

Poultry imports destructive, says Astral

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POULTRY producer Astral warned that cheap imports coming into the country threatened to destroy South Africa's poultry industry.

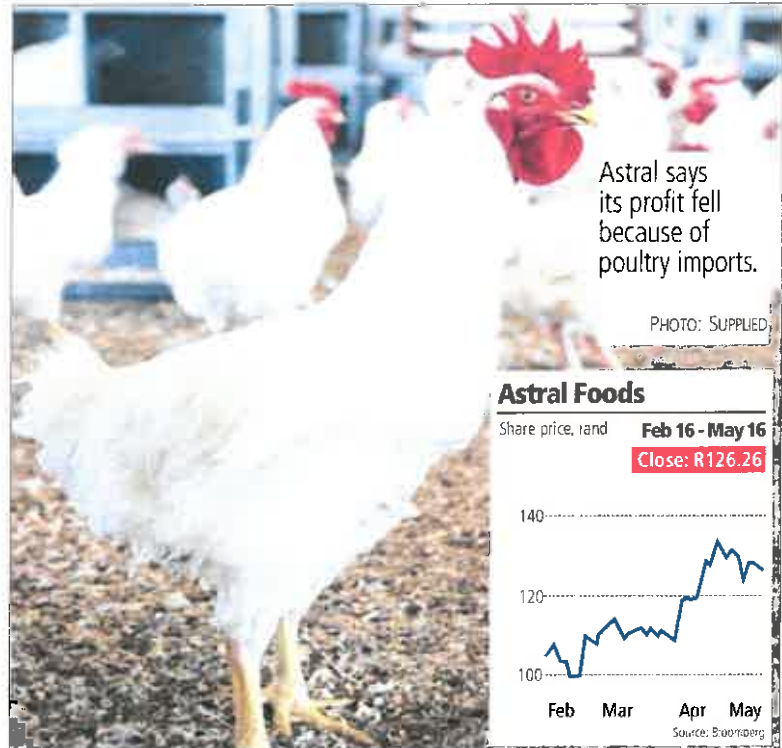
The group said its operating profit dropped 22 percent to R429 million, down from R550m for the six months to March as a result of the imports.

Chief executive Chris Schutte said yesterday that the outlook for the business was not looking good for the next six to 10 months because of the effects of the drought.

"The price feeds will remain high. In our annual presentation in November we cautioned the market that trading conditions were going to be challenging given the outlook for an El Niño weather phenomenon and the continued high level of poultry imports. This came to fruition, and together with weaker consumer demand and an inability to recover high input costs," Schutte said.

The company, which operates three divisions – poultry, feed and African operations, reported that its revenue was flat, gaining only 1 percent for the period to R5.82 billion, up from R5.76bn.

It said the poultry division felt the brunt of the imports with Schutte stating that cheap poultry entries in the last six



months had put the company under severe pressure.

"We are going to destroy local jobs and kill emerging black poultry producers. We are actually importing unemployment from the US," he said.

"US poultry and other meats have started to come into the South African market as per the African Growth Opportunity Act (Agoa) agreement. Lower sales volumes and high level of Brazilian and EU poultry imports led to a build-up in poultry stock levels and combined to put pressure on the poultry division which saw a 1.5 percent drop in revenue to R4.44bn for the period. The division's operating profit decreased by 44.73 percent to R194m, down from R351m in March 2015."

Schutte said the 7.7 million poultry entering the market a week was going to destroy the already ailing industry.

However, he argued that

there was a bit of hope for one of its divisions, the feed division, as it reported better results compared to the other two divisions.

The feed division increased its revenue by 16.8 percent to R3.46bn compared to R2.96bn in the previous reporting period, on the back of a 16.2 percent increase in the average feed selling price. The division's operating profit was up by 25.27 percent to R233m.

Schutte said the operations in Africa recorded a 0.8 percent growth in revenue to R258m. The operations were negatively impacted by ongoing power outages in Zambia due to the drought situation.

Astral declared an interim dividend of R3.90 a share.

The company's share price remained under pressure for the most of yesterday before eventually closing 0.58 percent lower at R126.26 on the JSE.