

Chairman's report



AFGRI remains committed to world-class, full-spectrum services to the agricultural sector in South Africa and Africa.

David Daniel de Beer, Chairman

Introduction

After three drought periods and low crop outputs the South African maize farmers have experienced two successive good crops. The cycle of high input costs is beginning to turn and large maize farmers, able to forward cover their prices, have been rewarded. On a macroeconomic level, farmers were affected by the global crisis through limited credit lines and volatile exchange rates. In the year under review there has been little reprieve in terms of an end to the global crisis, although a few market commentators talk of "green shoots" which are only expected to develop well into 2010.

Efforts to limit the impact of the deteriorating world economy continue with the Group's management aggressively controlling working capital and adopting an extensive cost control programme. The primary sector, in which it operates, together with its diverse product offering, ensures that AFGRI is well positioned to meet the challenges posed by both the slowing local economy and the global financial crisis.

AFGRI remains committed to world-class, full-spectrum services to the agricultural sector in South Africa and Africa. The importance of agriculture in South Africa is reflected in its contribution to GDP, some 3%, and possibly more importantly is that it remains one of the largest areas of employment. According to the South African Department of Agriculture, Forestry and Fishers, "8,5 million people are directly or indirectly dependent on agriculture for employment and income."

The AFGRI business

Last year AFGRI announced a year-end change from 28 February to 30 June in order to more closely align the Group's financial year with the summer agricultural season in South Africa. In this annual report you will find the 12-month actual results for the year ended 30 June 2009 as well as a comparative of the 16-month reporting period. In an effort to assist the market with relevant comparative figures a 12-on-12 month unaudited comparative is also included. The operational and financial review appearing on pages 26 to 33, details year-on-year operating profit comparisons of the Group's underlying segments.

A further enhancement made to the AFGRI reporting structure was the introduction of a new simplified segmental structure to the Group which was revealed with our interim results announcement in March 2009. The previous structure created much confusion in the market, contributing towards poor ratings as the financial services division was not clearly separated from other operations of AFGRI. The new structure highlights the Group's financial services operation, the Group's agri related businesses, and its more industrial food segment. For ease of understanding the segmental results are reflected in a format similar to the income statement. The new structure was well received by shareholders and analysts alike. The structure is:

Milestones

1923

150 people attended a meeting called to establish the Oos-Transvaalse Landboukoöperasie. 29 people signed the list of original members.



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- AFGRI Financial Services (including the Capital and Broking operating units)
- AFGRI Agri Services (comprising Logistics and Producer Services divisions)
- AFGRI Foods (comprising the Animal Protein and Oil and Protein businesses)

Strategic intent

AFGRI is positioning itself to benefit directly from the food and agricultural value chain in which it operates. It is only the manufacture of primary agricultural inputs that the Group does not wish to participate in. The remaining agricultural cycle of planting, growing, harvesting, storage and trade of commodities dovetails with AFGRI's various product offerings of inputs, requisites, equipment, finance, storage and logistics and commodity trading. A greater exposure to the foods sector of the economy will result in a more balanced investment portfolio across the Group.

One may view the production cycle of grain as having the following stages:

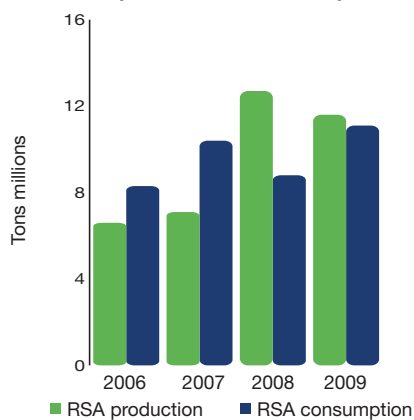
- Direct manufacturing (functions such as seed and chemical production)
- Growth period (plant and manage)
- Harvest (store)
- Processing (trade and sale)
- End customer

AFGRI does not envisage that it will be involved in (1) direct manufacturing and (5) the end customer stages of the food and agricultural value chain and therefore will focus on the "grain value-chain". It is within this chain that our Producer Services, Logistics, Foods and Financial Services companies best operate. By adopting this strategy AFGRI reduces elements of risk and large capital investment prior to the season. By remaining focused on the food elements within this cycle it builds AFGRI's core of agriculture and diversifies the Group.

The agricultural environment in South Africa

Last year the South African economy faced Eskom power outages, oil and food inflation, CPIX rising to a level of 13,5% and a number of interest rate increases. As the year progressed our economy was buffeted by external factors from

RSA: Maize production and consumption



Source: National crop estimate committee and SAGIS (South African Grain information service)

international markets. In an effort to promote economic growth the South African Reserve Bank has systematically implemented interest rate cuts taking the prime overdraft rate from a high of 15,5% in July 2008 to the current level of 10,5% reached in August 2009. This interest rate decline has been well received by farmers and has led to a greater stability within the market.

The South African grains and oilseeds market has experienced significant price volatility in the past 12 months. The initial price increases on commodities were based on surging world demand for all commodities with the greatest contributing factor being the crude oil price. Crude oil was trading at over \$140 per barrel in July 2008, and shortly thereafter corrected back to \$40 per barrel by the end of December 2008. The Rand Dollar exchange rate weakened in October 2008, when the Rand was trading above R11 to the US Dollar, with a subsequent strengthening to below R8 to the Dollar by the end of June 2009. Agricultural commodities are US Dollar based and although quoted in Rand in the South African market, changes in world prices as well as currency play an enormous role in determining the local prices of commodities.

As a country, good summer rains assisted with the above average production of summer crops and as at April 2009, South Africa had an estimated maize surplus of 1,6 million tons. The commercial maize crop for the 2008/09 production season is estimated to be 11,6 million tons, 8,63% less than the

1930

Record of 60 000 bags (±5 400 tons) of maize handled, hardly enough to fill the tube of one modern silo today.
 Loan of £2 000 pounds to build own premises in Bethal.
 First time that wheat is handled when a depot is opened at Bronkhorstspuit.

previous season's crop of 12,7 million tons. It is estimated that the 2009/10 maize crop will result in a surplus of 1,9 million tons of maize at the end of April 2010.

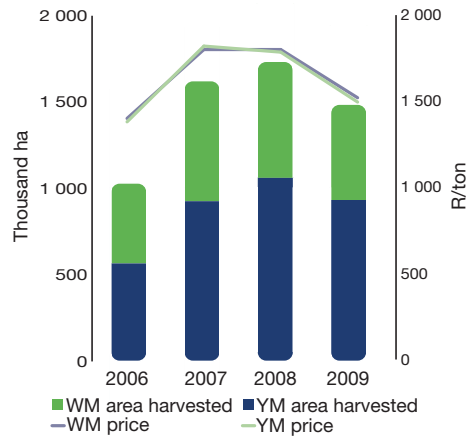
In 2008, white and yellow maize prices averaged approximately R1 799 per ton. In the 2009 report, The Bureau for Food & Agricultural Policy ("BFPA") expects white and yellow maize prices to trade between R1 500 per ton and R1 600 per ton for the 2009 and 2010 seasons and to increase to close to R2 000 per ton thereafter on the back of higher price parity. Key to driving prices in the local market is exports. During the 2005/06 maize season South Africa exported record amounts of maize and the 2008/09 season saw greater levels still, due to higher maize production in the local market. A total of 2,2 million tons of maize was exported during the year of which white maize represented 87% of the total. These exports are driven largely by levels of maize production in other SADC countries. BFPA estimates that in the past season more than 60 000 tons of maize was exported per week to neighbouring countries.

Winter crops (wheat) suffered in the central part of the country due to the opposite weather conditions, and as a result South Africa will import close to 1,5 million tons of wheat this year. Coming off the high of R3 500 per ton in 2008, 2009 wheat prices have been as low as R2 600 per ton, averaging R2 746 per ton on the South African Futures Exchange ("SAFEX"), primarily due to sharp decreases in the world wheat price. The price is expected to be depressed into the future as world prices struggle to recover and in South Africa the total wheat area planted is expected to decline sharply.

Worldwide, wheat harvests last year were excellent and currently the conditions for maize production in the US are looking favourable. The only countries that suffered drought conditions this year were Argentina and Brazil which resulted in reduced soya bean production and a lower wheat crop from Argentina.

The outlook for South African winter crops currently being planted and the summer crop that will be planted from September to December 2009, is encouraging based on the late winter rains. Current market prices do not provide sufficient incentive to increase wheat plantings, however a reduction in the major input costs such as fuel and fertiliser, may encourage

RSA: White and yellow maize harvested and price



Source: The South African Agricultural Baseline 2009

maize producers to plant for the coming season. Availability of finance will also play a role with regard to the area to be planted, as the current economic environment forces financiers to impose much stricter limits on lending.

Biofuels remain an international and local topic. Declining oil prices of late have negatively impacted bio-ethanol projects in South Africa and production in South Africa is still primarily sourced from sugar cane.

Results from continuing operations

Overall, AFGRI put in an excellent performance for the year under review increasing revenue proportionally by 11% to R8,8 billion for the 12-month period. The Group grew its pre-tax earnings from continuing operations by 46% to R552,7 million. A significant increase in the average tax rate due to certain once-off items in both the current and prior year diluted this growth, resulting in an increase in the Group's after tax profit from continuing operations of 25% to R446,3 million.

Discontinued operations

AFGRI's stated intention is to focus on its core businesses and as such the Group embarked on the sale of non-core and underperforming businesses some time ago. During the year under review the Group disposed of certain units and resolved to dispose of its Seed unit. During the year, the discontinuance or disposal of non-core and underperforming assets resulted in

1944

Assets exceeded £1 million and the capital and reserves were £100 000, personnel grows to 125.

1947

Acquires the first mill at a cost of £30 000 at Kinross.

1948

Acquires a mill in Middelburg at a cost of £36 000.

Chairman's report continued

an after tax loss of R92,4 million. The process of disposing of non-core operations and underperforming businesses will continue in order to focus on a core value proposition into the future.

This brought attributable earnings per share in at 72,7 cents per share compared to 69,5 cents per share for 2008, an increase of 5%. Headline earnings per share were maintained at 74,4 cents per share (2008: 73,7 cents per share) for the year.

Corporate actions

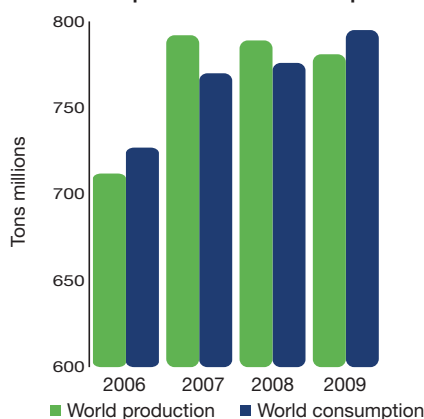
In February 2009 AFGRI announced a successful R2,5 billion securitisation arranged in conjunction with Co-öperatieve Centrale Raiffeisen-Boerenleenbank B.A., trading as Rabobank International ("Rabobank"). R1,25 billion of the Rabobank facility remains to be syndicated. AFGRI was delighted to have concluded this transaction as it allows more flexibility in raising agricultural finance for our customers, the farmers and primary processors. Historically, the South African agricultural sector was limited in terms of the providers of agricultural finance. This transaction was truly a breakthrough for the agricultural sector and proved that the sector is of such a high standing, that a reputable international bank was willing to fund AFGRI and the South African farmer in a time of turmoil for the international banking sector. This transaction proves that AFGRI's performance as well as the quality of its debtors, the farmers, is world-class.

In May 2009 a joint announcement by AFGRI and Sovereign Food Investments Limited ("Sovereign") was released whereby AFGRI proposed the reverse listing of its Food Division into Sovereign through a sale of AFGRI Foods to Sovereign. On 21 July 2009, AFGRI announced the formal withdrawal from the transaction as conditions precedent to the Heads of Agreement had not been fulfilled. AFGRI announced that it remains committed to the expansion of the broiler business and will continue to assess opportunities on a pro-active basis.

Management changes

Effective 01 July 2008, John Mooney was appointed chief executive officer in an interim capacity, until 1 October 2008 when the Board announced the appointment of Chris Venter to

Maize: World production and consumption



Source: USDA (United States department of agriculture)

the position. For three years prior to his appointment, Chris was CEO of the Financial Services division and this appointment from within the Group has proved to be successful as Chris implements his strategic vision for the Group and better positioning AFGRI for future growth.

Jan van der Schyff was appointed chief financial officer for the Group effective 1 June 2008 upon the retirement of the previous financial director. Jan fulfils an important role in the Company at both financial and a strategic level.

The previous Company Secretary resigned with effect from 30 November 2008 and Pieter Badenhorst joined the Group on 1 December 2008 as Group Legal Adviser and fulfilled the role of interim Company Secretary until Niki van Wyk was appointed as Group Company Secretary for AFGRI on 4 March 2009.

It is with great sadness that I write of the passing of John Mooney on 22 May 2009. John had been with the Group for over eight years and was considered a valued member of the AFGRI team. His years of experience and knowledge of the Group and the industry added tremendous value. He will be fondly remembered by all at AFGRI and was regarded as wise council to leaders of AFGRI.

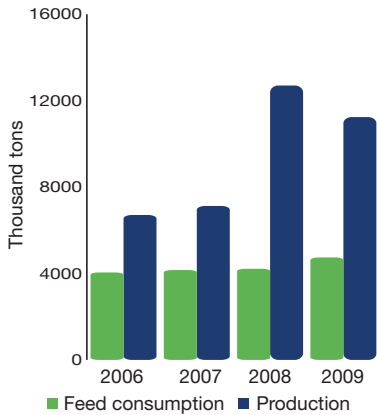
1952

Board decided to purchase soil analysis equipment to assist farmers in determining how to prepare soil for planting – the start of scientific farming in South Africa.

1953

Decision taken to build the very first silo at Marble Hall with 200 000 bags of capacity, the silo was eventually inaugurated in 1963.

RSA: Maize production and feed utilisation



Source: The South African Agricultural Baseline 2009

Corporate Governance

The AFGRI Board of Directors continues to recognise responsibilities in terms of risk management and sound corporate governance practices. These practices are tabled and approved by the Board and circulated to all staff as good governance. The Group’s corporate governance standards adhere to the principles outlined in the most recent King Code on Corporate Governance. The Group is in the process of assessing compliance with King III recommendations. The Board comprises a majority of non-executive directors, of which three are independent with vast amounts of industry knowledge. Sub-committees are responsible for audit and risk controls and report directly into the Board. The recommendations of the King Code have been incorporated into AFGRI’s risk management procedures and controls, at all levels of the business.

Dividend payment

The interim dividend of 19,70 cents per share and final dividend of 16,70 cents per share equate to a total dividend of 36,40 cents per share declared for the year ended 30 June 2009.

Prospects

AFGRI is expecting that good rainfalls will continue in our planting areas and as such there should be another good crop on the land for farmers. From a strategic perspective, AFGRI has spent a good part of the year disposing of loss-making and non-core businesses within the Group in an effort to improve the capital position of the Company.

Internally the Group has embarked on a number of strategic initiatives and operational efficiency projects which will see the Group focus on organic growth in an effort to join together and operate as “One AFGRI”, benefit from implementations such as shared services and extract synergies from the food and agricultural value chain.

The South African government supports the agricultural sector through the implementation of a five year plan and a constitutional mandate of national food security in an effort to assist the sector as well as eradicate hunger. As an “honourable management goal” AFGRI is committed to support the food security effort in South Africa and Africa.

Appreciation

I wish to thank my executives and fellow Board members and the staff of AFGRI for their outstanding work ethic and dedication to the Group. This enables AFGRI each year to fulfil its vision of providing world-class, full-spectrum services to customers. It was always AFGRI’s intention to partner with farmers in an effort to provide them with this spectrum of services. This has been embraced by farmers and I wish to thank them for their support of the Group. To our shareholders and stakeholders, thank you for your support. We look forward to further cementing our relationship.

David Daniel de Beer
Chairman

1 September 2009

1962

Agency agreement entered into with John Deere. In 1963 only 28 tractors were sold, in 1972, 519 were sold.

1963

OTK’s first grain silo at Marble Hall (20 000 tons) commissioned.