

Country Bird profit falls as recovery lags, imports rise

Recovery has come slower than expected for Country Bird Holdings, SA's third-largest produce of chicken.

By Michael Bleby ^{12 Feb 2010}

The upturn had yet to take hold, Bloemfontein-based Country Bird said yesterday, 11 February 2010, as it reported a 15% decline in operating profit to R82,4m for the six months to December, even as revenue rose 14%.

Realisations — the total income per bird, after sales of the different parts are aggregated — were down on the year-earlier period. A 35% increase in poultry imports also hurt demand.

All this put back the expected upturn, finance director Robbie Taylor said. “When we were looking last year we thought we were at the start of the economic recovery. It turns out the recovery is taking longer than we thought at that time,” he said.

The results show that consumer spending remained under pressure through to the end of last year and chicken producers have struggled as people have turned to cheaper sources of protein, or simply bought less.

While figures for the quarter to December are not yet available, household spending fell for a fifth successive quarter in the three months to September, Reserve Bank figures show. Household income also fell for a fifth straight quarter during that period.

The market shared Taylor's disappointment. The company's share price fell 10c, or 2.9%, to R3.40 after the announcement. While Country Bird's share price has fallen 26% from two years ago — worse than rival Rainbow Chickens' 2.5% and Astral Foods' 6.4% — it has done far better than the other two over the past 12 months, rising almost 48%.

Some of the apparent poor performance — such as a halving in profit of the company's animal feed business to R13,5m — was as a result of changed accounting practices.

This was the first period that Country Bird owned the Nutri Feed business outright, having previously been half-owner of it, and the company had changed the accounting for easier comparison with rival operations owned by Rainbow Chicken and Astral Foods, Taylor said.

That aside, the feed business was doing well, he said. “We're very pleased with the 17.6% growth in volumes. Profit per ton is up about 8% on last year.”

The company is looking to the Soccer World Cup. “We're hoping for that recovery that has been on the horizon, but not realising,” Taylor said. Sales to fast-food restaurants account for 15% of sales by volume. They were higher than that by value, he said.

Source: Business Day

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