

Country Bird loses as chicken value falls

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Country Bird Holdings, SA's third-largest chicken producer, saw operating profit fall an adjusted 11.5% to R122,2m in the year to June, as the value of realisations - the combined sales of all the constituent parts of a bird - fell.

The 8% decline in realisations over the year was a result of weak demand and imports stemming from a strong rand, the company said on Friday, 20 August 2010.

Chicken is the cheapest form of protein and consumption has been reduced by the loss of more than 1-million jobs in SA since the start of last year.

Including the loss to revenue from the sale, in the previous year, of its stake in joint-venture breeding farm operation Elite and fair value adjustments, Country Bird made in its stake in rival Sovereign Foods - which it has since sold - operating profit slumped 35%. Revenue for the year rose 9% to R2,43bn.

An industry-wide miserable year saw realisations in December, the busiest period, fall to about R13/kg, compared with about R16/kg a year earlier.

Sustained weaker demand is forcing SA's chicken producers to grow and benefit from scale and cut costs where possible.

Rival Afgri earlier this month finished a long-standing ambition to expand its chicken operations when it bought Delmas-based Rossgro Chickens, bringing its weekly output up to 1-million birds. Still, no relief is likely for the industry in the near future.

"Realisations for the poultry industry for the medium term will remain under pressure from weak demand and higher levels of imported poultry brought about by the strong rand," Country Bird said on Friday.

"Continued efficient grain procurement, further improvements in operational efficiencies and cost control should result in improved operating margins."

The share has fallen 23% over the past year. It closed 4% higher on Friday, at R2.60.

Source: Business Day

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