

4 000 m² Zambia Mkushi Farms Seed Handling & Storage shed at 90% complete.



The African Seed Company

SEED CO INTERNATIONAL AUGUST 2021 AGM TRADING UPDATE

CLIMATE SMART AFRICA FOOD SECURITY SOLUTIONS

Overview:

- ❖ Covid-19 pandemic continuing to torment livelihoods & economies
- ❖ 1st half is off-season in most South & East African markets
- ❖ Main trading activity is in:
 - ✓ winter cereals in Zambia
 - ✓ maize seed in Nigeria & Kenya
- ❖ Zambia's economic prospects looking positive with renewed confidence with the incoming new Gvt

Performance highlights:

- ✓ 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).
- ❖ 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 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
 - some Seed Co maize hybrids undergoing registration in Cameroon
 - ❖ **Soybean:** - COMESA catalogue registration in advanced stages
 - ❖ **Rice:** - rice trials continuing across our markets
 - ❖ **Other:**
 - ✓ The vegetable seed business segment continuing with the hybridisation agenda in all markets and the income contribution proportion of these high-value products is growing satisfactorily

Product

- ❖ Expected Group wide maize seed production yield (36,600mt) 15% 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 80% for soya

Working Capital

- ❖ Out of US\$41m in trade receivables at year-end, we have collected US\$22m (54%) date and collections are continuing
- ❖ Total stocks expected at 50,000mt after ongoing processing & these would be more than adequate to satisfy forecast demand in the upcoming selling season

Zambia Mkushi Farms own production capacitation

- ❖ Seed handling & warehouse (4,000sqm) facility nearly complete
- ❖ 14-bay on-farm seed driers will be ready for upcoming season

OUTLOOK

- ❖ We are continuing to consolidate the growth trajectory leveraging the strong pan African brand, 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:
 - 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
- ❖ 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

OUTLOOK CONTINUED

- ❖ Business Development efforts continuing in Francophone West and Central Africa
- ❖ Closely monitoring security situation in Ethiopia (Tigray war & outstanding federal elections) in anticipation of launching operations
- ❖ Vegetable seed business, in its 3rd year of being established, expected to rebound in the dry season.

THE END



**Zambia Mkushi Farms Seed Dryer Shed - 14 drying bays with a capacity of 150 – 200mt weekly.
Remaining works include raising walls of the drying bays and installation of the heat source.**

