

Astral Foods projects a poultry catastrophe if Eskom cuts off defaulting councils

By [Mark Alix](#)

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Poultry producer Astral Foods on Thursday said its electricity supply will stop on January 23, the deadline Eskom has given Mpumalanga's Lekwa Local Municipality to settle outstanding debt. Astral is the municipality's largest client and relies on uninterrupted electricity and water supplies.



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The company warned that Eskom would disconnect power supply to the municipality indefinitely if the situation did not improve - so 11.5-million chickens would not be fed daily.

"What could further compound an already volatile situation is a report that Finance Minister Gordhan indicated that National Treasury will act against municipalities which have failed to settle their debt to Eskom," said Astral CEO Chris Schutte. This could mean withholding national grants to defaulting municipalities.

"We regard the notification of the power interruptions and potential disconnection of electricity supply to Astral's largest feed-milling and poultry-processing operations, as a catastrophe," he said.

Last week, Eskom granted nonpaying North West and Free State municipalities a few days grace until 16 Januar to pay the

money they owe or present payment plans.

The utility said the 10 councils made up only half of the top 20 defaulters that owe more than R10.2bn for the past eight months.

Astral said it has forwarded a copy of a letter issued by Eskom to the Lekwa Local Municipality in Standerton, saying disconnection times would interrupt Astral's feed and poultry operations. "A catastrophe is about to decimate a major part of Astral Foods chicken operation, should electricity be cut off due to nonpayment to Eskom," Ron Klipin, a Cratos Wealth portfolio manager, said on Thursday.

Malema calls for a 50% tariff on all chicken imports

Astral's potential crisis came on the same day EFF president Julius Malema called for the immediate imposition of a 50% tariff on all chicken imports to save local poultry producers. Malema's call, in a letter to Trade and Industry Minister Rob Davies, was prompted by big producers such as RCL saying they would retrench and close plants as they could not compete with cheap imports of bone-in chicken portions, particularly from Europe.

The Food and Allied Workers' Union has called for urgent government intervention.

Davies approved a provisional 13.9% duty on bone-in chicken imports from Europe in December, but the industry says this is inadequate and far short of the 37% safeguard duty applied for from the International Trade Administration Commission.

Power cuts will lead to substantial job losses

Most Astral broiler farms are in the Standerton area. Astral's Goldi processing plant and its Meadow Feeds mill - which it claims is Africa's largest feed mill - make Astral Standerton's biggest employer.

"If Eskom follows through with permanent power cuts to the municipality, it will lead to substantial job losses which will adversely impact the local community. Astral operations in the region provide employment for 4,115 people," the group said.

Astral said it was a fully paid-up client of the municipality and would take legal action against parties who put it in this "calamitous" position.

"We are currently interacting with various parties to discuss the far reaching implications of the planned Eskom power disconnection to the municipality, and the potential economic, social and animal welfare consequences," said Schutte.

"We acknowledge that Eskom has the right to receive payment for the supply of electricity, but we have paid for the delivery of essential services from the local municipality and are appalled that we find ourselves in this untenable situation."

With Pericles Anetos and Linda Ensor.

Source: BDpro