

Crookes eyes firmer prices, better yields

By [Edward West](#)

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Crookes Brothers, the listed agricultural group, has good long-term prospects with new projects coming on stream and a generally positive outlook for global agricultural commodities and food, said MD Guy Clarke on Friday, 22 July 2011.

Added to this optimistic picture was the group's appetite for expansion and the cash resources it had available for new opportunities, Clarke said at the annual general meeting in Durban on Friday, adding that expectations for the financial year to March were positive so far, with generally firmer prices prevailing and better yields expected.

Industry sources were also confident the European Union market would be opened to South African sugar exports in the short term, which would bolster the local price and reduce volatility, he said. The group derives most of its income from growing sugar cane, but it also produces deciduous fruit, bananas and grains, and breeds cattle and crocodiles.

On the development front, the recently acquired Zambian operation enjoyed a successful first year of operation, and was expected to produce better yields this year. The acquisition of Zambian property is in line with the company's strategy to reduce its reliance on SA, which Crookes is increasingly viewing as less of an attractive market for long-term investments, chairman Guy Wayne said.

Instability in the sector as a result of political issues around restitution, empowerment, crime and lack of service delivery are making other countries in Southern Africa more compelling destinations, he said.

The Mthayiza joint venture in Mpumalanga was now expanded to its full extent of 720ha and good results were expected from the farm this year.

State grant funds had been approved for the expansion of the KwaCele joint venture in KwaZulu-Natal to 1950ha from 1650ha. The deciduous operations were being expanded by 110ha to 500ha. A further project, to expand the Swaziland sugar cane production by 750ha to 2400ha, was expected to have a big effect on group profit.

From this year to 2017 cane production was expected to increase 37%, deciduous fruit by 19% and bananas by 39%. Future developments being evaluated included avocados, grain crops and macadamias. The use of leased land, adding value and partnerships were among the strategies expected to enhance returns.

In the past financial year, all the crops experienced severe climatic conditions, but it was "indicative of our business that we were able to emerge relatively unscathed", Clarke said.

In the year Crookes showed a fall in revenue and operating profit after poor performances in its sugar, banana, grain and deciduous divisions largely as a result of the continuing drought in KwaZulu-Natal, the replanting of deciduous orchards and wind damage to the banana crop.

Sales and operating profits fell in the period while earnings were higher after the group sold Komati Estates to the government as part of its land restitution campaign. Wayne said the year's 204c headline earnings per share were below expectation because of stronger local currencies and weaker prices.

He said there was no improvement in the outlook for the instability in global markets that had resulted in greater investment in emerging markets, which had pushed up the value of the rand.

Source: Business Day

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