

Pioneer Foods earnings up

Food and beverage group Pioneer Foods on Monday, 25 May 2009, reported interim diluted headline earnings per share for the six months ended March 2009 of 166.4 cents, up from 140.0 cents during the previous period.

The board approved an interim dividend of 36 cents, up from 30 cents a year ago. Group revenue for the period was R8.4 billion, up from R7 billion reported for the previous period.

Group operating profit amounted to R549 million from R396 million reported before.

"We are pleased with our results overall, though we recognise our growth is off a relatively low base," said Pioneer Foods MD Andr Hanekom.

"We had satisfactory revenue growth, largely from price increases up to October last year, when the prices of grain based products peaked. Sales volumes were largely sustained, with maize meal growing particularly strongly.

"There has been selling price decreases towards the end of the reporting period in wheaten flour, maize meal, pasta and wheat based cereals, which should support consumer demand.

"We expect to maintain our margin as food inflation moderates and the food price environment stabilises," said Hanekom.

Pioneer Foods said that the Sasko segment achieved pleasing results and that White Star super maize meal products achieved excellent sales volume growth at firm prices.

It said bread sales volumes were largely maintained and sales volumes of wheaten products, pasta and rice were lower.

It said that tough trading conditions in the broiler business prevented a proper recovery of increased costs.

Pioneer said that certain on-farm performances were disappointing and were being addressed.

The animal feed business performed satisfactorily, it said.

The group said that sales volumes of breakfast cereal products were maintained at acceptable levels in the difficult economic climate.

It said that the new Weet-Bix facility was expected to be commissioned by September 2009 at a cost of R130 million.

The group also pointed out that the Heinz Foods (SA) joint venture performed satisfactorily.

It acquired a frozen food facility in Gauteng in February 2009.

"This acquisition will address the capacity constraints of the current Western Cape based facility and should enable cost savings in distribution," the group said.

The Ceres Beverage segment performed well, specifically in the export business that benefited from good volume growth and the weaker rand in the period under review, the group said.

Looking ahead Pioneer Foods said that a more stable food price environment was expected to contribute to an improved operational performance for the full year, though upward cost pressures persist.

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