Sovereign Foods earnings down

Sovereign Foods has reported diluted headline earnings per share of 18.9c for the six months to August, down by 9% from last year's 20.7c.

"This was primarily due to 4% lower volumes and a 22% increase in feed costs per ton," the company said. Revenue rose to R675.4m from R623.5m a year earlier, while profit before tax declined from R21.36 to R20.18m. The group does not declare an interim dividend.

The company said agricultural performance continued to improve and increases in non-feed costs in rand were contained to 7%, in the face of large increases in administered costs such as labour and energy.

The group improved its broiler performance by 12% while keeping its bird age consistent.

A fertility challenge in the first quarter of the year, which has now been resolved, resulted in an 8% drop in the number of birds processed although this was offset by a 4% improvement in bird mass.

Poultry prices

Poultry prices increased 12%, with 10 percentage points of that ascribed to price inflation and two percentage points to changes in product mix.

Although import volumes remained high during the period, at the end of last month the government approved increases in import tariffs in certain categories of poultry.

"However, the bulk of leg quarter imports originate in the European Union and these import tariff increases will apply only to countries other than the European Union," Sovereign said.

"The introduction of additional import tariffs should lead to a more stable balance between poultry supply and demand, and brought some relief to the industry," it said.

"However, in the near term, industry margins could remain suppressed due to high feed and input costs and constrained consumer expenditure," it added.

Sovereign said that consumers remained under pressure from above-inflation increases in energy and transport costs, which would continue to reduce the amount of disposable income available for food.