

Rhodes Food Group grows turnover

Rhodes Food Group Holdings (RFG) grew turnover by 16.6% to R2.5bn in the six months to March 2018, with continued strong growth in the regional business and the benefit of recent acquisitions.



Image Source: [Rhodes Quality](#)

The Western Cape-based food producer, which owns a growing portfolio of market-leading brands including Rhodes, Bull Brand, Magpie, Squish, Bisto, Hinds and Pakco grew regional sales by 19.5%, and by 7.6% excluding acquisitions. The regional business accounts for 84% of RFG's total revenue.

International sales increased by 3.6% as export volumes recovered. However, the business was impacted by the increased costs of canned fruit due to the ongoing drought in the Western Cape and the strengthening of the Rand against RFG's trading currencies.

These challenges in the international business, together with once-off integration and relocation costs for new acquisitions, contributed to the group's operating profit declining by 22% to R162m. Headline earnings for the six months were 35% lower at R82 million.

Chief executive officer, Bruce Henderson said sales in the fresh foods division grew by 22.7% with "a strong performance from the bakery category and continued good growth in pies, snacking and ready meals."

Sales in the long-life foods division increased by 17.4%, with the fruit juice category performing well in a highly competitive environment.

RFG's brands continued to gain market share across core product categories, with the Rhodes brand the country's market leader in canned pineapple and canned tomato. Rhodes is the number two brand in canned fruit, jam and canned vegetables as well as the recently entered categories of fruit juice and infant food meals. Bull Brand is the market leader in corned meat.

BOS Brands agreement

RFG recently entered into an agreement with BOS Brands to manage all sales and distribution of BOS products in sub-Saharan Africa. This extends the partnership which saw RFG take on the packaging of part of the BOS portfolio last year.

Pakco performs ahead of expectations

Henderson said Pakco, the Durban-based food manufacturer acquired for R197m effective April 2017, has performed ahead of expectations in its first full year in the group. "Pakco products are gaining good traction in the market and the relaunch of the brand portfolio in March will add further sales momentum. We have introduced extensive product innovation, new pack formats and refreshed packaging designs across the Bisto, Hinds, Pakco and Southern Coating brands."

Ma Baker now profitable

While the integration of Ma Baker has taken longer than originally planned, the challenges have been addressed and the business is now profitable. "Ma Baker is the market-leading pie brand in KwaZulu-Natal. The acquisition has strengthened our position in the growing pie and pastry market and also creates synergies with our existing pie, snacking and bakery businesses," said Henderson.

Expanding capacity, enhancing efficiency

RFG owns 15 production facilities across South Africa and Swaziland. As part of an increased capital investment programme, RFG has committed more than R1bn over three years to expand capacity and enhance production efficiencies. This includes investing in new and upgraded facilities, mainly for new product categories which the group has entered through the acquisition of other food producers.

Major current projects include the installation of a clear juice concentrate plant at the Groot Drakenstein production hub, commissioning a new baked bean production facility in Gauteng, upgrading production facilities at Pakco and Ma Baker, as well as a new food technology laboratory and product development centre.

Outlook

On the outlook for the remainder of the financial year, Henderson said trading conditions are expected to remain constrained domestically and regionally.

"Our strategy in this environment will be to drive organic growth, increase brand shares and extract benefits from the recent acquisitions and major projects. We will maintain momentum in sub-Saharan Africa and expect to benefit from the addition of the Pakco brands to our product offering."

He said RFG's prospects remain robust despite the headwinds in the international business. "Our regional business continues to generate strong organic growth, Ma Baker is now profitable and we expect the international business to return to profitability in the second half of the year. We are focused on completing the current capital investment programme to generate returns for shareholders into 2019."

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