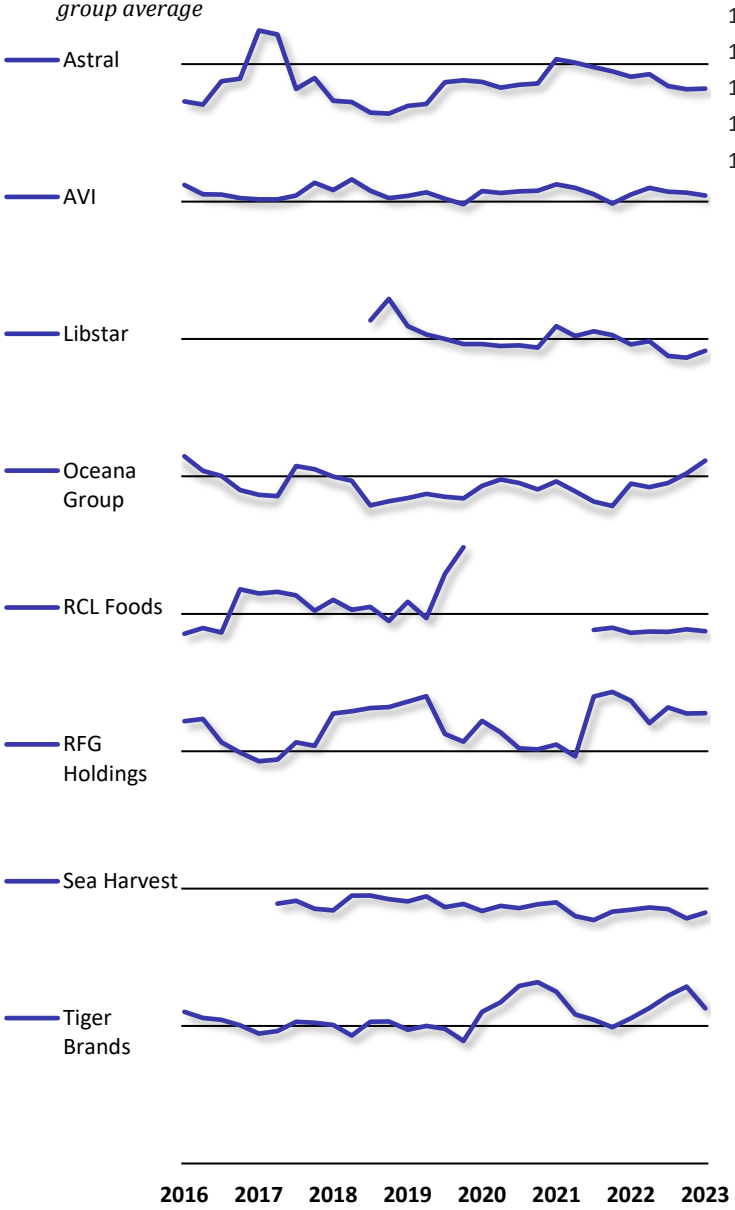
SA Food Producers' Relative Valuations

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	7.9	8.29	22.36	162.75	255.97	231.58	57.3%	upside
AVI Limited	14.2	15.51	5.83	75.21	65.81	81.40	-12.5%	downside
Libstar Holdings	9.2	14.11	0.89	5.80	7.83	11.78	35.1%	upside
Oceana Group	11.5	10.74	7.60	63.29	68.38	87.99	8.0%	upside
RCL Foods	8.4	26.71	1.24	10.00	14.79	17.34	47.9%	upside
Tongaat Holdings		26.65		4.04				suspended
RFG Holdings	20.6	15.17	1.41	12.50	7.54	19.40	-39.7%	downside
Sea Harvest Group	8.8	9.79	1.65	12.00	13.35	16.15	11.3%	upside
Tiger Brands	18.8	14	17.13	210.02	138.80	226.28	-33.9%	downside
Food Producer Peer Group	**12.43**	**15.66**					**9.2%**	**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 could be. See the next figure showing company PE trends within the peer group compared to that peer group average.

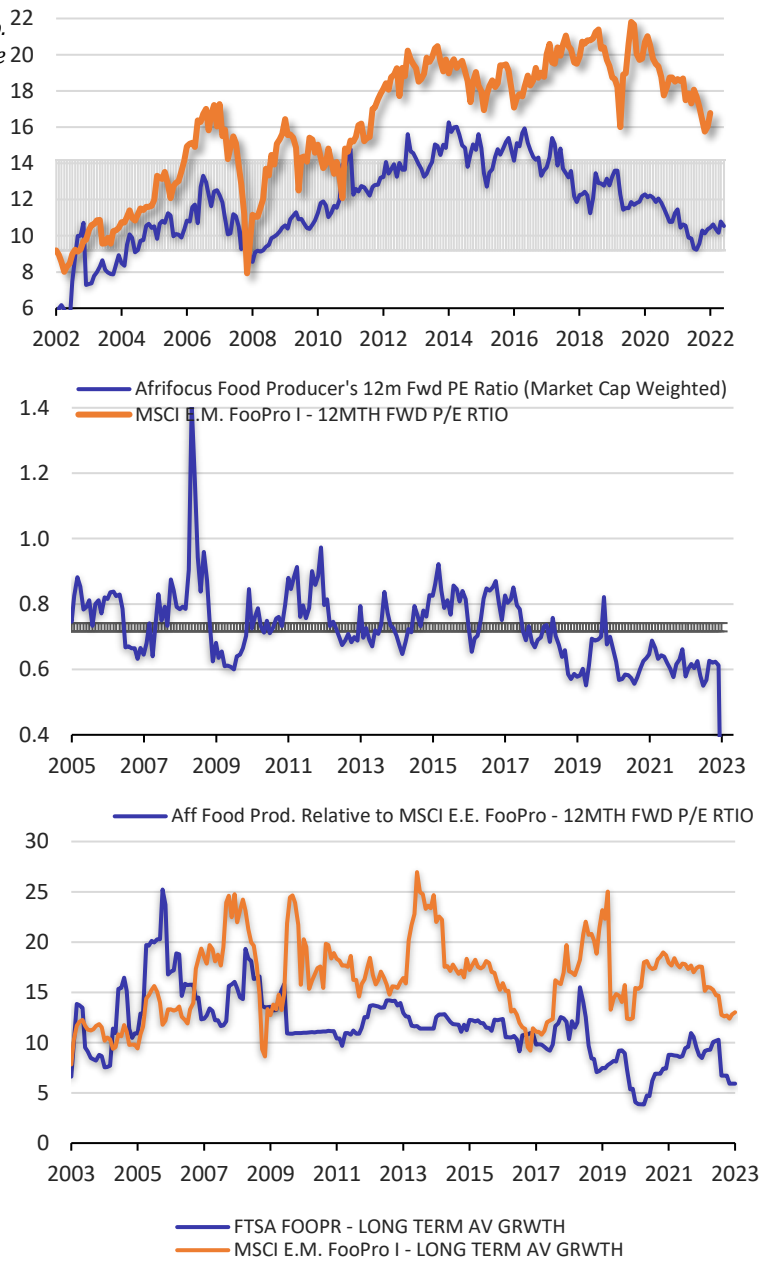
Fig 59: Current PE Relative to the Peer Group Average

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



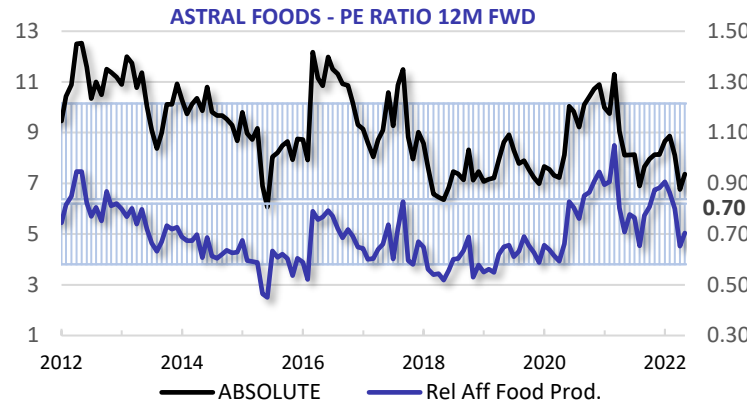
Source: Refinitiv Eikon & Afrifocus calculations

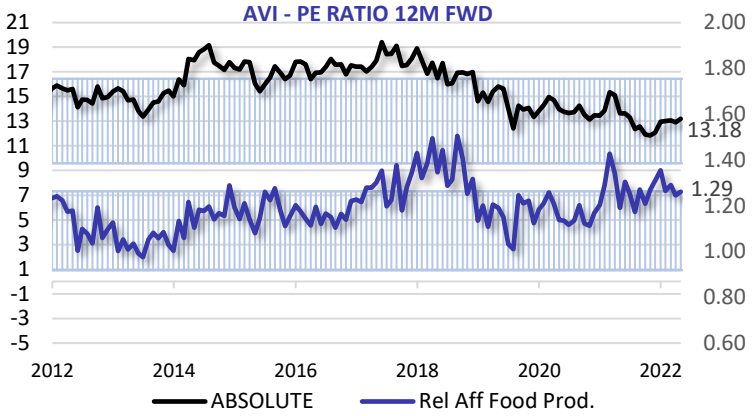
Fig 60: Aff Food Prod. vs MSCI Emerg. Markets Food Producers

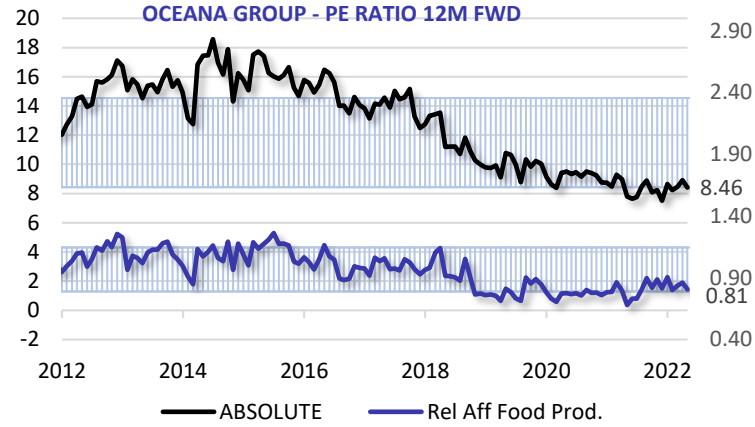


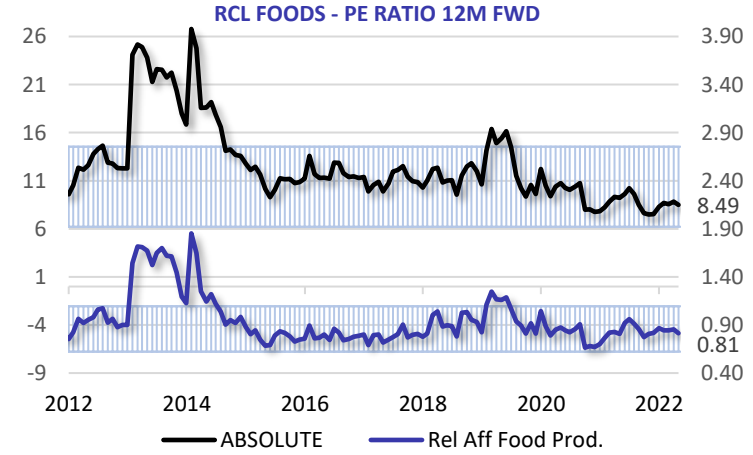
**Relative PE's calculated relative to Aff Food Producers Index - Constituents are: ARL, OCE, TBS, AVI, RFG, LBR, SHG, RCL, TON, PMR, PFG*delisted, ILV*delisted*

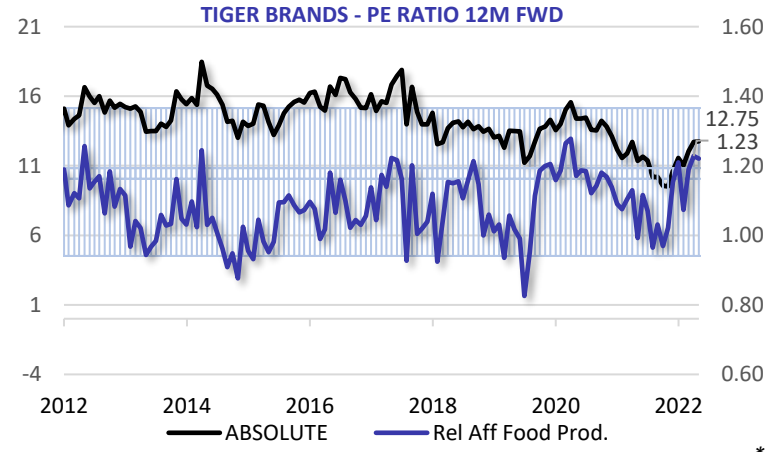
SA Food Producers' Relative Valuations (continued...)

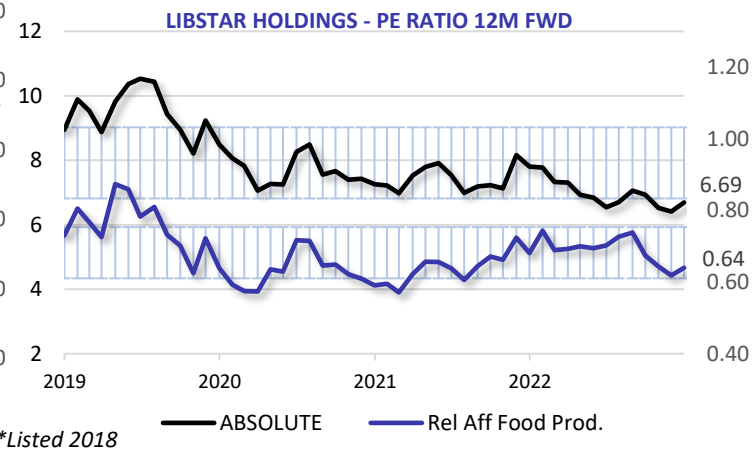




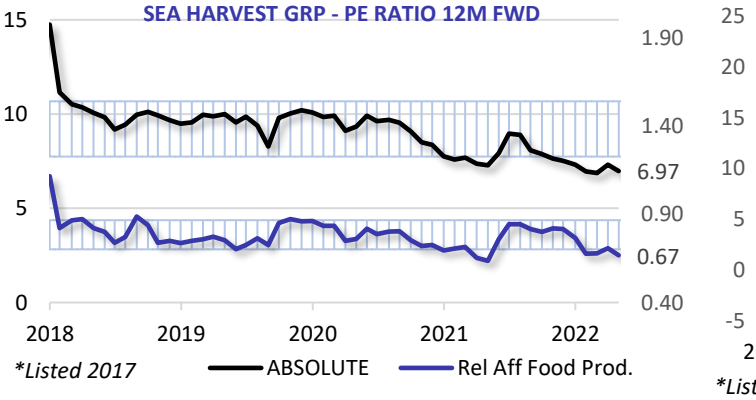








*Listed 2018



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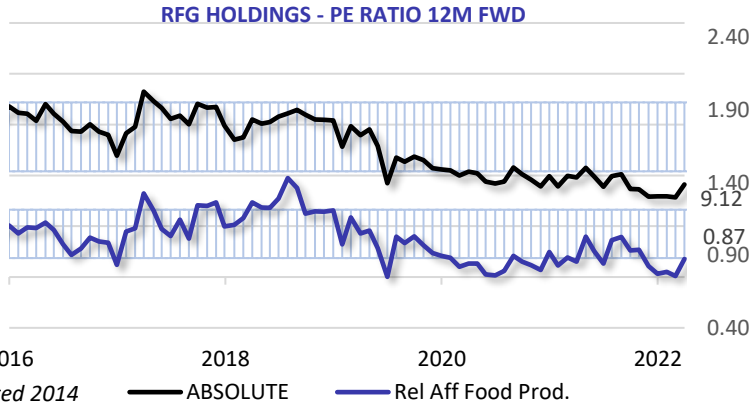

*Listed 2014

*Source: Refinitiv Eikon; Aff Food Producer Index constituents - ARL, OCE, TBS, AVI, RFG, LBR, SHG, RCL, TON, PMR, PFG*delisted, ILV*delisted*

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