

## PITSTOP

**THE** whole point of an unbundling is to increase shareholder value and unlock discounts existing in a group structure. The holding company may decide that the subsidiary's business no longer fits in with its long-term strategy and should be hived off.

The perfect example of this would be the unbundling of Astral Foods from parent Tiger Brands in 2001. Since separation, the Astral share price has

moved up 1 579% and Tiger has increased a more modest 244%. Tiger may now regret this decision but at the time the poultry market was not yet that fashionable.

Astral Foods, a producer of animal nutrition and poultry products, runs what CEO Nick Wentzel terms a massive operation with 40-million birds in the system at any one time.

Margins in both these major divisions have soared



since 2002. The South African consumer is increasing his standard of living and as disposable incomes lift above the \$2 000 a year level, there is a shift into white protein away

from maize products. The chicken market in SA is set to grow 6%-8% each year.

One of Astral's major challenges is the rising maize price.

There is a worldwide threat as demand for ethanol effectively takes away from supplies available for use in animal feed. In 2002 ethanol production was drawing on 12% of total US maize supplies. This year it will consume close to 30%. Thus in two years, the US

maize price has doubled to \$4/bushel. As most foodstuffs have maize input, these price increases have led to pressure on worldwide inflation.

What happens if you are a staunch vegetarian but like the Astral share? With 10 000 birds a minute slaughtered in the Halaal bleed-out method, there could be a dilemma of making money versus maintaining a moral stance.

*Judy Gilmour*