Future looks bright for Astral as shares soar

While MTN's latest payment-break offer to snare cash-strapped consumers deserves caution.

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The share price of Astral Foods, the big bird of the JSE's poultry sector, have plumped up more than 10% in the JSE's first few trading days of 2017.

The share price is still well off the record high of R195 (seen in early 2015), but the price has shifted reassuringly away from the R90 levels to which it fell in early 2016.

The trading pattern suggests the deluge in various northern provinces of SA has broken the prolonged drought that has caused feed prices to rocket to painful levels.

It will, however, still be a while before local poultry operations benefit from lower input costs. In the meantime, the increased imports of chicken from the US and Europe will continue to undermine operating margins — unless trade unions, appalled at the prospect of further job losses, can convince the government to ruffle the feathers of key trading partners with additional measures of poultry protectionism.

The tariff-free import of 65,000 tonnes of US chicken was the first in 15 years to be landed in SA in 2016.

The policy change was a condition imposed by the US under the African Growth and Opportunity Act to allow SA to continue benefiting from the act's trade provisions.

The agreement between the US and SA extends to include pork and beef.

Of course, Astral's firmer share price may also feed into notions that as the biggest bird on the JSE, the company might well be able to peck at consolidation opportunities in a sector that has had to endure prolonged stress.

There might be a couple of mid-sized poultry players in such an operational flap that finding a safe perch on Astral's robust balance sheet might be the most prudent option.

Of course, Astral's appetite will depend on whether it is worth buying additional markets, or whether it is smarter to simply build additional capacity when the market has turned.

January is a tough month for many people and any deals that offer some payment relief should be welcome. But this is also an opportunity for service providers to exploit financially strapped consumers.

Take MTN for example, it launched what it describes as a payment-break offer. This allows their customers who sign up for a two-year contract during January and February to only start paying from March and April, respectively. This payment break has been used by car dealerships and loan sharks. While it may look attractive, consumers could be in for a shock. The break does not mean it is without cost.

Customers who opt for this offer must monitor and manage their cellphone usage during the two-month payment break to avoid raking up their phone bill. Many of them are likely to regret taking this offer, while MTN laughs all the way to the bank.

MTN describes itself as a caring organisation that wants to ensure customers stay connected without worrying about subscriptions.

It also says this is one of the "ways that MTN is working to make its customers' lives a whole lot brighter".

The truth is, however, MTN has gone through financial and operational challenges and has to introduce new ways of attracting customers. This type of offer is what any service provider desperate to grow the business will implement.

Source: Business Day