



Press release: for immediate release

**THE MILK PRODUCERS' ORGANISATION (MPO) IS APPALLED BY THE 45 CENTS PER LITRE REDUCTION IN THE DAIRY FARMERS' PRICE PAID BY LANCEWOOD
1 April 2020**

In a letter to farmers entitled, *Covid-19 Farmers Communication 30 March 2020*, farmers were informed that the price paid to them by Lancewood would be reduced by 45 cents per litre with effect from 1 April 2020 in the form of a levy deduction. They were also informed that in addition to imposing the above levy, Lancewood might need to adjust payment terms temporarily.

Comment/Opinion

The MPO finds the announcement regrettable and frowns upon the process followed, in which there has been no notice period regarding either the price change or the adjustment to payment terms.

Background on Lancewood as part of Libstar

Lancewood is a division of Libstar Holdings Proprietary Limited. Information is based on the 2019 financial statements and an interview with RSG Moneyweb on 18 March 2020 by the Libstar CEO.

Each company that operates within the Libstar group has a unique set of products and world-class manufacturing capabilities, which makes for a diverse and robust portfolio of businesses that Libstar is proud to have under its aegis.

Comment/Opinion

As Libstar is well diversified and robust, it should be able to absorb the demands of the current situation for at least some time.

The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 indicates that the turnover increased by 2,4% to R9,9 billion with a headline earnings growth of 14,1% in 2019. The Moneyweb journalist said in the interview that the 14,1% growth is an achievement that is not often seen these days. The audited 2019 statements show a gross profit of R2,4 billion and an operating profit of R700 million – up by 13%.

Information on reportable segments

Revenue from contracts with customers: perishables R4,7 billion (47% of total turnover), groceries R3,2 billion (32% of total turnover), snacks and confectionery R538 million (5% of total turnover), baking and baking aids R700 million (8% of total turnover), and household and personal care R789 million (8% of total turnover).

Comments/Opinion

Mozzarella and the other soft cheeses should fall under the snacks and confectionery segment, which appears to be a small part of the Holdings business.

In the interview on Moneyweb, the journalist asked the Libstar Holdings CEO what the effect of the panic buying was, to which he replied that they were out of stock, the same as the other guys. He went on to say that they have no problems regarding their supply or supply of products.

Later on, the journalist asked the CEO what he expected of the year in financial terms. The CEO responded that in the current situation they have no idea what the total effect will be and then went on to describe a normal scenario.

In view of the above, the MPO urges Libstar Holdings and the Lancewood division to reconsider their announcement and instead communicate with the milk farmers who supply them, asking them to put the brakes on milk production, and parallel to that use the demand elasticity present in dairy products to increase sales at retail level. This would empower consumers to bulk up on dairy to boost immunity and enhance the intake of essential nutrient including vitamin and minerals.

Issued by the MPO

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