

Good outlook for local food companies, despite pressures

South African food producers are keeping their heads above water, despite constrained consumer spending, the weak rand and the country's worst drought in decades.

By Fifi Peters 4 May 2016



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On Tuesday both Tiger Brands, SA's largest food producer, and smaller rival Rhodes Food Group issued profit guidance that first-half earnings would increase by more than analysts' forecasts.

Tiger Brands, the maker of All Gold tomato sauce and Jungle Oats, said headline earnings per share would be between 12.5% and 17.5% higher in the first six months to March.

Rhodes Food Group, whose portfolio of brands includes Magpie and Bull Brand, forecast normalised earnings per share, excluding the one-off listing costs of R21.8m, would jump between 35% and 40% over the same period.

Rhodes listed on the JSE in October 2014.

"It appears that food producers are turning out to be a lot more resilient than everyone expected," Standard Bank analyst Sumil Seeraj said on Tuesday.

"It looks as if top line has been growing better than expected, and that consumers are absorbing price increases much better than anticipated," he said.

Earlier this month Pioneer Foods, the country's second-largest food manufacturer, said it expected first-half headline earnings per share to soar as much as 66%.

SA, Africa's largest maize producer, may have to import up to 3.8-million tonnes of the crop this year, as severe dry spells, which last year resulted in the lowest rainfall since 1904, continue to damage crops.

On top of cost pressures from soft commodity inflation, food manufacturers, such as Tiger Brands, Rhodes Food Group and Pioneer, are also servicing consumers who are under pressure from multiple interest rate

increases, high inflation, and the weak rand.

Tiger Brands said it expected first-half operating profit to increase 7% year on year, boosted by higher sales.

The company's new CEO Lawrence MacDougall, who was previously the executive vice-president of global snack company Mondelez International, is expected to formally start in the position next Tuesday.

Source: Business Day

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