

# Tiger Brands sees no respite from high food prices yet for consumers

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Tiger Brands, South Africa's biggest food producer, is taking action to stay competitive in the face of high input costs that have still not come down significantly, and trading down by consumers in response to high prices.



A Tiger Brands beverage production facility is seen in Germiston, Source: Reuters/James Oatway.

Consumer goods producers globally have raised prices to cope with surging costs for almost all raw materials, energy and packaging after Russia's invasion of Ukraine compounded pandemic-related supply chain logjams.

## Cheaper alternatives

These hikes are hitting consumers' wallets, with Tiger Brands saying cost-conscious consumers continue to trade out of premium products to much cheaper alternatives.

Tiger Brands said while there has been a slowdown in global food prices, this has been offset by a weakening rand as well as power cuts that have disrupted food production and distribution and increased costs for manufacturers and food retailers.



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"If I were to look into the crystal ball I would suspect we're going to continue to see (internal) high-single digit (prices) come through in the foreseeable future before we see any significant decline," outgoing chief financial officer Deepa Sita told investors.

The owner of Jungle Oats and Koo baked beans said despite double-digit inflation across its portfolio, the impact on the group's volumes was minimal.

## **Decline**

Overall volumes declined 2% in the year ended on 30 September, while total revenue rose by 10% to R37.4bn, driven by price hike of 11%.

Despite cost containment initiatives, the ongoing challenges of fully recovering higher input costs persisted, resulting in the overall gross margin declining to 27.7% from 30.3%.

In response to the anticipated low to no growth environment and the recent shifts in shopper behaviour, Tiger Brands is looking to make changes to its portfolio by exiting certain categories and product ranges that it no longer deems "future-fit", new CEO Tjaart Kruger told investors.

The company is also exploring opportunities for entry into adjacent categories and will revamp its operating model, he added, without providing details.

"It really boils down to how are we managing down our current cost base to become more competitive on shelf," Thushen Govender, the chief growth officer for consumer brands said.

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