

# Astral braces for 'tough' 2011

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Astral Foods says that it is positioned to face another "tough and uncertain 2011 with considerable confidence inspired by its success during the past as a focused low-cost broiler producer".

The poultry producer said in its 2010 annual report that continuing job losses and a higher unemployment rate, in excess of 25%, would take their toll again in the form of reduced consumer confidence and spending power.

Chairman Jurie Geldenhuys said the firmer rand, and the related higher imports of poultry products, would likely further aggravate an already tough oversupply situation, keeping margins under pressure.

The local currency traded at its best levels in more than three years after touching 6.56 earlier in the session.

Astral's activities consist of animal feed pre-mixes, the manufacturing of animal feeds, broiler genetics, the production and sale of day-old chicks and hatching eggs, integrated breeder and broiler production operations, abattoirs and the sale and distribution of various poultry brands.

Geldenhuys said that, despite the risks posed by unemployment and high debt levels, the world economy should grow at more than 4% in 2011, driven mainly by China and India.

## Higher food prices expected

"In all likelihood, food inflation will catch up with commodity prices, which should lead to higher food prices in the year ahead," he said.

Regarding its feed division, Astral said the favourable feed input cost environment from which it benefited last year might be turning.

## Maize price low

The company said the local price of yellow maize had substantially lagged the international price of maize since October 2007, partially as a result of the stronger rand and bumper local maize crop in 2009-2010, which forced local prices down to export parity levels.

"It is, however, conceivable that this relative weakness in the local maize is unsustainable," Geldenhuys said.

## No change for poultry industry

On poultry business, conditions similar to those experienced in 2010 were likely to prevail in 2011.

Local broiler production for 2010 grew by an estimated 4% compared with 2009.

Total imports grew by 13% over the same period.

"Despite market growth, an increase in per capita consumption was driven largely by lower selling prices.

"A downturn in market conditions linked to higher industry stock levels for most of the year resulted in an extremely competitive sales environment," Geldenhuys said.

The chairman said, however, that the group was soundly placed regarding farm and abattoir efficiencies and best management practices.

*Source: BusinessLIVE*

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