

MANUFACTURING — FOOD

1993

Tariff reform will cut food prices in SA

S/Times (Russ) 3/1/93.

By CIARAN RYAN

FOOD prices are set to fall early in the new year, when government will take action to expose South African food producers to increased local and foreign competition.

The Board on Tariffs and Trade proposes introducing a system of adjustable tariffs on imported food to keep local prices in line with international prices

The reform of the agricultural control boards is also expected to bring down food prices. The Kassier Commission, which reports in the new year, is expected to make recommendations to this effect

"We are proposing a system of adjustable tariffs on food such as is used in several developed countries," says Helgard Muller of the Board on Tariffs and Trade

"These tariffs can be changed at short notice as international prices move. I would hope that this would bring SA prices into line with

overseas prices"

Quantitative controls on imported food and price-fixing by the agricultural control boards are two of the main reasons for the high cost of food in SA.

Dr Muller was responding to an IMF report which criticises SA's protectionist policies which have led to high food prices. The report says these policies are inappropriate for a country suffering drought and poverty

Stubborn

There is considerable disquiet in government at the system of price fixing by agricultural control boards based on local cost structures of farmers

This has caused SA food prices to fall out of line with international prices, an issue which will take political centre-stage in the run-up to free elections

Food prices increased by more than 30% earlier last year, one of the main reasons why SA's inflation proved so

stubborn, but Central Statistical Services figures show a slowdown to 17,2% in November

This helped lower the overall increase in the rate of annual inflation from 11,7% in October to 11% in November

Sugar is one of the first crops likely to be subject to the adjustable tariffs once the Minister of Agriculture approves the scheme. The system will be extended to other agricultural imports

"We cannot influence the price of agricultural products, only the level of protection, which ultimately has an effect on prices," says Dr Muller

But pressure is mounting from opposition groups and government to change the system of fixing agricultural prices, currently vested with the control boards and the Department of Agriculture. The present system is perceived to protect farmers at the expense of the consumer

SA is forced to import 4,2-million tons of maize at a

cost of about R1,6-billion because of the drought. SA's maize crop is expected to be 2,9-million tons this year compared with around 8,5-million tons in normal years. The country needs 6,5-million tons to feed itself

The maize is landed at SA ports at between R345 and R399 a ton, but the local price is fixed by the Maize Board at R475 a ton. All profits from the sale of imported maize go to government rather than to the consumer

One of the biggest culprits of high food inflation is meat. Imports of live animals and animal products were just 10% of last year's total food imports of R2,7-billion. A system of quantitative controls and tariffs is designed to protect local farmers so that very little meat is imported

One of the few meat items to be imported is spare ribs. The Board on Tariffs and Trade dropped import tariffs from 50% to between 10% and 15% on spare ribs because farmers supplied a relatively small proportion of local demand

The meat industry is highly regulated, resulting in rapidly escalating meat prices and falling per capita consumption of meat

By removing controls, SA could take advantage of meat surpluses around the world, importing at less than half the local cost of meat. A further challenge to the meat industry comes from the Organisation of Livestock Producers, which is bypassing the complex system of controls by selling meat direct from the farmer to consumers at up to 45% below official prices

Illegal

Dr Muller says tariffs will still be imposed on many food imports to protect local farmers against dumped produce

"We do not have enough manpower in our anti-dumping unit to be able to guard against dumping of agricultural products. The agricultural sectors in many countries are highly subsidised."

He says tariffs will gradually replace quantitative controls, which are illegal in terms of the latest round of the General Agreement on Tariffs and Trade to which SA will become a signatory

"Once we have signed the Uruguay Round of Gatt, a number of food tariffs will be cut overnight, and other cuts will be phased in over a period of years"

One of the fastest-rising sectors of the JSE is food. The food index increased by about 20% in 1992 as listed food companies reported strong earnings growth

Royal deal completed

STAR
Finance Staff 5/11/93.

The Royal Group announced today that its acquisition of European food group Del Monte Foods International had been completed

In terms of the deal the JSE has accepted the listing of 45,9 million new Royhold shares, 90,4 million new Royal shares and 244,3 million Royfood shares

The names of the companies have also been changed to Del Monte Royal Holdings, Del Monte Royal Corporation and Del Monte Royal Foods

Anglo American, which is backing Royal's R2,17 billion rights offer to finance the acquisition, with R800 million, said its own offer of 880c a share to minorities had been accepted by shareholders representing 0,4 percent of Royhold and 6,7 percent of Royal shares.

COMPANIES

Royfood seals Del Monte deal

ROYAL Foods (Royfood) had completed its acquisition of Del Monte Foods International (DMFI), the Royal group said today

The group said all conditions pertaining to the acquisition, which included special and ordinary resolutions by shareholders and clearance by the Commission of European Communities, had been met

The JSE had agreed to list 45,9-million new Royal Group Holdings (Royhold) shares, 90,4-million new Royal Corporation (Royal) shares and 244,3-million Royfood shares with effect from yesterday

In addition, shares in the Royal stable would change their names to Del Monte Royal Foods, Del Monte Royal Corporation and Del Monte Royal Holdings with effect from February 1

Anglo American, which has joint control of DMFI, announced the result of its 880c share offer to minorities Acceptances amounting to 0,4% and 6,7% respectively of Royhold and Royal shares offered, were

MARCIA KLEIN

received

(186)
The finalisation of the deal followed an announcement last month that the deal had been concluded In terms of the deal, Royal would raise R2,17bn in equity, and Anglo would contribute R800m

Royal originally expected to raise R2,4bn and Anglo was expected to contribute R400m. But the deal was restructured following problems in obtaining the necessary funding from institutions and widespread speculation of the effect a deal of this size would have on the finrand

As part of the restructured deal, the DMFI sellers agreed to be issued shares in Royfood, with time constraints on tradeability

BIDAM 5/1/93
In terms of the acquisition, Anglo and the Imerman Control Consortium would have joint control, with the latter retaining management control

Premier, Fawu in 'model deal'

B/Day ERICA JANKOWITZ 8/9/93

A REDUNDANCY support agreement signed yesterday by the Food and Allied Workers' Union (Fawu) and Premier Food Industries was aimed at retraining re-trenched staff for placing in the group once the economy had picked up and the company had expanded its interests, Premier CE Willem de Kok said yesterday.

De Kok said a redundancy support fund would be established from a compulsory 1% deduction from all employees, topped up by double that amount from the company. The fund, "which could add up to millions of rands over the first few months", would be administered by eight elected and eight company-appointed trustees. (186)

If the full fund was not used, accumulated monies would be repaid to contributors. Company contributions, however, would remain in a fund to cover future training requirements, he said.

Premier was considering reducing its 18 000 workforce by about 1 200 over the next few months and giving certain of them the option of taking the negotiated severance package — a minimum of two weeks' pay for each year of service — or joining a labour pool. Those in the labour pool would be trained for vacant positions. If reabsorbed, their service would be considered unbroken.

Fawu general secretary Mandla Gxanyana said the union viewed the fund as a model for other agreements in the food sector and had approached ICS with a view to negotiating a similar arrangement.

NEWS Poor economy affects Fawu members ● Return

Workers may be laid off

SOWETAN 8/9/93

**By Glenn McKenzie
and Ike Motsapi**

ABOUT 1 200 workers face retrenchment by Premier Food Industries but the good news is that management and their union have devised a support system to provide them with financial assistance.

Premier Food Industries and the Food and Allied Workers Union yesterday unveiled a redundancy support agreement to provide retrenched workers with at least 30 percent of their wages and job training

Management and Fawu said a poor economy had forced the retrenchments, but each affected employee would be given first priority when new jobs were created

The scheme is funded by all permanent employees, who contribute one percent of their salaries towards it

Their contributions are matched by the company, which will also contribute additional money into the fund

The contributions by all parties ensure that employees whose positions are threatened will be placed in a Labour

Pool scheme

"People in the pool will receive a benefit from the Redundancy Support Scheme based on a percentage of their basic salary

"While in the pool people could perform casual duties and attend training," said Mr Willem de Kok, chief executive officer of Premier Food

He added "Labour Pool members can, however, elect to take voluntary retrenchment. In so doing, he or she will be entitled to his or her full negotiated retrenchment package"



Premier to sign retrenchment support plan

AN INNOVATIVE retrenchment support programme, funded by compulsory individual contributions from all levels of staff, will be signed by Premier Food Industries and the Food and Allied Workers' Union today. *8/24 7/9/93*

Premier consultant Duncan Innes described the programme as unique in SA and close to the Japanese approach to labour relations. "Premier has always described itself as a family and in launching this fund it has shown it is willing to look after its employees and give some form of guarantee of income" *(186) (255)*

Premier spokesman Mike Renwick said retrenchment could affect any level and

ERICA JANKOWITZ

all workers were expected to contribute to the programme's funding. However, the deduction had been softened by simultaneous salary increases. All workers would contribute the same proportion of their basic salaries — less than the 2% first suggested — "from the MD down".

Innes said Premier would create a pool into which all retrenched workers would fall. They would be supported for up to a year and would receive some form of skills-based training. They would be encouraged to seek employment and, if successful, would withdraw from the pool.

Tastic strike now boycott

186

152

DURBAN. — A strike by Tastic Rice employees in Maritzburg has developed into a campaign to boycott the company's products by the Food and Allied Workers' Union. Workers at the firm's other plants had accepted a 12% increase.

2/17/8/93

From MARCIA KLEIN
JOHANNESBURG —
Food groups Foodcorp
and ICS Holdings have
announced two deals
which will see them
jointly control their
processed meat inter-
ests and ICS's frozen
foods distribution com-
pany The Cold Chain

Foodcorp, ICS in deal to merge two interests

28/6/93
186

They announced at the weekend they would merge their chilled prepared meats divisions by disposing of them to a newly formed company with annual sales of R500m. In addition, Foodcorp would acquire a 50% interest in The Cold Chain.

The net cash effect of the merger and the acquisition would be a R15m cash payment by Foodcorp to ICS.

Foodcorp would sell Enterprise and ICS would sell Renown to a new company called Enterprise Foods. The sale takes effect from today. Shares in the merged operation would be held equally by the two groups, while Foodcorp would have management responsibility.

The decision to merge was because of "strong pressure exerted on chilled prepared meat prices by substitute products such as chicken".

The merger would enable Enterprise Foods to improve productivity and increase capacity utilisation.

Foodcorp CE Dirk Jacobs said the

major benefit would be cost savings arising from rationalisation, which would improve the new group's ability to absorb rising costs and help it contain its own price increases. Competition from substitute products saw the price of prepared meat increase by less than 8% a year in the past four years.

The Competition Board said it would not investigate the merger.

In the second part of the agreement, ICS would dispose of The Cold Chain to a new company called The Cold Chain Limited, which would be held equally by ICS and Foodcorp, with ICS having management responsibility.

The Cold Chain distributes refrigerated and frozen foods for ICS, Foodcorp and other suppliers. It would also distribute some Enterprise Foods products and Foodcorp's Table Top range.

The transactions would have no material effect on the earnings or net asset value of the two groups.

Foodcorp, ICS get together

INCREASES in the price of prepared meat have been below 8% a year for the past four years because of competition from substitutes, says Foodcorp chief executive Dirk Jacobs

Therefore, Foodcorp and Imperial Cold Storage (ICS) are to merge their prepared-meat operations Enterprise and Renown. New company Enterprise Foods will have sales of R500-million a year. Foodcorp will manage the company.

ICS will sell its Pork Packers abattoir to the new company. Foodcorp will buy 50% of the ICS Cold Chain distribution business.

(186)

(186)



SWEET FUTURE: Warner-Lambert directors Gerry Norris, George Michalakellis and Tim Largier with some of their company's wares

A tasty way to create jobs

South 17/4 - 21/4/93 186

IT'S A child's dream an ultra-modern factory producing 5 000 sweets an hour, 16 hours a day. Popular brands like Halls, Rascals, Vita-C and Dentyne are pouring off the hi-tech production lines at a new Western Cape plant set up by pharmaceutical multinational Warner-Lambert.

This R20 million investment, officially opened in Retreat this month, has created 100 jobs.

Import protection results in higher food prices ⁽¹⁸⁶⁾ union _{Gen}

GERALD REILLY

SIDNEY 11/2/93
PROTECTION against the importation of essential agricultural input significantly affected production costs and resulted in inflated food prices, SA Agricultural Union director Piet Swart said yesterday.

He was commenting on the Board on Tariffs and Trade (BTT) report which said agricultural industry manufacturers' protection was a factor contributing to high food prices.

Agriculture Minister Kraai van Niekerk said in a related statement this week protection had given rise to monopolies in the tractor, agrichemical and fertiliser industries.

Swart said much of the justification for protecting what were once considered to be strategic industries had fallen away and boycotts and sanctions were crumbling.

He welcomed Van Niekerk's announcement that he would have input cost in the industry investigated.

"If we want to keep food prices down it is essential that barriers to necessary inputs which can be im-

ported cheaper than the local product be lowered or removed," Swart said.

At a meeting last month with the National Maize Producers' Organisation (Nampo), Finance Minister Derek Keys asked the organisation to find out which imported agricultural inputs were still protected.

A Nampo spokesman said Atlantis four- and six-cylinder diesel engines and spares had enjoyed huge protection for years, inflating tractor and other agricultural machinery prices.

Nampo had proposed, with ADE's support, the lifting of protection on importing six-cylinder engines. The Industrial Development Corporation had estimated the engines were 43% more costly than imported ones.

The spokesman said the protected agrichemical industry had asked the BTT for greater protection.

Nampo was also looking at protection given to the tyre manufacturing industry, which recently asked the BDT for greater protection.

No role for the bosses in union street theatre

Bloom 12/1/73.

THE image of Premier chairman Peter Wrighton playing the lead role in last week's piece of street theatre outside the group's Johannesburg head office focuses attention on precisely what public role the admirals of industry can usefully play in the labour area.

There are few who would doubt Wrighton's bona fides. Under his direction, Premier has devoted significant resources to attempts to forge sound industrial relations.

The retrenchments which gave rise to last week's march have been the subject of ongoing negotiation with the union inside a policy framework which unionists privately acknowledge to be as enlightened as circumstances allow.

The quality of industrial relations generally within the group is recognised to be comparatively sound despite the presence of some of the most militant unions in tough industrial sectors where it is hard to forge sound workplace relationships.

Both under Wrighton and his predecessor, Tony Bloom, the group has never shied from public expressions of support for political and social change, justice and democracy. Wrighton, however, has shown a proclivity for flamboyant public displays of solidarity with labour which often seem to draw cynicism rather than affection. Only last year he marched alongside Cosatu's Jay Nai-

doo in an anti-VAT demonstration in downtown Johannesburg, and was not unwilling to join the aborted two-day national business shutdown.

Last week, his enthusiasm to join the march and subsequent disappointment at being rebuffed, his purchase of a union T-shirt and his provision of refreshments and toilets for the marchers drew some cynicism and anger from unionists. Far from winning hearts and minds, Wrighton's flamboyance may result in greater antipathy for his negotiators when they resume talks with the union over the retrenchment issue.

What Wrighton may not have appreciated was that marches in general and this one in particular are not personal attacks on him or his company, but acts of mobilisation for a union dealing with membership apathy in the face of inevitable job loss. The march was, to a large extent, an effort to strengthen the already weak hand of the union in the negotiations.

Perhaps more than most unions, the Food and Allied Workers' Union (Fawu) is in desperate need of enhanced membership cohesion, especially at company and plant level — given its troubled history of regional and ideological splits and an economic climate in which aggression is hard to muster among the rank and file.

Wrighton also clearly understands

GAVIN BROWN

little of the class war techniques of labour organisations to which Fawu is given, and should not have been surprised at the rebuff. Few on either side of the ideological divide could seriously see him as part of the working class struggle despite his willingness to wear its T-shirts in front of the opulence of the group's head office.

Attempting to take part in a demonstration against his own company also invites questions on this style of interaction with labour, and presents something of an absurdity, no matter how subtle or well meaning the intent may be.

Against this background, it is easy to see how hard-pressed union organisers are angered at Wrighton's upstaging of the event. Some are even claiming it was subversive towards collective bargaining.

What would have been just another demonstration of little importance to anyone outside of Mama's Pies workers or the motorists it inconvenienced became nationally memorable for Wrighton's enthusiastic, public embrace of the marchers.

The march was destined to be a low-key event. The presence of ANC



□ WRIGHTON

and SACP officials was at such a low level as clearly to indicate little more than symbolic support for an issue which the leaderships of these organisations are acutely and more informedly aware of than the average Premier marcher. However,

Wrighton's response served only to enhance and, more significantly, hijack the public attention it would otherwise have attracted.

What has clearly emerged on the local industrial relations scene are new national levels of interaction between business and unions at senior levels. Whether in the National Manpower Commission or the national economic forum or a variety of other ad hoc assemblies, leading businessmen and labour leaders are beginning to have serious and pragmatic dialogue over issues of common concern.

This is the better place for a man of Wrighton's position to articulate his views. A style that may have been appropriate to the late Tony Factor or Hal Walton, for example, fits ill on the likes of the more patriotic Wrighton, whose working class links are tenuous in the extreme, and whose attempts to identify with his workers would be more credible when clothed in a more serious and dignified way.

The Premier march was notable for the absence of any real union heavyweights who clearly also believe that their time is better spent attending events where macro policy is being shaped against a common understanding of the economic crisis rather than by being the main attraction in acts of street mobilisation.

□ Brown is an industrial relations consultant.

ICS earnings likely to fall

By Stephen Cranston

(186)

Earnings from food processor and distributor ICS will be down at the March interim, says MD Nick Dennis.

Speaking at the annual general meeting yesterday, Dennis said that the continuing surpluses in the poultry industry had had a negative impact on earnings

"Losses are being incurred in the poultry division as the surplus continues to build up against dwindling consumer demand

"The surplus is forcing down realisations to the extent that we are selling poultry at a loss

"Demand which grew historically by around seven percent a year is now actually declin-

ing," he said

At the same time, some players in the industry had expanded production, there was increasing competition from imports, and ICS itself had to bear the additional railage charges for imported maize brought up from the coast as a consequence of the drought.

Dennis said that, as predicted in the annual report, trading conditions had generally remained difficult as a result of a national protein surplus linked to reduced demand

While the group welcomed deregulation in the meat industry — and awaited the Kassier Report on control boards with interest — it would be some time before any bottom-line effects of deregulation were felt, he said

START 12/1/93



Thousands of Fawu members marching through the streets of Johannesburg yesterday. PIC: PAT SEBOKO

Fawu members march

Souelan 7/1/93

By Ike Motsapi

■ Countrywide stoppages occur in bid to save jobs:

THE fight against retrenchments gained momentum yesterday during countrywide work stoppages and a march by more than 10 000 members of the Food and Allied Workers Union in Johannesburg

Members of Fawu were bused to the Transvaal offices of the union in Wanderers Street where they began at 2km walk to the head offices of Premier Milling in Parktown to present a memorandum to managing director Mr Peter Wrighton

Fawu national co-ordinator Mr McDonald Motlhake said Premier Milling management had been "conducting a cold war" against the union. Motlhake said management was

about to retrench about 965 workers in the metropolitan areas

He said "In 1988 about 800 members of Fawu were retrenched at Farm Fare and this was followed by the closure of two Epol plants between 1989 and 1991, resulting in 600 workers losing their jobs.

"In October last year about 600 workers were retrenched from Mama's Pies in Cape Town and Johannesburg

"During the same period another 100 workers were retrenched from Nice 'n Easy in Cape Town

"We want this to stop now"

Motlhake said the union demands

● An end to retrenchments and

shutdowns,

● Reinstatement of all dismissed and retrenched workers,

● Job security for all,

● Industrial restructuring should occur only when this is for the expansion of a company,

● Training and retraining of staff,

● The creation of a fund for the unemployed,

● An end to privatisation,

● Creation of a non-racial society, and

● An end to job discrimination

The union warned that if these demands were not met within 14 days it would embark on factory demonstrations and other forms of mass action

936/1/93
186



an even keel, there is further upside in the current price

Brian Thompson

CG SMITH/CG SMITH SUGAR

Fm 8/11/93

Benefiting from a spread

It's often been asked why anyone should want to invest in holding companies rather than their operating subsidiaries. The point is particularly apposite in the case of CG Smith and Smith Foods as there is no part of these groups to which investors do not have direct access. ~~(2/25/93)~~ (186)

The argument is valid to the extent that investment returns would be enhanced provided one was able, consistently, to pick the best performing company at any time. But it loses appeal because the argument is never extended to other types of portfolios, to which the same considerations obviously apply. The only basic difference, therefore, is that by investing in these companies, one is

to continue →
FINANCIAL MAIL • JANUARY • 8 • 1993 • 49

P.T.O.
→

CG Smith

Activities: Holding company of Smith Foods, Nampak and Romatex

Control: Barlows (60%)

Chairman: R A Williams

Capital structure: 47,1m ords Market capitalisation R6,3bn

Share market: Price 13 300c Yields 2,3% on dividend, 6,6% on earnings, p e ratio, 15,1, cover, 2,9 12-month high, 14 000c, low, 10 800c Trading volume last quarter, 111 438 shares

Year to Sep 30	'89	'90	'91	'92
ST debt (Rm)	662	867	969	762
LT debt (Rm)	525	588	644	902
Debt equity ratio	0,35	0,38	0,37	0,28
Shareholders' interest	0,44	0,45	0,46	0,49
Int & leasing cover	6,4	6,4	6,2	7,9
Return on cap (%)	18,2	15,9	15,6	14,3
Turnover (Rbn)	12,4	14,2	16,1	17,8
Pre-int profit (Rbn)	1,2	1,2	1,3	1,4
Pre-int margin (%)	8,9	8,1	7,9	7,9
Earnings (c)	746	751	819	882
Dividends (c)	260	263	286	308
Net worth (c)	3 311	3 792	4 307	5 133

CG Smith Foods

Activities: Holding company of Smith Sugar, Tiger Oats and ICS

Control: C G Smith (81%)

Chairman: R A Williams

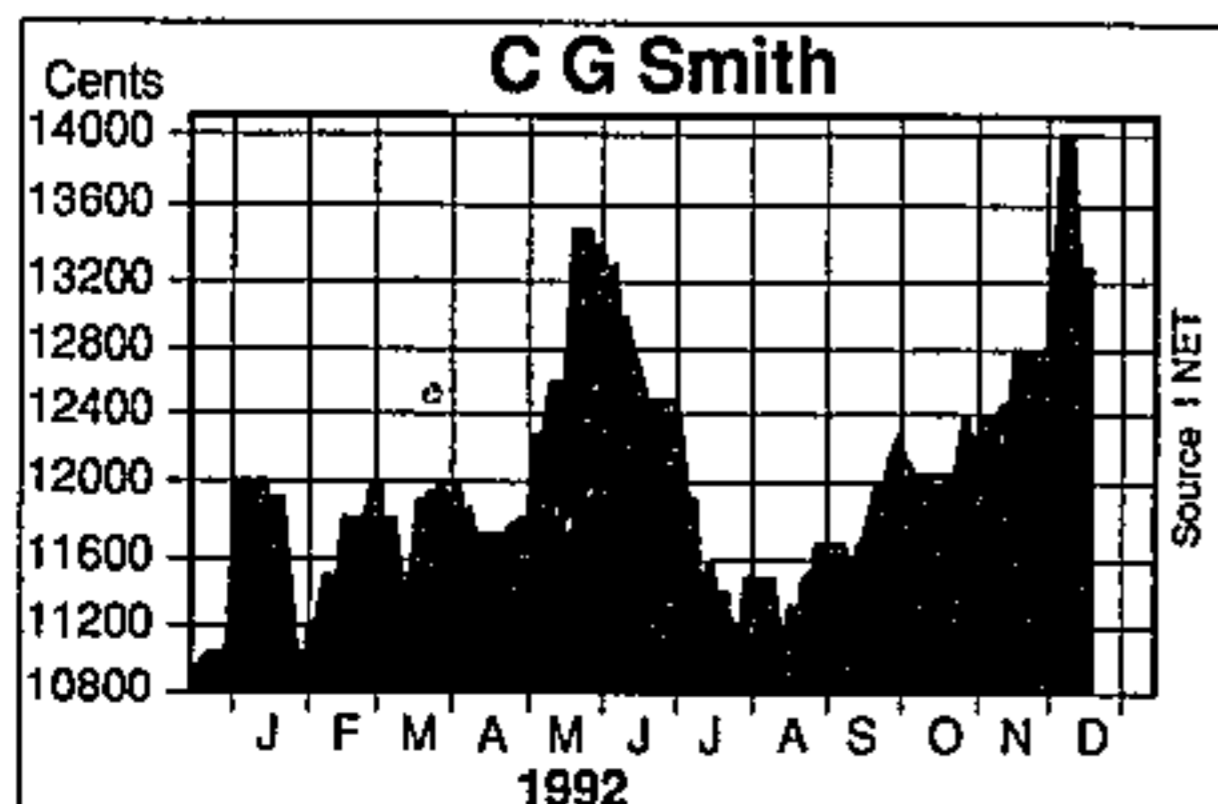
Capital structure: 94,5m ords Market capitalisation R5,0bn

Share market: Price 5 300c Yields 2,0% on dividend, 6,1% on earnings, p e ratio, 16,5, cover, 3,1 12-month high, 5 700c, low, 4 180c Trading volume last quarter, 56 000 shares

Year to Sep 30	'89	'90	'91	'92
ST debt (Rm)	464	655	665	558
LT debt (Rm)	331	362	388	722
Debt equity ratio	0,31	0,41	0,31	0,30
Shareholders' interest	0,44	0,44	0,45	0,48
Int & leasing cover	6,1	5,0	6,0	7,7
Return on cap (%)	16,6	13,0	14,6	12,4
Turnover (Rbn)	8,6	9,9	11,3	12,7
Pre-int profit (Rm)	706	742	803	818
Pre-int margin (%)	7,3	6,8	7,0	6,8
Earnings (c)	235	264	309	322
Dividends (c)	78	87	99	105
Net worth (c)	1 212	1 380	1 588	1 974

locked into a predetermined asset mix, whereas a "normal" portfolio will more accurately reflect the personal preferences of the investor

If it is accepted that a spread of investments is desirable, one advantage that these companies should have is the ability to provide such a spread at an affordable cost. However, in the case of CG Smith (but not Smith Foods), this particular advantage can hardly be said to apply — its R133 share price is out of range for the smaller investor and, with a relatively small issued capital,



CG Smith's Williams
more cautious forecast

cast to "some growth" but, with the economy likely to remain slack, it is clear that — as in 1992 — this will fall well short of the inflation rate

At R133 for Smith and R53 for Smith Foods Smith is marginally the cheaper of the two. Both are fully priced relative to the industrial market but could be considered as alternatives to the even more pricey Tiger Oats

Brian Thompson

must weigh against the group — put simply, a share split or cap issue is long overdue

Returning to the question of the respective investment merits of the holding companies versus their operating assets, an interesting exercise is to compare share price performance of the 10 listed companies which comprise these groups. Based on changes since January 2 1992, one would have had to be lucky to beat the 26% gain in Smith Food or even the 21% improvement in CG Smith

It is improbable that many would have picked Oceana as 1992's winner (up 46%), but one might have come right with Nampak (up 31%). In every other instance, price gains lagged those of the holding companies, even though earnings growth in the operating companies was invariably better than at the top

The disparity in earnings performance stemmed mainly from the listing of Smith Sugar, which reduced Smith Foods' interest in this company from 100% to 70%. In the process, the earnings contribution from Sugar in Smith Foods' income statement declined by 13%, despite a 10% improvement in Sugar's own attributable profit. This pegged Smith Foods to a 7% earnings gain and with this company accounting for 60% of Smith's net income, the effect was felt strongly here as well

There is little to choose between the two balance sheets. Mainly because of rights issues in Tiger Oats and Smith Sugar, year-end gearing dropped significantly, with Smith, at 0,28, having a slight edge over Foods (0,30). Smith was slightly better off in terms of profitability — thanks to gains at Nampak and, to a lesser extent, Romatex, it could hold its trading margin, whereas that of Foods continued to drift lower. Smith also recorded smaller declines than Foods in its gross return on total assets (down 1,3 percentage points against 2,4% for Foods) and net return on equity (down 1,8 points against 2,6)

Nor is there much to choose between them in the outlook for this year. In both instances, chairman Robbie Williams confines his fore-

Sales squeezed (186)

Activities: Processing of fruit and vegetables by way of canning, freezing and drying

Control: Tiger Oats 56,24%, Langeberg Co-operative 30,04%

Chairman: C G van Veijeren, MD R G Brown

Capital structure: 160m ords Market capitalisation R1,2bn

Share market: Price 720c Yields 2,3% on dividend, 7,7% on earnings, p e ratio, 13,0, cover, 3,3 12-month high, 925c, low, 700c

Trading volume last quarter, 985 000 shares

Year to Sep 30	'89	'90	'91	'92†
ST debt (Rm)	n/a	n/a	14,9	23,9
LT debt (Rm)	118,7*	113,1*	50,4	50,5
Debt equity ratio	0,65	0,57	0,27	0,25
Shareholders' interest	—	—	0,61	0,59
Int & leasing cover	—	—	1,2	1,3
Return on cap (%)	—	—	19,8	20,4
Turnover (Rm)	503,6	559,6	645,8	741,8
Pre-int profit (Rm)	52,4	36,8	79,4	102,9
Pre-int margin (%)	10,4	6,6	12,3	13,9
Earnings (c)	20,8	11,5	38,9	54,7
Dividends (c)	5,0	2,9	11,3	16,0
Net worth (c)	114,9	125,1	151,9	185,3

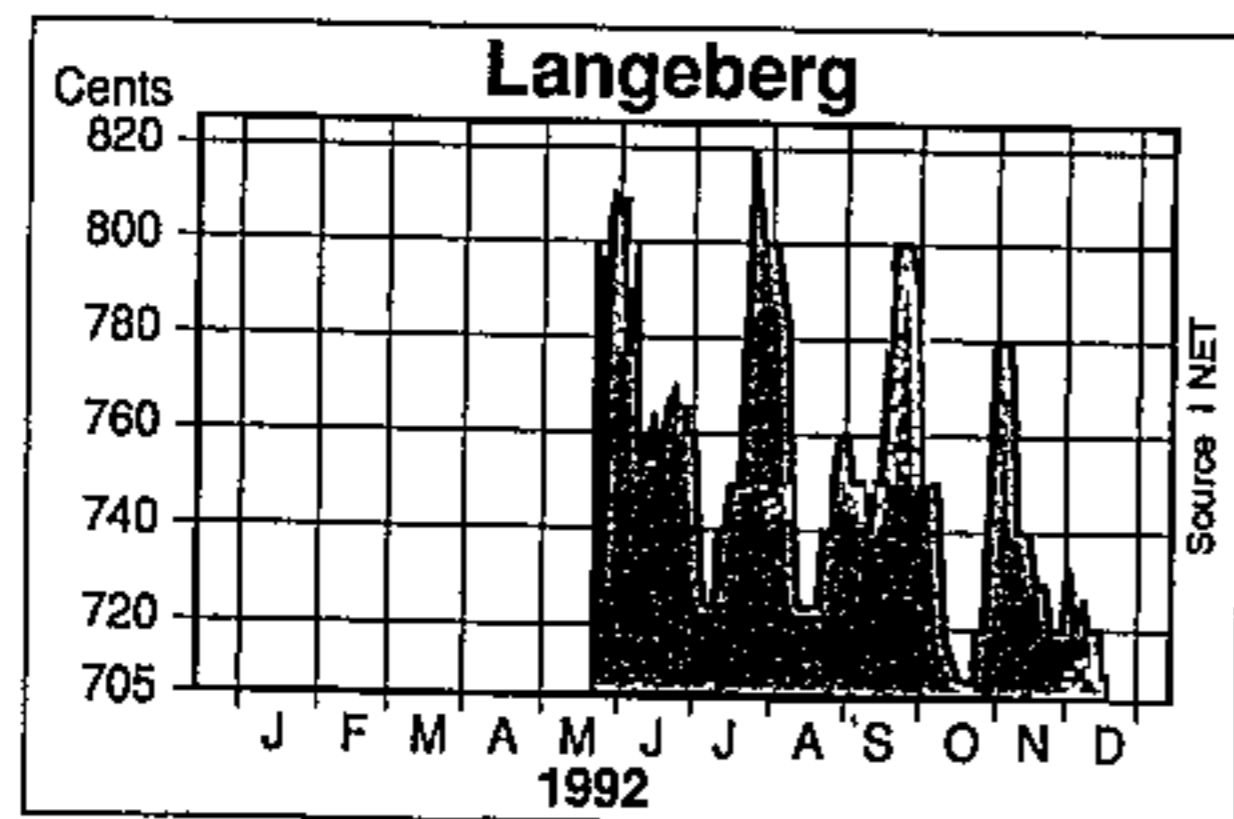
* Including short-term debt

† Listed 1992

Like others in the food sector, Tiger Oats subsidiary Langeberg — one of the most important listings of 1992 — has seen its sales coming under worsening pressure from declining consumer demand

Operating income increased 30% to R102,9m on turnover up 15%. The jump in operating income was achieved despite a decline in sales volumes, a result of improving efficiencies and strongly established brands. Attributable earnings rose by 41% and EPS moved similarly.

Langeberg pays almost no tax because of the large tax shields available to exporters and, because of assessed losses, transferred from the co-op to Langeberg Foods when Tiger Oats took control in 1988. But, says chairman Charles van Veijeren, Langeberg will start paying tax on its income during this



financial year

The balance sheet looks strong, with gearing at 25%. Interest-bearing debt has been reduced significantly over the past few years, particularly in the 1991/1992 financial period. There is considerable borrowing capacity — the latest balance sheet shows R74m in loans and R296m in shareholders' funds.

Net assets increased 20% to R370,8m, on which a return of 27% was achieved. The rise in net assets was caused principally by the higher stock holdings, following higher production and reduced demand. These were the main reasons for the negative cash flow of R9,2m, a reversal of the R47,9m positive 1991 position.

The local market, which takes up most of Langeberg's canned vegetables, jams, tomato sauce and canned soups, is linked to the business cycle and, therefore, remained slow, though performance was up on the previous year.

The deciduous division increased production materially over 1991 levels. About 85% of its output is sold abroad. Poor trading conditions curbed shipments in the final quarter, but the realisation of higher prices, as well as a moderate decline in the average value of the rand, more than compensated, resulting in improved profitability.

The pineapple division had a disappointing year, operating at a loss. MD Ray Brown says this division is expected to benefit from a continuing improvement in fresh fruit quality.

Management does not see an improvement in trading conditions, locally or in its export markets, but it is confident the group will continue to improve results by focusing on quality, strengthening brands and implementing strategic cost containment measures, including factory upgrading and modernisation.

Since the listing in June, the share price has been erratic, fluctuating from its listing price of 725c to a high of 820c. Behind this seems to have been some profit taking by co-op and minority shareholders. But part of the problem appears to be limited tradeability. With only 14% of listed shares available to the private investor, one questions the need for Tiger Oats to own 56%, market talk is that they want to increase this. That aside, the fundamentals suggest the counter has potential for growth.

Marylou Greig

FM 8/1/93

(186)

financial year

The balance sheet looks strong, with gearing at 25%. Interest-bearing debt has been reduced significantly over the past few years, particularly in the 1991/1992 financial period. There is considerable borrowing capacity — the latest balance sheet shows R74m in loans and R296m in shareholders' funds.

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The local market, which takes up most of Langeberg's canned vegetables, jams, toma-

Turnover (Rm)		
Pre-int profit (Rm)	24,3	39,0
Pre-int margin (%)	6,1	7,7
Earnings (c)	16,5	21,7
Dividends (c)	n/a	*21,0
Net worth (c)	54,13	59,1

* Includes 10c special dividend

45% gain, after two years of reduced earnings

Particularly noteworthy is that operating income in the past year leaped 60% to R39m. Turnover grew 27%, stretching pre-interest margins from 6,1% to 7,7%.

Improvements on the balance sheet were impressive. Net cash holdings at year-end rose R23m to exceed R100m, with investment income up a tenth at R21m. There was no interest-bearing debt at year-end and returns on equity and capital showed a healthy improvement. Cash flow was strong, with cash available from operations climbing nearly two thirds.

Though the counter fell after coming on to the market at 190c it has recovered strongly. The price recently hit 275c and now trades around 250c. An extraordinary dividend of 10c was declared in addition to the annual payout of 11c. Investors who bought at 110c a few months ago must be beaming.

Persotech's listing was brought about by the split early this year of TSI information technology group. TSI was formed in 1987 by the merger of Barlow Rand's computer business with that of IBM distributor and former subsidiary ISM. The motive was to create a substantial company that could ensure SA's access to global information technology in the face of sanctions. As these threats receded, TSI's controlling shareholders, Barlow Rand and the ISM Trust, opted to unhitch the two businesses.

The Barlow Rand operations, which now comprise Persotech and the much bigger, largely IBM business that makes up separately listed ISG, were independently managed and accounted for while part of TSI. This has ensured the split has been relatively trouble-free.

Persotech's good 1992 performance can largely be attributed to the continued success of its flagship Persotel, which markets and supports the Hitachi range of IBM-compatible mainframe computers and accounts for well over half the earnings. Other factors include the turnaround and repositioning of its Perseus subsidiary, which dragged down

Imports give food for thought

By FERIAL HAFFAJEE

THE Premier Group will retrench hundreds of workers this year in a restructuring exercise geared to lower food prices and make the industry more competitive

Next week, the company and the union will hammer out plans for a retrenchment fund from which workers may draw a percentage of their income. Food and Allied Workers Union general secretary Mandla Gxanyana says the fund could provide as much as two thirds of workers wages

The meeting should also see plans honed for a skills development programme to retrain workers and job flexibility which may include short-time and transfers, he said

In a novel development, both the union and the company will make representations to government to stop the abolition of oil tariffs which would result in more retrenchments.

The retrenchments are a damage prevention exercise in an industry which has long had little competition because of stranglehold sanctions

With the easing of sanctions, imported foods are landing in South Africa more cheaply than locally produced goods and Premier's sales volumes are down, says Premier Food Industries chairman Norman Fowler

Cash-strapped consumers are also turning to lower-range foodstuffs because of the recession

The industry is not being helped by government plans to drop tariffs in certain sectors, allowing in cheaper goods from countries where agricultural subsidies are far higher than South Africa's

But group chairman Peter Wrighton says the industry's inability to compete with these goods highlights the need for increased productivity and efficiency from South African workers

The retrenchments are the first volley in Premier's restructuring plans. Other facets will include accelerated



Peter Wrighton ... Increase productivity

capital expenditure and mechanisation

Already, mechanisation at Mamas Pies has seen 500 job losses — the union has demanded reinstatement by Tuesday — and more will follow in other divisions in the group

But the restructuring plans will also see the company and the Congress of South African Trade Unions make joint representations to government to ensure that oil tariffs are not lifted

Premier produces vegetable oil from seeds it imports although the oil can be imported more cheaply if the government drops oil tariffs

"We are bringing in seeds to maintain plants and jobs," says Fowler

Last week's march by thousands of workers on Premier's headquarters was out of kilter at a company where co-determined agreements, employee benefits and joint management/union trips abroad have set the tone of labour relations

But the march and the planned retrenchment of 1 400 workers could be the start of conflict at Premier and other companies where more enlightened labour relations regimes have to compete with the

balance sheet

Edward Radebe, the chairman of the shop stewards' council at the Premier Group, said this week "We had a good relationship until now Premier is only on good terms publicly, not in private"

While jobs in the food industry are shrinking, the banking and finance sector is growing — more than 5 000 new people were taken on in the year to end September last year, according to Central Statistical Services

Although Absa is rationalising, both First National Bank and Standard Bank have increased their staff complement

But industrial relations in the sector are not sound and 1993 starts with the South African Society of Bank Officials (Sasbo) in dispute with the Reserve Bank where members have rejected a four percent increase

Their action could be the harbinger of disputes, strikes and an end to employee quiescence in conservative clerical sectors where retrenchments and lower than average increases are taking their toll

"The Reserve Bank's industrial policies are lacking," said Sasbo general secretary Ben Smith who also revealed that the bank's high-handedness had led to an "influx of new members"

The year could also see unprecedented levels of militancy in the hitherto loyal public service

Faced with retrenchments, insecurity about pensions and public service cuts, civil servants are growing more voluble and active in their employee organisations

This week, the Public Service Caucus — a loose grouping of 18 employee organisations — demanded an agenda from President FW de Klerk for today's meeting. Members wanted "urgent answers" to questions and the meeting had to be more than "just a lecture", said caucus representative Anton Louwrens

w/mail 15/11-21/11/93

186

w/mail

15/11-21/11/93

Outlook for CG Sugar 'not very encouraging'

Finance Staff

STAM 21/1/93

DURBAN.— CG-Smith Sugar shareholders have received their second blow in three months with the warning by chairman Glynn Taylor that first-half earnings to March 31 will be sharply lower than in the same period in 1992

The first blow came when the Durban company, relisted on the JSE last February, fell short of the forecasts made for the 12 months to September 30

The company posted an attributable profit of R48,7 million in the half-year to last March, and pre-tax profit of R72 million in the full year to September, net profit was R89,2 million and pre-tax profit R115,3 million

Taylor told the annual meeting in Durban that drought knocked 14,3 percent off the company's production in the 1992-93 season, which ends on March 31

Output from the mills dipped from 852 848 tons to 730 548 tons, although this was partly offset by a 5,5 percent gain in the share of the A pool allocation for local consumption

"Financial losses were sustained in the company's own cane-growing operations and, with the major effect of the drought being felt on the Natal South Coast, there was also a drop in the chemical division's furfural production," Taylor said

It was too early to make reliable production predictions. However, spring rains had started late and early summer falls were patchy and generally lower than the long-term averages

"Certainly, they have not been nearly sufficient to sponsor any significant recovery in the crops in our cane supply areas.

"In particular, it seems unlikely that there will be any material improvement on the South Coast and this will again depress not only our sugar profits but also those of our furfural plant at Sezela"

Taylor did not foresee any rally in the weak world sugar price, with forecasters expecting a fourth year of production surplus

"In short, the company's prospects are not very encouraging at this time," Taylor said.

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186
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Activities: Baker and confectioner (186)
Control: Sasko 74%
Chairman: S P Manaka, MD J W B McKenna
Capital structure: 25m ords Market capitalisation R32,5m

Share market: Price 130c Yields 7,3% on dividend, 18,5% on earnings, p e ratio, 5,4, cover, 2,5 12-month high, 130c, low, 115c
 Trading volume last quarter, 60 600 shares

Year to Sep 30	†'89	†'90	†'91	†'92
ST debt (Rm)	0,2	0,9	1,3	1,3
LT debt (Rm)	3,3	4,3	3,1	2,0
Debt equity ratio	0,19	0,17	0,17	0,10
Shareholders' interest	0,64	0,62	0,65	0,68
Return on cap (%)	27,2	26,4	26,2	34,5*
Turnover (Rm)	64,4	73,6	91,1	153,3
Pre-int profit (Rm)	8,6	11,6	10,6	16,1
Pre-int margin (%)	13,5	12,1	11,3	10,5
Earnings (c)	15,5	20,9	23,0	24,3*
Dividends (c)	6,0	7,8	9,3	10,5*
Net worth (c)	69	82	94	116

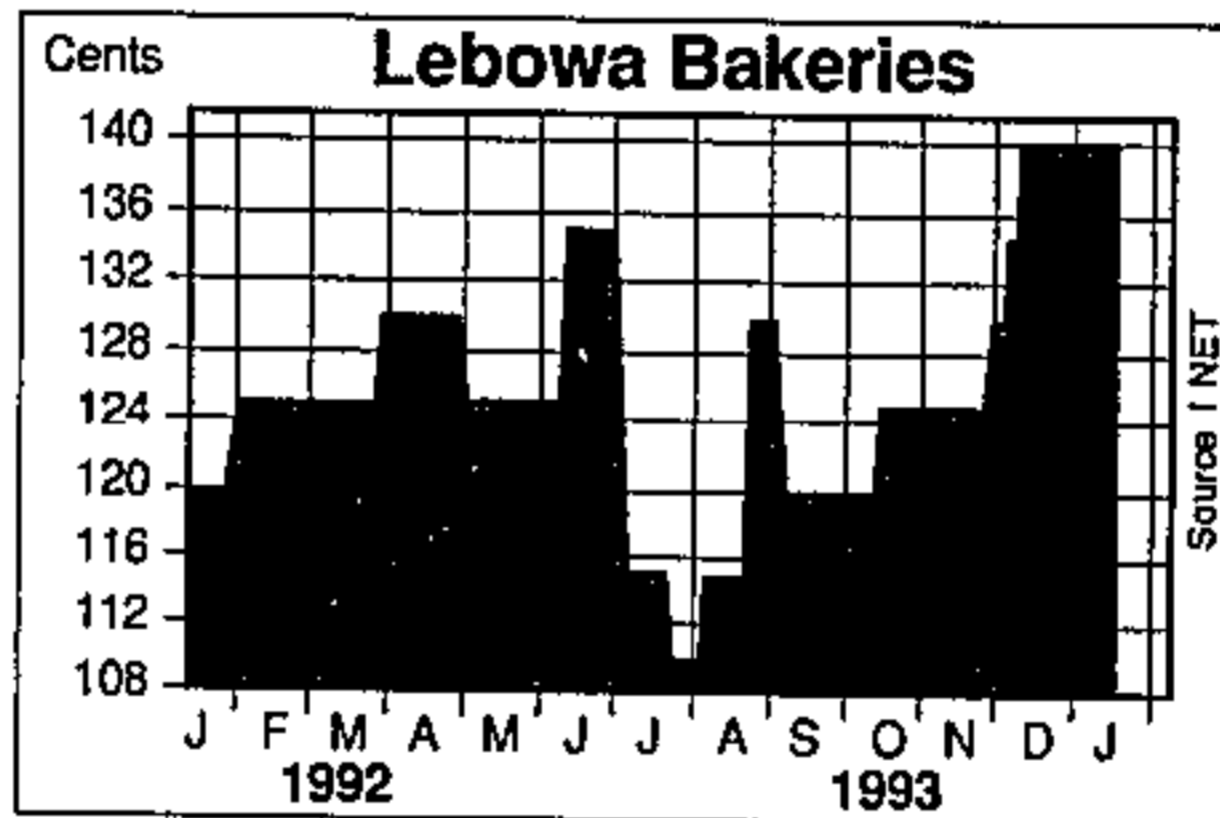
† 12 months to March 31
 ‡ 18-month trading period
 * Annualised

ised figures show turnover increased 12% to R102,2m but lower margins contained the rise in operating profit to R9,2m (R9m)

Lebaka has adapted and modified its marketing policies in response to the deregulation of the bread price This resulted in higher capex and depreciation, the latter rising by R1m to R4,7m

During the 1992 year Phokoane Bakery replaced Sekhukhune Bakery, and Lebaka's new headquarters were completed The entire shareholding of Soundprops 1101 Investments was acquired for its strategic value

Capex remains on a rising trend, with



LEBAKA BAKERIES

Slower pace

FM 22/1/93 (186)

Lebowa Bakeries — whose 11 Transvaal outlets turn out nearly 300 000 loaves a day — lifted annualised attributable earnings by 5,7%, to R4,5m, last year This was well below the long-term trend Compound earnings growth has averaged about 21% over the past decade Though better than the forecasts made at the interim, margins have come under pressure from the removal of government subsidies and the introduction of Vat

Because of a change of year-end, after control of Lebaka was bought last year by bakery group Sasko, figures reported are for the 18 months to end-September Annual-

about R13m (1992 R10,3m annualised) planned for this year, of which 70% is to be financed internally Full benefits of this, however, will only be realised in 1994

With the continued socio-political problems unlikely to show marked improvement in the coming months, management has budgeted for marginal growth in turnover and a 1% improvement in operating margins

At 130c, the share is at a 12-month high But with limited growth prospects this year, the share is unlikely to offer much excitement

Marylou Greig

(186)
SMA 26/1/93
Pawetty

Rainbow Chickens

warns of more losses

Rainbow Chickens, which reported a loss of R18.9 million for the six months to September, says it will report a significant loss for the full year to March and will be passing its final dividend.

It said last night that Hunt Leuchars & Hepburn Holdings (HL&H) would, with immediate effect, take over the management of the group.

HL&H cautions its shareholders that its earnings to March will be ma-

terially affected by Rainbow's results because of its 40.3 percent holding in the group.

Rainbow said that instead of trading profitably in the second half, as it had hoped, the "market remained in an over-supplied situation, leading to a severe decline in sales prices"

HL&H is Huntcor's sole investment. The investment holding company has told its shareholders that any development within HL&H would impact on it — Sapa.



Rainbow predicts loss above R40m for year

B/010m 26/1/93
RAINBOW Chickens warned shareholders it would report a "significant loss", expected to be more than R40m, for the year ended March

In a separate announcement published today, Rembrandt-controlled Hunt Leuchars & Hepburn (HL & H), which has a 40,3% interest in Rainbow, advised shareholders Rainbow's results would affect HL & H's final dividend payment

HL & H had, in view of the serious decline in operating conditions at Rainbow, reached agreement with Rainbow's controlling shareholders, S C Methven Holdings, that it take responsibility for the management of Rainbow immediately

HL & H's holding company Huntcor said developments within HL & H would have a direct effect on its results and dividend payment for the half year to end-March

A Rainbow statement said the board had, after reporting an interim loss of R18,9m two months ago, expected the group to trade profitably in the second half, but the demand for protein had continued to decrease

The protein market had remained in an oversupplied situation, leading to a severe decline in prices, despite Rainbow having effected substantial production cutbacks

HL & H CE Neil Morris said yesterday Rainbow's second half loss could well be more than the first half's R18,9m

He said consumer demand for proteins, which had increased by a compound growth rate of 7% a year over the past decade, had declined substantially over the past year with volumes running at 8%-9% below the previous year's levels

Broiler producers all had spare capa-

DUMA GOUBULE

city, but overproduction was still 10%-20% above the market's requirements, which had resulted in a significant drop in prices

Meanwhile, costs had been rising with inflation while prices for maize (a major input accounting for about 55% of total costs) had, because of the drought, increased by about 25%

Total costs were rising ahead of inflation while volumes and selling prices were falling, causing the squeeze on profits

Morris said HL & H would put all the resources at its disposal to assist Rainbow's management through the difficult times. The priority would be to ensure Rainbow continued to take the lead, reducing its production in line with market demand, he said.

Rainbow, as a substantial producer with about 50% market share, wanted to see a return to more responsible pricing in the industry. It had been cutting production over the past year, while other producers had maintained or increased production.

Rainbow reported an operating loss of R507 000 on a 6% increase in turnover to R787,5m for the six months to end-September. But interest costs on its R326m debt used to fund capex, working capital and recent acquisitions of Bonny Bird and a 50% stake in Epol, pushed the interim loss to R18,9m

HL & H halved its attributable income to R23,6m, as a good contribution from food products subsidiary Robertsons was offset by unsatisfactory performances from Transvaal Sugar and associates Rainbow Chickens and HL & H Timbers

Rainbow faces uphill battle

By Stephen Cranston

186

STAR 27/1/93.

Promises that shareholders would reap rewards from Rainbow Chicken's capital expenditure programme in financial 1993 have come to nothing.

Hunt Leuchars & Hepburn (HL&H) has therefore had no choice but to assume management control to protect its 40,3 percent holding worth R400 million.

But there is unlikely to be a bloodbath among management.

HL&H MD Neil Morris says that there are competent people in senior management and HL&H will be working with them.

The chicken producer's management made what might at best be described as a series of miscalculations.

It was partly bad luck that two factors coincided — the peaking of Rainbow's debt levels and the continued slump in the chicken price.

Under the late Stan Methven, Rainbow was ungeared and earned considerable interest.

But the present management decided to integrate backwards by building its own feed mill at Rustenberg, and had plans to build other mills at Hammarsdale and Worcester at a total cost of R237 million.

Benefits were seen in controlling the cost of feed, but unfortunately these benefits were negated by the need to import maize, which led to a 24 percent increase in feed prices.

The additional debt for commissioning the Rustenburg mill would have been manageable had it not come less than two years after the acquisition of Bonny Bird for R224 million and of 50 percent of Epol.

In those years, margins plunged from 10,2 to 5,8 percent and then to 5,1 percent.

Interest-bearing debt rose to R326,5 million in September 1992, up from R254,6 million a year earlier. Interest paid rose from R14,7 million to R18,2 million.

This financial year, far from being able to fix the chicken price because it controls 50 percent of

the market, Rainbow found that competitors were increasing production.

Rainbow is traditionally production-driven because it was able to sell all it could produce when it was growing at seven percent a year, as in the 80s.

"The group has been devoting more resources to marketing, a trend we intend to accelerate," says Morris.

He says Rainbow has looked to export markets, but it is unfortunately competing against suppliers with far lower maize costs.

Morris says Rainbow was a sound company, well placed with its spare capacity to supply increased demand.

Ultimately, as so much less feed is needed to produce a kilogram of white rather than red meat, it must have a promising future as a cheap protein source.

Rembrandt, which controls HL&H, takes a long-term view of its investments. Once supply and demand are in equilibrium, Rainbow could quickly regain its profitability.

Uncle Sam's Uncle Ben's heads for SA

By Stephen Cranston

The local rice market will grow by five to six percent a year in volume terms, says Roman Cylkowski, group product manager for Mars Food, which includes Uncle Ben's Rice.

South Africa imported 346 000 tons of rice last year and is the world's largest market for par-boiled variety.

Yet, until now, Tastic Corporation has been the only marketer of parboiled rice.

Some special rices are imported, particularly for the Asian market, but almost none of this is sold through the major retail chains.

Cylkowski says Uncle Ben's will be positioned as a premium

rice, and priced accordingly.

It is made entirely of best quality American rice, though it differs little in taste from Thai rice — a blend of American and Thai rice.

Uncle Ben's will be available from February 1, and should be on sale countrywide within six weeks.

The product will initially be imported from Houston, Texas following the recently acquired distributorship of Mars food products in South Africa by Royal Corporation for its Royal Beech-Nut subsidiary.

If the product is a success, then Royal Beech-Nut will begin packing locally.

The range will be dominated by white rice, which will avail-

able in 1 kg and 2 kg cartons, as well in as 500 gram, 5 kg and 10 kg bags.

Cylkowski says new products on the market will include a five-minute preparation rice and a 10-minute boil-in-the-bag rice, as well as "unique recipes" for prepared rice dishes.

Brown rice and wild rice will also be available.

Though rice consumption still lags some way behind traditional staples such as maize and bread, rice has benefited from rapid urbanisation, population growth and its image as a more modern, sophisticated product than traditional foods.

The market has tripled in size over ten years.

Royal Beech-Nut will be spend-

ing aggressively on advertising the product. It will spend R5 million in 1993 alone, compared with R7,65 million for the whole rice market in 1992.

The brand will be advertised on television, in magazines and on radio and there will be considerable point-of-sale promotion.

Cylkowski says that though Uncle Ben's will take business away from Tastic, he expects a significant portion of sales to come from an expanded total market.

Mars products such as Mars bars, Snickers, M&Ms and Twix have already been imported on an experimental basis.

In future, other Mars products such as pet food and electronic machinery might be imported.

COMPANIES

Good demand for fish boosts Oceana

CAPE TOWN — Oceana Fishing Group's operations were performing well in difficult economic conditions, and market demand and prices for pelagic fish products including canned fish, meal and oil, were firm, chairman Robin Williams said at the group's AGM yesterday.

He conceded in reply to comments by Shareholders' Association chairman Issy Goldberg, that there was a valid case for the declaration of a special dividend from surplus funds and said this would be noted. He pointed out, however, that Oceana needed surplus cash to fund its fluctuating working capital requirements.

At its September 1992 financial year-end Oceana had R45m in short-term investments and cash.

Williams said Oceana had landed and canned

LINDA ENSOR

45% of the pilchard quota it had been allocated. MD Dave Behrens said demand for pilchards on the domestic market was extremely strong and had grown by an estimated 10% last year. The shortage of pilchards had accelerated Oceana's fishing and canning programme and fishing had started earlier than usual.

Williams said Oceana was pushing for an increase in the pilchard quota. The reason for the reduction in the total allowable catch of pilchards for the industry to 39 000 tons from 45 000 tons last year was not clear as the resource appeared growing both in terms of biomass and the age profile of the fish population.

He was confident that the final anchovy quota would be fixed at the same level as last year. The total allowable catch had been set at

260 000 tons compared with a final figure of 350 000 tons for 1992 and all but 40 000 tons of this had been allocated.

The quality of lobster landed so far had been very good, Williams said, and 425 tons of Oceana's total quota of 786 tons (973 tons) had been landed compared with the 431 tons for the same period last year.

The total allowable catch for the industry was set at 2 200 tons.

Oceana's shipping and trading activities continued to suffer from low demand and volumes due to the depressed international and local economies and competitive conditions.

"Tuna Marine's abalone business is proceeding satisfactorily. It has landed 84% of its 1992/93 quota, compared with 65% at the same time last year. The market for abalone is stable and sales are ahead of last year."

Rainbow's debt home to roost

By CIARAN RYAN

RAINBOW Chicken's losses for the year could be as high as R70-million, R30-million more than the figure quoted earlier this week.

This is the view of Frankel Max Pollak Vinderine analyst Teigue Payne. Hit by declining sales and cut-price chicken imports, Rainbow has been forced to sell at below cost to remain competitive.

Importers are up in arms over the Board on Tariff and Trade's imposition last year of import tariffs of 225c a kilogram on whole frozen chicken and 313c a kilogram on frozen chicken cuts. BTT's reason for imposing tariffs was the "abnormally" low cost of chicken imports which had trebled over the last year.

One importer from Eastern Europe says the first batch of a 5 000-ton consignment of chickens is being held by Customs and Excise following the imposition of the temporary tariffs, jeopardising the entire deal.

"This is despite the fact that the consignment was im-

ported before the tariffs were imposed," says the importer.

Richard Theron, managing director of the Commodities Exchange, says an order for 7 500 tons of chickens at less than 30% of the SA wholesale price has been torpedoed by the new tariffs.

"In a country where millions live below the poverty line we are being stopped from delivering protein as cheaply as possible to protect a handful of inefficient producers," says Mr Theron.

This week's announcement that Hunt Leuchars & Hepburn (HLH) is to take over management of 40,3%-held Rainbow is the most serious indictment of management since the founding of the group by the late Stan Methven. HLH chief executive Neil Morris says the management takeover was necessary to stem the flow of red ink.

"There are some gaps in management," says Mr Morris. "It is hard not to be critical but a number of com-

panies underestimated the downturn in the economy.

"Management at Rainbow had been accustomed to growth in the chicken market of 7% a year for the last decade and had geared capacity to meet this growth. Faced with a downturn they were left with spare capacity."

Several other chicken producers are in similar trouble. Delmas Kuiken is in provisional liquidation, Mieliekup has been closed down and most larger chicken producers are making losses.

Rainbow, which supplies 50% of the market, cut back production to reduce market oversupply. Mr Morris says remedial action at Rainbow includes "appealing to other producers to bring common sense back into production so that price stability returns".

Asked if this means collusive or monopolistic pricing, Mr Morris says the market is too competitive. "Other producers tend to set their prices according to ours but there is certainly no collusion."

Other steps include increasing exports to niche markets such as the Far

East, where SA has the advantage of lower transport costs.

Mr Morris defends the group's call for tariffs on imported chickens even though imports make up less than 3% of the total SA market of around 480 000 tons.

He says "We are not asking for subsidies. If we could import maize at international prices then we could compete with the chicken importers whose suppliers have the advantage of cheaper feed."

"We would like to see export processing zones where we could import our feed duty-free. This would enable us to compete more effectively on the export market."

Mr Morris says the price gap between red meat and chicken at the retail level is 30%, the widest it has been for several years.

Chicken price increases at the wholesale level were held below 10% a year for the last 10 years, although Central Statistical Service figures show that chicken prices at the retail level increased 218% between 1985 and 1992 compared to 131% for beef.

SI Times (BASS) 31/1/93

186

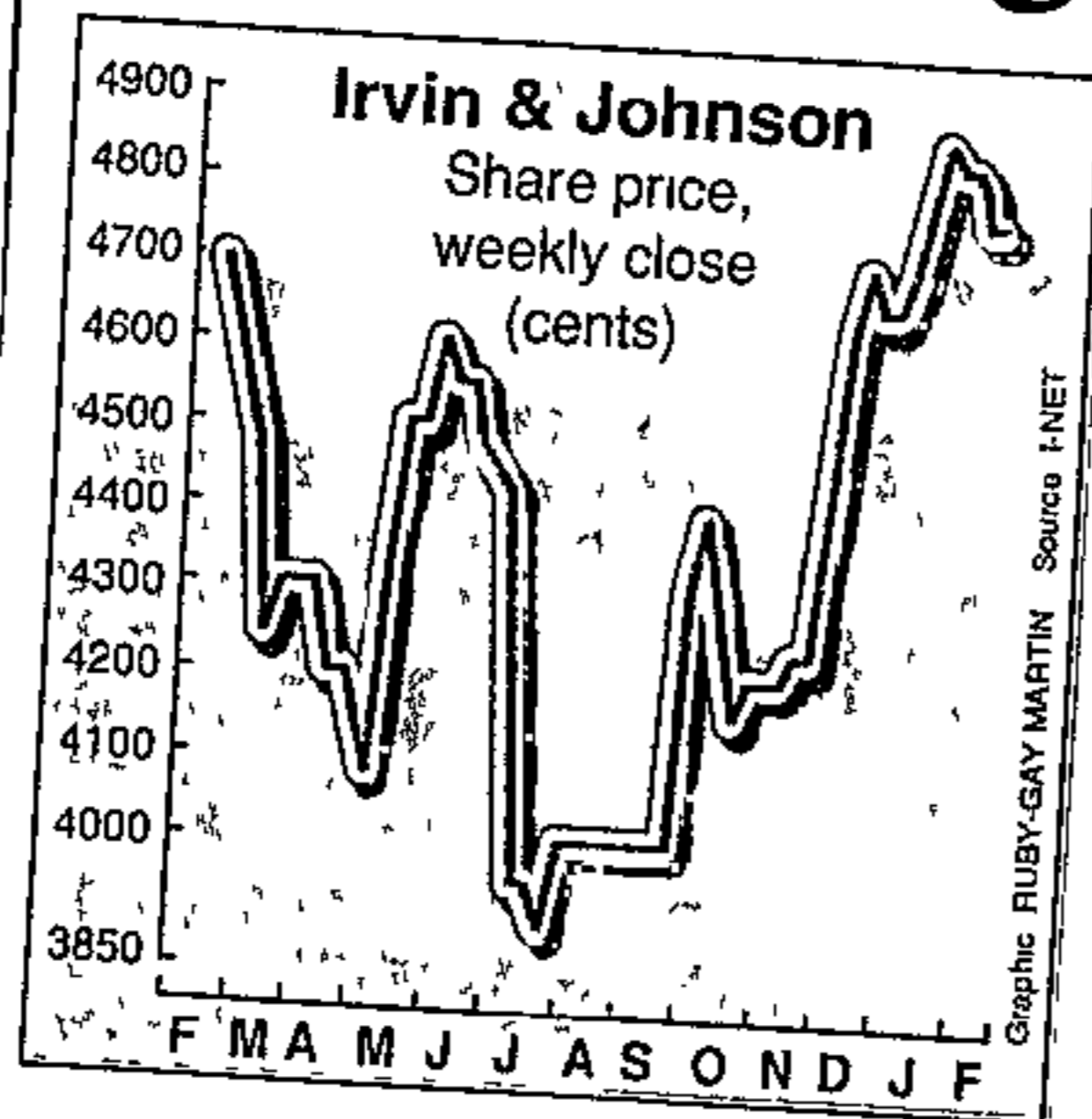
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I&J earnings slashed 19%

8/10/93 5/2/93

LINDA ENSOR

186



CAPE TOWN — Earnings of Anglovaal's fishing and food subsidiary Irvin & Johnson (I & J) were slashed by 19% in the six months to end-December as the slump in consumer spending and the effects of the drought ravaged the group's bottom line. It is not policy to declare an interim dividend.

Earnings a share of 100,5c (123,4c) were generated on a 5% rise in turnover to R869,2m (R827,4m), with the attrition of operating margins, a significant fall in investment income and a rise in interest payments all contributing to the decline in profitability.

□ To Page 2

I&J earnings

8/10/93 5/2/93

186

□ From Page 1

"The recession deepened during the half year under review and any prospect of a meaningful recovery during the second half now appears to be remote," chairman Jan Robbertze said, adding that it appeared unlikely earnings for the full year would match those of last year. Last year earnings rose 10% and Robbertze said in his annual report I & J planned to maintain profit growth.

"Weak demand and an oversupply led to a decline in poultry prices which has, in turn, had a detrimental effect on the prices in other protein sectors. Selling prices were further adversely affected by difficult international trading conditions." Fishing conditions were generally poor,

though the commissioning of two new freezer vessels improved operational efficiencies and the quality of fish landed. The 1993 hake quota declined marginally for SA waters, while the quota awarded in Namibian waters was slightly larger.

Margins fell to 5% (6,1%) and the operating profit by 13,7% to R43,5m (R50,4m) with higher raw material prices because of the drought. The interest bill climbed 78% on the back of an increase in interest-bearing debt to R88,4m (R24,3m) to fund capital investments.

The only positive feature of the income statement was a drop in the tax rate to 31,2% (28,3%) which helped stem the earnings decline.

Star 5/2/93

I & J profits dip 18%

Frozen foods manufacturer Irvin & Johnson reported an 18 percent fall in profit after taxation for the six months to end December 1992 as the slow-down in consumer spending impacted on its performance.

I&J posted profit after taxation of R28,9 million from R35,1 million and earnings a share dropped 19 percent from 123,4c a share to 100,5c.

The Anglovaal-owned company said lacklustre consumer spending resulted in only a five percent increase in turnover

while the domestic recession, adverse international trading conditions and higher raw material prices due to the drought also eroded margins.

In addition, profits were also pressured downwards by an increase in I&J's interest bearing debt from R24,3 million to R88,4 million in order to fund the investment in capital necessary to ensure future growth.

(186)
I&J said earnings for the full year were unlikely to match those of the previous year.— Sapa

By Peter Fabricius
Political Correspondent

Star

9/2/93

Deregulation

of control

boards urged

The Board of Tariffs and Trade (BTT) has recommended further deregulation of marketing control boards to help reduce soaring food prices.

Reporting yesterday on its long probe into food inflation, the BTT said each board should be examined individually to see if it could be deregulated to increase competition.

The BTT said it could find no single cause or guilty party responsible for food price inflation which had peaked at 30,4 percent in July.

It found that each level of the

food chain contributed about the same amount to rising food prices with the greatest concentration at the primary level of storage and distribution where artificial barriers to entry were greatest.

The report could find no evidence that excessive profit-taking by any private firms in the food chain was the cause of high

food prices

The sharp increase in food inflation since the third quarter of 1991 was mainly the result of short-term effects of the introduction of VAT and the long and severe drought

The underlying food price index, without these factors, was estimated at 15 percent.

The BTT believed the effect of the introduction of VAT would disappear by April.

Also recommended was greater competition from abroad to increase competition with local producers

● The Afrikaanse Handelsinstituut (AHI) welcomed the recommendations but bemoaned the lack of specific proposals

Malbak should match last year

By Stephen Cranston

186

Malbak expects to maintain earnings in the year to August, says chairman Grant Thomas

Speaking at the annual meeting yesterday, Thomas said that all companies in the group were performing to expectations and, provided the economy did not deteriorate further, the group should match last year's earnings of 113.5c a share

Thomas said that Malbak's tax rate would be significantly higher this year

Against this, steps taken to improve the performance of the companies acquired last year are bearing fruit and both Foodcorp and SA Druggists are progressing well.

The group's interim earnings, due to be reported in late March, are likely to be slightly lower at the per share level because of the dilution effect of the 1991 rights issue.

Crown back in place after slip

B/P/M 10/2/93
CROWN Food, recovering from effects of irregularities involving R18m, produced attributable income of R4,7m in the six months to end-December

The result translates into earnings of 6,8c a share and puts Crown on track to achieve its forecast of 13,2c for the year

Chairman Brian Joffe said Bidvest subsidiary was overcoming "the far-reach-

186
MARCIA KLEIN

ing effects of irregularities involving R18m uncovered at acquisition by Bidvest in March last year" Criminal proceedings against two former Crown Mills directors were in progress

Turnover for the six-month period was R96,8m and operating income was R5,5m After interest of R832 000, operating profit was R4,7m

Gearing of 47,2% was higher as a result of expansion at President Trading and restocking at Crown National. No interim dividend was declared, but

Joffe was confident payments would resume at year-end *10/2/93*.

Prospects for the full year would be boosted by benefits of reorganisation at Crown National, cost controls and asset management, directors said Crown would "at least" achieve its 13,2c a share forecast

The share rose by 5c yesterday to close at 205c, nearing its high of 220c

□ There is speculation that bullish sentiment reflects expectations that Crown could be used as a vehicle to acquire the group's food-related interests.

Star 10/2/93

Crown passes (186) interim dividend

By Stephen Cranston

Crown Food Holdings, which supplies food ingredients, spices, equipment and kitchenware, has reported a R4,7 million profit on a turnover of R96,8 million for the six months to December.

An interim dividend is not being paid but the directors hope dividend payments will be resumed at the year-end.

The group is still recovering from the irregularities involving R18 million which were uncovered at acquisition by Bidvest last March.

Chairman Brian Joffe says the extent of employee involvement in these irregularities was greater than anticipated.

But remedial action, including the merger of the Crown Mills and National Spice divisions into Crown National, is producing positive results.

The irregularities made it impossible to provide any meaningful comparison of the results

with those of the previous interim.

Low market demand together with the adverse effects of a month-long strike in the metal industry on Vulcan, in particular, added to the group's difficult trading environment.

Joffe says margins are under pressure and sales more difficult, particularly as the group is looking for quality business and does not want to end up with ballooning bad debts.

However, these difficulties were offset to some extent by a strong performance from the President Trading division which, together with Vulcan, is a leading supplier of industrial catering equipment and kitchenware.

The group has a computed tax loss of R16 million so no provision has been made for tax.

Management is optimistic the group will at least achieve its earnings forecast of 13,2c a share at the year-end.

Fast-track Bidvest satisfies market hopes

BIDVEST 11/2/93

186

MARCIA KLEIN

AN 87% rise in the Bidvest share price over the past year to its high of R58 reflected market expectations of excellent results from the group

Yesterday Bidvest announced it had upped its earnings by 21% to 178,5c (148,8c) a share in the six months to end-December, with all group companies faring better than in the previous year

Bidvest, whose interests include Steiner Services, Cater Plus, Afcom and Crown Foods, indicated it would

repeat this performance in the second half

Turnover was increased by 37% to R383,4m from R279,6m and operating income rose by 17,4% to R35,2m

Chairman Brian Joffe said the drop in operating margin to 9,2% from 10,7% reflected the inclusion of Crown Foods acquired last year

A marginal increase in finance charges to R10,1m and a lower tax

rate — due to exempt income, export incentives and allowances — resulted in a 31,2% increase in after tax income to R18,2m from R13,8m. After outside shareholders, attributable income was 21,1% higher at R16,1m (R13,3m). A 22% higher interim dividend of 98c (80c) was declared

Bidcorp, the pyramid holding company of Bidvest, reported 18,6% higher earnings of 128,2c (108,1c) a share and declared a 28% higher interim dividend of 51c (40c) a share

Unlisted subsidiaries boost Bidvest

By Stephen Cranston

Bidvest managed to increase earnings per share by 21 percent to 244,9c in the six months to December, in spite of a static performance by its listed subsidiary Afcom and a low contribution from recently-acquired Crown Foods

The dividend was increased 23 percent to 98c

Pyramid Bidcorp, which holds 51,8 percent of Bidvest, has reported a 19 percent increase in earnings per share to 128,2c and a 28 percent increase in dividends per share to 51c.

Bidvest's performance was bolstered by its un-

listed subsidiaries, Cater Plus, a manufacturer and distributor of food products and more particularly Steiner Services, which operates in the relatively underdeveloped industrial workwear and linen rental sector

Bidvest chairman Brian Joffe says that no company in the group performed worse than last year although operating margins were reduced in all businesses. The operating margin fell from 10,7 percent to 9,1 percent.

Turnover increased by 37 percent to R383,2 million and operating income increased by 17 percent to R35,2 million

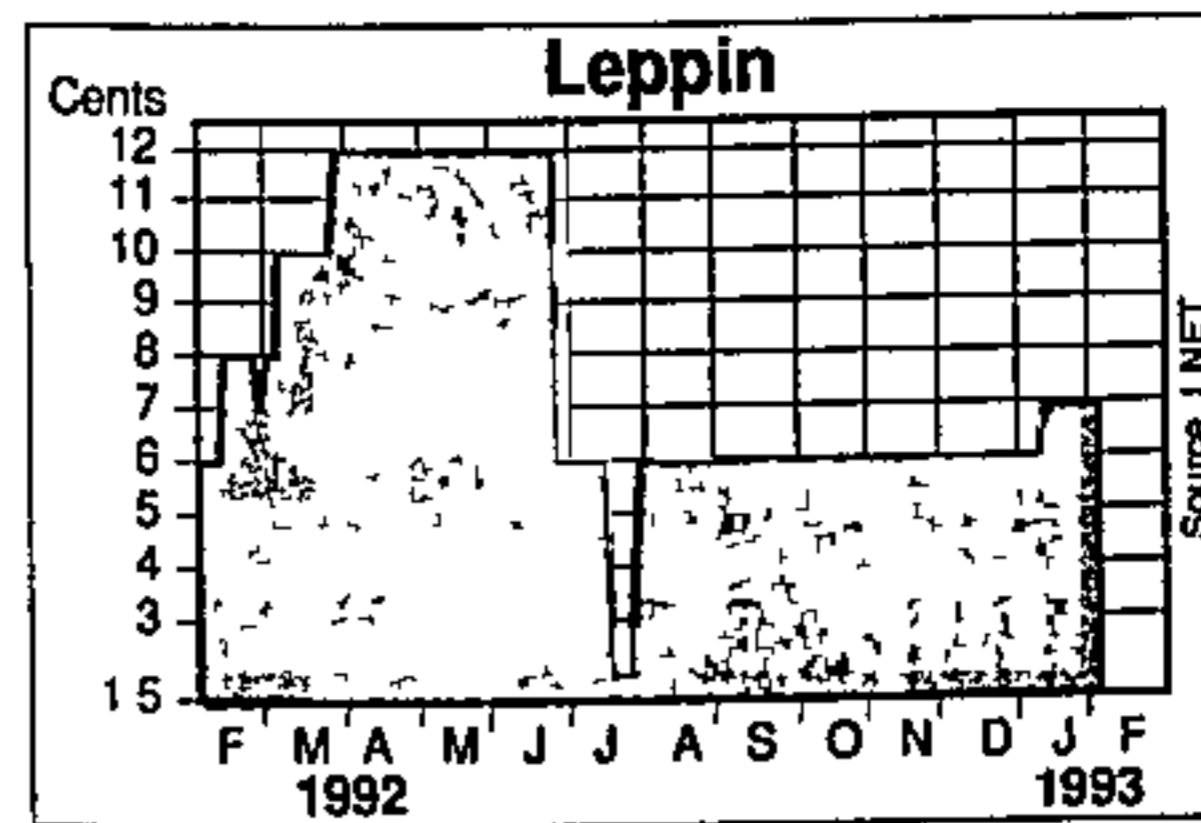
Joffe expects Bidvest to maintain its sound performance in the second half, but cautions shareholders against overly optimistic or unrealistic expectations, in the light of the unpredictable and difficult business climate

The market was expecting a good performance from Bidvest. Since new year Bidvest has added R10 to R58 and Bidcorp R7 to R36.

Bidvest sits on p/e of 14,1 and offers a dividend yield of 2,8 percent, a high rating for a medium-sized and thinly traded share but it could still offer value as its performance has been exceptional in today's climate.

Star 11/2/93 (186)

FM 12/2/93 (186)



LEPPIN HOLDINGS FM 12/2/93
Dwindling potency (186)

Activities: Imports, manufactures, distributes and exports vitamins, food supplements and foods

Control: Directors 75,6%

Executive chairman: G Leppin, Joint MDs N Hannemann, T Hannemann

Capital structure: 8,6m eqds Market capitalisation R602 000

Share market: Price 7c 12-month high, 7c, low, 6c Trading volume last quarter, nil shares

Year to Jul 31	'89	'90	'91	'92
ST debt (Rm)	0,9	1,1	1,6	2,9
LT debt (Rm)	0,2	0,3	0,3	0,1
Debt equity ratio	1,07	1,11	1,44	n/a
Shareholders interest	0,27	0,26	0,31	n/a
Int & leasing cover	(0,5)	1,5	1,3	n/a
Return on cap (%)	n/a	13,1	13,7	n/a
Turnover (Rm)	6,1	8,5	8,4	8,3
Pre-int profit (Rm)	(0,1)	0,6	0,6	(1,2)
Pre-int margin (%)	n/a	7,3	7,2	n/a
Earnings (c)	(2,9)	2,3	1,5	(20,7)
Tangible NAV (c)	12	14	16	n/a

After four years of decline in earnings growth, financial 1992 saw the bottom fall out of the market for this DCM-listed manufacturer of vitamins and food supplements

Management attributes the latest 20,7c a share loss to poor trading conditions and higher costs of manufacturing Shareholders' funds more than halved to R1,4m in the year to July 1992 When intangibles (trademarks valued at R2,1m) are deducted,



Leppin confident on profitability

shareholders' funds are a negative R677 000 With negligible growth in turnover, margins and cash flow suffered and debt was used to finance trading operations Interest-bearing debt rose 59% to R3,1m and the interest bill increased 27%, with a deterioration in interest cover and gearing

At least the company tries to run a tight ship Stocks shrank to R492 000 from R734 000, but debtors have proved more difficult to recover, as they were up 17% to R1,7m The current asset ratio deteriorated to 0,7:1 (1991 1,2), partly explaining the decision to pass the dividend yet again

There has been no tax liability in recent years, because of allowances on exports and trademarks The annual report records estimated losses of R4m (R1m), of which, the FM is told, R400 000 relates to the trading loss and the balance is provisional

An extraordinary item of R238 000 reflects the loss related to the acquisition of 75%-owned subsidiary Leppin Sport (UK) effective from April 1992 The subsidiary, according to chairman Gerda Leppin, though costly, has provided a base for future export expansion A pity, though, that progress is being made abroad at the expense of short-term profitability — and of the balance sheet

Management blames the late release of the annual report on an extensive change in the company's accounting staff More confident about the group's profitability this year, Leppin says that though sponsorships have had to be reduced, new distribution channels have been opened and new product ranges are being launched "Our traditional market, the higher income group, is shrinking," she says "We have changed our focus to target the lower potency and lower cost market" More immediate benefits to the business, says Leppin, will come from a State tender in the form of a hospital nutrition scheme and should result in good increases in sales

The share price has languished around 6c for almost eight months and a recovery is unlikely until earnings are firmly in the black

Marylou Greig

IRVIN & JOHNSON

Sales cooling

186
FM 12/2/93

The 18% drop in interim EPS tells a story about the seriousness of the recession, here and in Europe

I&J's turnover is derived from three profit centres. seafoods, marketing and distribution, and the prepared foods division, which includes frozen vegetables

Regrettably, I&J does not provide a divisional breakdown of turnover by category of product. However, it's known that the contribution from poultry marketing, mainly on behalf of Rainbow Chicken, has increased substantially over the past decade

Chairman Jan Robbertze points out that weak consumer demand and an oversupply of product led to a decline in poultry prices. This, he says, has dampened demand in other protein sectors, including fish. However, volumes of frozen fish on the local market have been quite buoyant, possibly because the price is perceived to represent comparatively good value.

But the recession in Europe has also affected I&J's trading results. Prices of white fish in Europe have fallen, depending on grade and size, by between 10%-60%, says I&J marketing director Ray Gordon. This

FM 12/2/93

186

has seriously impaired the performance of I&J's exports

That bad news was offset, to a small degree, by a marginally better performance in the local frozen vegetables market, where sales increased because the drought here made fresh produce prohibitively expensive

Dwindling consumer spending resulted in a disappointingly small rise of 5% in I&J's turnover and operating margins narrowed. After a doubling of capital expenditure to R62m in the half-year, income from investments (largely cash related) declined by R1,5m, while interest paid increased by R3m. Pre-tax profit was 22% lower but attributable earnings fell 18% thanks to a dip in the effective tax rate to 28% (32%)

Long-term borrowings have leapt to R57m from R15m a year ago, even though R98m was raised through a rights issue of convertible debentures in fiscal 1992. This was largely because of the heavy capex programme. Gearing remains comfortably below 0,20

The share has weakened after this news and the indication from Robbertze that full-year earnings are unlikely to match those of last year. This is a well-run operation and there will come a time when the share will offer good value. That will probably occur only when there is an upswing in SA and in Europe

Gerald Hirshon

FM 19/2/93

BIDVEST/AFCOM/CROWN

Meeting expectations

Investors' opinions of Bidvest chairman Brian Joffe run high and the profit record is good. That combination recently produced a rerating of the share, bringing it to R63, more than double last February's R31. Listed subsidiaries Afcom and Crown Food showed similar advances.

Joffe contends the 21% increase in attributable earnings on a 37% rise in turnover was a "sound" result in the difficult six months to December. The decline in operating margins to 9,1% (10,7%) followed the inclusion of newly acquired Crown.

Crown turned profitable and EPS of 6,8c were recorded, at the June year-end, the loss per share was 38,4c. Crown's catering equipment maker and supplier President Trading performed strongly, but a month-long strike hampered fellow equipment maker Vulcan.

The problem of financial irregularities which overshadowed Crown's 1992 results is drawing to a close. Criminal proceedings are in progress and civil action is likely to be brought against former staff members (more are involved than previously thought).

Crown did not declare an interim dividend, but the board is optimistic it will resume payouts this year. Joffe says the forecast EPS of at least 13,2c will be achieved. However, an R11m interest-free loan will be replaced by a long-term interest-bearing facility on February 26, which will increase interest payments for the second half.

Packaging arm Afcom suffered from the metal industries strike and was deprived of a month's trading. Because of the phasing out of certain allowances, its tax rate increased. Nonetheless, EPS were up a satisfactory 3%, dividends increased similarly and debt equity remained nil.

Bidvest has three unlisted subsidiaries: Steiner, bought from Sable Holdings in 1992, Cater Plus, the original core business, and Justine, a 50%-held skin-care and cosmetics house. All performed well.

Next financial year Crown and Afcom are each expected to contribute 20% of profit, Cater Plus and Steiner should each produce 30%, Justine's contributions will remain negligible. Group financial director George Demetriades says the subsidiaries should meet their targets.

Bidvest's Joffe results were sound



ATTRACTIVE RECIPE

Six months to	Dec 31 '91	Jun 30 '92	Dec 31 '92
Turnover (Rm)	280	316	383
Operating inc (Rm)	30	30	35
Attributable (Rm) . .	13	14	16
Earnings (c)	203,1	208,9	245,2
Dividends (c)	80	84	98

FM 19/2/93

Bidvest has a strong balance sheet and good management, a combination which favours core acquisitions. Demetriades says Cater Plus continues to acquire medium-sized businesses. Management is looking for a suitable addition for Afcom. He declines to comment on market talk that Bidvest's other food-related interests will be moved into Crown.

Management expects a further sound performance in the second half but cautions against unrealistic expectations. The interim figures have helped to justify the firming share price but, with the p.e at 13,9 and the yield at 2,9%, the counter is no longer cheap.

Kate Rushton

Food manufacturers not creaming it — brokers

A WIDELY held view that food manufacturers have been creaming it at the expense of consumers is shown to be flawed by a report from stockbroking firm Ferguson Brothers, Hall, Stewart & Company

What's more, it says, a continuing shortage of disposable income, drought and big changes in agricultural control mean continued pressure on the earnings of the big food companies this year and probably next

Researcher Richard

DES PARKER (186)

Price says many manufacturers are budgeting for unchanged volumes and for price increases 'lower than current consumer price index (CPI) levels'

The CPI slowed steadily last year. The annual increase in December was a 14-year low of 9.6 percent. The rate of manufactured food price increases slowed to about 6 percent a year from a peak in 1991 of 16 percent.

Manufacturers' efforts

to preserve margins will continue to concentrate on costs and efficient asset management, he adds

The persistent threat of drought has adverse implications, especially if slaughtering levels remain high and maize has to be imported for beef feedlot and poultry farmers

Price says the full effect of changes in agricultural marketing is not likely to be felt this year. If red meat price levels are to be checked by the scrapping of "unnecessary regulation", those of other proteins, such as chicken and fish, would follow the pattern

However, beef farming has become uneconomical, and deregulation of the industry would not necessarily lead to a long-term price decline, he says

Now Premier goes 2-milking

ESTABLISHED 1861

STW 69557 2/24/93

By CIARAN RYAN

"substantial" contribution

after that

The acquisition includes

some leading brands, such as

Bonmita fresh dairy products,

Mighty Nice dairy desserts,

EverFresh long life milk and

Montali and Bon Blanc

cheeses

Another motivation for the

acquisition are the synergies

for sharing distribution net-

works Bonmita's factories

are located mainly in the

Cape, with nationwide distri-

bution Premier is well estab-

lished throughout the coun-

try Bonmita will be able to

make use of Premier's distri-

bution networks in Natal and

the Transvaal

Premier deputy chief

executive Gordon Uhan says

Bonmita's growth in recent

years has been exponential

With the capital injection

from Premier, the company

can start to exploit exciting

opportunities in the high

growth markets, such as milk

powder, infant feeding, des-

serts, cream and icecream,

cheese and derivatives Bon-

mita is still in the embryonic

phase.

Premier's association with

US dairy giant Kraft, which

is a world leader in dairy

technology, may come in use-

ful Premier manufactures

Kraft margarines and salad

dressing: under licence from

the US parent

This is Premier's largest

acquisition since Metro Cash

and Carry in 1991

Listing

Roughly 20% of Bonmita's

sales are from fresh milk and

another 20% from cheese

Premier plans to increase

its shareholding in Bonmita

and to list the company with-

in three years

Mr Uhan says it is impor-

tant to retain strong links

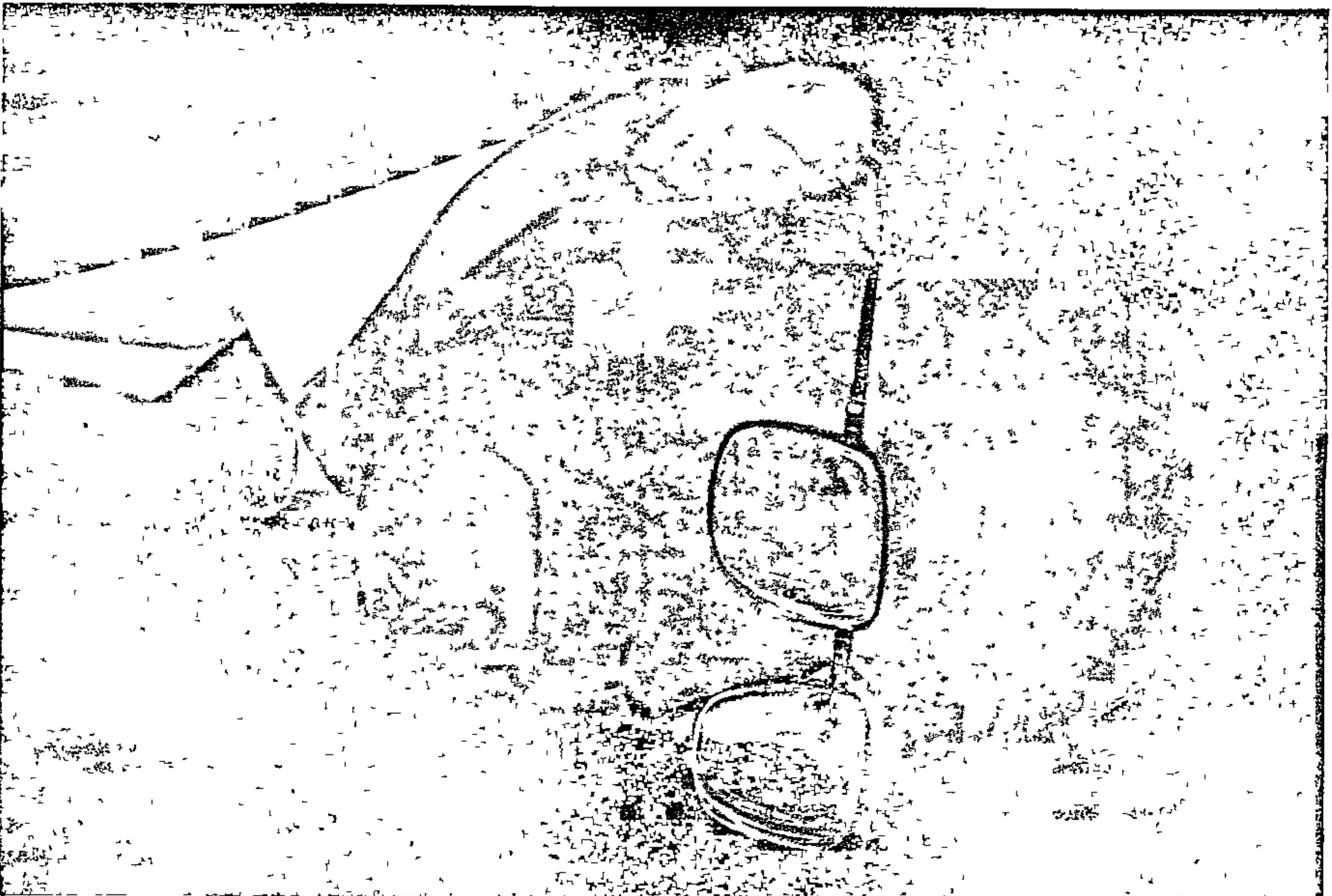
with the farmers who are

shareholders in Bonmita to

ensure the supply of milk —

50% of the input costs — at a

reasonable price



PETER WRIGHTON

'Impressed with the management and products'

Impressed

Bonmita has sales of R650-million a year and a margin of around 7%, in line with Premier's food division, suggesting pre-tax profits of around R40-million a year

"We decided to make an offer for Bonmita because we are not represented in this market, and we were particularly impressed with the quality of the company's management and products," says Premier chairman Peter Wrighton

The acquisition will have no impact on this year's earnings but will start to make a

AMONG the JSE sectors which have habitually looked overpriced but have not proved to be so on a longer perspective are the consumer sectors — retail and wholesale, beverages, food, packaging, tobacco and pharmaceuticals. *Stimes (Buss)*

That these sectors have outperformed the Industrial Index in recent years must be a reflection of the belief that consumption is one of the few certainties in anything but the most pessimistic scenario for a future SA. *21/2/95*

This belief in what is effectively the oral fixation of the masses is reinforced by trends which have occurred in many African states

For instance, because of the economic policies it has followed, Zimbabwe's economy is now virtually dependent on consumption, with little capital formation.

Within the gamut of consumer sectors, three sub-sectors — beverages, food and packaging — hang together because they are related in their growth levels

They have all suffered from lower consumer spending and downtrading recently

But in the long-term, investors know the favoured ethnic group is changing in SA, that redistribution towards the new favoured group is inevitable and that that group will spend their new-found income primarily on the oral fixation

If SA's economy is better managed than Zimbabwe's, this could turbocharge the growth rates of traditionally "defensive" companies.

Beverages — more specifically, beer and carbonated soft drinks — have had the fastest volume growth of these three sub-sectors

Until the 1991-1992 crash in consumer spending, beer, as represented by SA Breweries, had annual growth of 9% and above. Soft drinks, as represented by Amalgamated Beverage Industries (ABI), had annual volume growth a few points below that.

Little wonder, therefore, that ABI — which has remained focused on its industry — has one of the highest ratings on the JSE.

Consumption growth of these liq-

SA and the oral fixation

uids has recently declined to around zero, but there is plenty of hope for the longer term. *18/2/95*

Bottled beverage consumption in Zimbabwe has been extremely resilient. The habit for their consumption, once gained from the colonialists, is not easily or willingly lost.

By contrast with bottled beverages, SA's food manufacturing growth has been modest at about 2% a year in the 80s, well below population growth of about 2.5% a year.

The level of GDP growth every year has been a much more direct coefficient of annual food manufacturing growth than population growth urbanisation, though the latter has provided an underspin.

Food companies have responded to this slow fundamental growth rate by diversifying into value-added foods, pharmaceutical and wholesale activities

Packings are linked into the beverage and food sectors because they are its main customers. About 30% of all packaging production by volume goes to the beverages industry and 20% to the food industry.

Packaging manufacturing growth has historically been faster than that of food, averaging perhaps 4% in the 80s but slower than beverages. This relatively high growth rate may have encouraged packing companies like Nampak and Holdaus not to diversify as food companies have.

All three sub-sectors look vulnerable at their current high levels. If they fall in price this year that will present a buying opportunity, on a long-term view at least.

□ TEIGUE PAYNE analyses consumer industrial companies for Frankel Pollak Vinderne

Premier buys into Bonnita

LINDA ENSOR

CAPE TOWN — Premier Group has expanded its food interests into the dairy industry by the strategic acquisition of a major stake in SA's second largest dairy, Bonnita Holdings, for an estimated R150m.

Premier CE Peter Wrighton said the partnership between the private sector and a co-operative had "interesting possibilities" for future co-operation between these sectors. The acquisition represented a significant opportunity for Premier to increase its investment in the food industry, a sector from which it had been disinvesting for some time, Wrighton said.

A JSE-listing of Bonnita was planned in about three years' time, he added.

Bonnita handles about 25% of SA's milk production, produces about one-third of the country's gouda and cheddar cheese and

processes the largest share of SA's Ultra pasteurised milk.

It has state-of-the-art production facilities in the western, southern and eastern Cape and operates the largest milk powder and the largest cheese factories in southern Africa.

An initial capital injection of R100m by Premier would acquire 28,6% of Bonnita from Stellenbosch-based Cape Dairy Co-operative (CDC), which was owned by about 14 000 Cape dairy farmers. Premier would make a cash offer to purchase convertible debentures.

CDC financial director Stuart Maxwell said yesterday it was estimated that about

To Page 2

Premier

BIDAM 22/2/93

one third of the 26-million convertible debentures would be sold to Premier at a cost of about R50m. This would give Premier a stake of between 35% to 40% of Bonnita at a total cost of about R150m.

The deal would have no material effect on Premier's net asset value or earnings in its current financial year.

However Wrighton said it "offers many opportunities which could have a positive effect on both Bonnita's and Premier's future earnings".

Premier's stake could be enlarged in time, but Maxwell said CDC's articles of association required it to hold a minimum of 50% of Bonnita. He added that it was the intention to list Bonnita on the JSE within the next three years to increase the marketability of its shares.

Bonnita had an annual turnover of R680m in the year to February 1993 and

had forecast a turnover of R750m by end-February 1994.

Maxwell said CDC would employ the cash to repay its R120m loan to the Land Bank and to develop certain new lines of value-added products.

"It places the company on a completely different financial footing and makes us far more profitable," he added.

CDC MD Louis du Plessis expected synergies to emerge between CDC and Premier in the national distribution and handling of food products.

Premier's purchase of a stake in Bonnita was made possible by the restructuring of CDC last year in terms of which of all its assets were sold to Bonnita Holdings which was created as a private company.

The aim was to attract a private sector capital injection in order to allow CDC to maintain its rapid growth rate.

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22/2/93

BIDAM

Zimbabwe deal

Milk & Dairy (186)

From Page 1

STAR 22/2/93.

Premier takes stake in Cape Dairy Co-op

(186)

By Tom Hood

~~Star 22/2/93.~~

CAPE TOWN — The R750 million-a-year Cape Dairy Co-operative (CDC) is planning a big expansion as a result of a deal with Premier, one of the country's largest food groups

Premier is to inject R100 million into the business in exchange for a 28,6 percent stake in Bonnita, the holding company.

Millions more could be raised from new shares issued when Bonnita goes for a listing on the Johannesburg Stock Exchange within three years.

Premier will also make a multi-million-rand cash offer to the farmers who hold Bonnita convertible debentures to buy all or part of their holdings

If the offer is accepted, Premier will own between 35 and 40 percent of the restructured Bonnita, and the 1 100 dairy farmers who are members of Cape Dairy Co-operative Ltd will be that much richer.

Bonnita supplies about 25 percent of the country's fresh milk and a quarter of the dairy product market. Its members farm along the Cape coast from Piketberg to East London.

Bonnita's managing director Louis du Plessis said the investment by Premier represented a milestone in the company's history and laid the foundation for an exciting partnership

Imperial produces another royal growth performance

8/10/93 25/2/93 (186)
8/10/93 25/2/93

IMPERIAL group's (Imphold's) earnings a share growth again increased 20% to 26c in the six months to-end December 1992 from 21,6c in 1991, today's published results show

The car rental, trucking, motor retailing and underwriting group's interim dividend was raised to 10,4c from 8,5c

Turnover climbed 32,5% to R496,27m from R374,69m in 1991. Operating profit was 30,9% higher at R42m (interim 1991 R32,08m) After paying interest of R4,75m (R4,56m), and 27,4% higher tax of R16,71m (R13,11m), taxed income was 42,6% up at R20,54m (R14,41m)

Attributable income was 43,6% higher at R17,71m (R12,33m), but earnings a share was diluted by the increased number of shares in issue, 68,1-million from 57,1-million, which were issued to fund the acquisitions

Debt climbed to R67,45m (R60m). Shareholders funds increased to R188,41m (R147,87m) and gearing fell to 35% (40%).

Executive chairman Bill Lynch said there was pressure on profit margins, but Imphold's integrated businesses provided momentum for growth. He expected markets to remain depressed for the rest of financial 1993, but he was confident the earnings growth trend would remain intact throughout recession

EDWARD WEST

Imperial acquired Prime Car Leasing in July 1992 for R30m, which Lynch said provided new synergies and opportunities. In December 1992 the assets of Springbok Atlas Safaris was acquired out of the Tollgate liquidation, placing the group in the tourism market

Imperial Car Rental held market share, but volume growth and fleet expansion was inhibited by a low level of business activity and a depressed tourism market plagued by crime and violence, said Lynch

Imperial Motors and Mercurius Motors improved earnings on the back of tight cost controls, new model launches and the opening of a new Imperial Motors dealership in Randburg.

Transport and trucks increased profits mainly from dedicated transport, full maintenance leasing and long distance haulage

Motor insurer The Regent Insurance Company achieved a good underwriting surplus and steady investment income, he added

Imphold consistently produced earnings growth in excess of 20% a year since 1985, with annual compound earnings growth over seven years at 37%

COMPANIES

Reshuffling expected in Bidvest

THE Bidvest group was likely to announce a restructuring of its interests, market sources said yesterday (186)

Bidcorp, Bidvest and listed subsidiaries Afcom and Crown Food yesterday cautioned shareholders that they were "considering various proposals" which could affect the price of their shares

Analysts said the fact that all the group's companies were included in the cautionary indicated that there would be a reshuffling of interests BOAM 26/2/93.

It was likely that all of the food-related interests would be moved into Crown, which Bidvest acquired last year from Murray & Roberts

It was not clear what Bidvest would consider food-related Cater Plus, which distributes food and allied products was

MARCIA KLEIN

likely to be incorporated into Crown. Although towel, clothing and linen rental company Steiner Services was not food-related, its clients in the corporate, hotel and restaurant businesses were similar to those of Cater Plus

The group had been looking for acquisitions for some time, and there was speculation that a large acquisition could be imminent. The newly acquired company could be merged with Steiner, and Steiner could be listed on the JSE

Earlier this week the group announced amendments to its debentures' terms. Analysts said by making the terms of all the debentures similar, Bidvest was paving the way for a restructure of its interests

Premier's venture into the dairy industry seems to make sense, given its policy of focusing on branded staple foods. Spending R100m for a 28,6% share is not a large outlay, only about 3% of Premier's market cap. But for Bonnita — formerly Cape Dairy Co-operative (CDC) — it's a much needed injection of capital.

Strong cash flow from Metro Cash & Carry has helped Premier cut borrowings, as has partial disinvestment in underperforming assets. Gearing is now conservative, at about 10%. That suggests plans to raise the Bonnita interest later to 40% at a cost of R50m, through a cash offer for some 26m convertible debentures, will not unduly pressure the balance sheet. Premier CE Peter Wrighton says gearing will stay below 30%.

Information on Bonnita, as the restructured CDC was renamed last June, is scarce. Annual turnover in the year to February 1993 was R680m and is forecast at around R750m this year. But this gives no clear insight into profitability or competitiveness.

Says an analyst "Co-ops don't have bottom lines, so they tend to overpay farmers. This may be a problem with a private company." Wrighton insists "Farmers are crucial to operations, so must always be viable." He adds that Bonnita is profitable, margins are equal to or better than Premfood's.

The market has little experience with this industry and examples on which it can draw are not particularly comforting. Tiger Oats's investment in fruit and vegetable canning co-operative Langeberg Holdings brought years of restructuring and losses before it proved highly profitable. ICS's dairy division has underperformed for several years.

"To use these as benchmarks is unfair," says Wrighton. "Bonnita's management is strong, entrepreneurial and — more important — proactive. This, in particular, is borne out by the decision to move towards a private company." He feels Premier and Bonnita have similar cultures.

Technology is good. Wages are in line with industries in which Premfood operates. Bonnita is responsible for a quarter of SA milk production and operates southern Africa's largest milk powder and cheese factories.

Wrighton contends that, for Bonnita, the chronic problem of excess milk production is reduced by powdered milk operations. How-

FOX FM 26/2/93

ever, it lost heavily two years ago when the industry was swamped by excess milk.

Long-term returns in the industry are unexciting, but a spokesman says "Though the industry has tended to be set in its ways, there is great potential for product innovation." Doubtless this is at least part of what Premier sees in Bonnita, particularly now the Dairy Board no longer exercises control.

The market may take convincing. It will be years before Bonnita is listed and meanwhile the impact on Premier's bottom line will hardly be significant.

Marylou Greig

Cereal firm loses its crackle as ⁽¹⁸⁶⁾ the rice goes pop

By RYAN CRESSWELL

THE Kellogg's cereal company suffered a serious financial loss when it was forced to bury 300 tons of imported rice after it became contaminated.

The rice was shipped from Louisiana in America in October and stored in a warehouse in Durban

The entire batch was destroyed last week after two independent microbiology laboratories found it had been contaminated with various bacteria during shipment or after it was stored

Kellogg's director of corporate and consumer affairs Mr Mike Shapiro would not reveal how much money the company lost, but said it was a "painful amount"

"It has hurt us It cost us

money, but we had to do it The rice was landed in terms of dollars, so it wasn't a nice thing to happen," he added

There was no way the company could have saved any of the rice for consumption

But a businessman with close links to the cereal industry claimed a large portion of the rice could have been cleaned to help feed the starving He said the contamination level was low

Mr Shapiro said. "Even if only five tons was contaminated, we would have had to destroy the lot There was no way we could chance it

"We couldn't even keep some of it for animal feed We did the responsible thing"

Star 1/31/93

Delfood's assets increase ninefold in three months ⁽¹⁸⁶⁾

Finance Staff

The assets of Del Monte Royal Foods (Delfood), the key operating group in the newly formed Delmonte Royal Group (DMR), increased by about nine times from September to November last year.

DMR today released results for the three months to end-November 1992 in line with the agreement reached after the Royal Group acquired the European food group Del Monte Food International with effect from December 1

During the three months Royal made three major acquisitions — Lecol, Donald Cook and Fresh-Up, and reached a distribution agreement with Mars International

In a press release DMR says the results for the three months to end-November have been included with those of the preceding 12 months to make for a meaningful comparison with results for the 18 months to end-August, 1991.

During the 15 months Delfood's earnings increased by 59 percent from 22,9c to 36,4c

The group is budgeting for earnings of 60,1c a share in the current financial year to end-November 1993, to show an increase of 65 percent

DMR's other operating subsidiary, Roychem, boosted earnings per share during the three months to 32,8c, up 45 percent on an annualised basis

Delcorp, the intermediate controlling company of Delfood and Roychem, lifted earnings per share by 20 percent from 47,4c at end-November 1992 from 39,8c at end-August 1991

Delcorp is budgeting for

earnings of 62,5c for the current financial year, which would represent a rise of 31,8 percent

Delhold, whose only asset is its 51 percent holding in Delcorp, reported identical earnings to Delcorp

Of the acquisition of Del Monte, the press release says. "As a result of the major financial restructuring which took place in December 1992 related to the Del Monte acquisition, funds were raised which will ensure that the group's gearing should be well down on the published figures"

COMPANIES

Drought statistics show grim reality

BIDAY 3/3/93
 RECENT trade statistics confirmed the severe effect of the drought and local and international economic conditions on SA's food industry, sources said yesterday

The latest trade figures show that imports of vegetable products increased by 139% in January over the previous year

Vegetable products worth R178m were imported compared with R74,4m in 1992 and R55,2m in 1991. Vegetable product exports, which rose sharply in 1992 over 1991, have slowed dramatically in January to R115,7m, from R229,9m in 1992

Both imports and exports of prepared foodstuffs, beverages, and tobacco slowed in January compared with the previous year. Sources said the figures were a direct result of drought and pressure on consumer demand both locally and internationally

The huge increase in imported vegetable

products reflected lower local output due to the drought

Drought conditions also meant that export volumes were significantly lower

Prepared foods, beverages and tobacco, which industry sources classified as luxury products, were affected largely by the global recession. Exports were affected by reduced demand in European markets and SA's weaker currency

One food company spokesman said that dumping was becoming a major problem

Food products were being exported to SA at a lower cost than local production costs, and this "short term windfall" for consumers would run SA's largely agricultural economy in the long term by cutting jobs, closing manufacturing facilities and destroying herds

MARCIA KLEIN

186

Coal earnings down as competition takes toll

BIDAY 3/3/93
 FIERCE competition in the coal market gnawed at the profit margins of distributor MacPhail and caused an 8% drop in earnings to 48,5c in the year to end-December 1992 from 52,7c a share in 1991, said CE Sid Weintraub

The lower profit margins were reflected in today's published results which show turnover up 5% to R252,4m (1991 R239,9m), but operating profit down 14% to R10,5m (R12,2m). Attributable income was

BIDAY 3/3/93
 EDWARD WEST
 8% lower at R6,9m (R7,5m). The final dividend was maintained at 13,5c, bringing the total dividend for the year to an unchanged 19c

MacPhail, a 63% subsidiary of W & A Investment Corporation, remained un-gearred and had cash resources of R16,4m at the end of financial 1992. Directors did not expect a material change in earnings in 1993.

Weintraub said deepening recession, continuing township unrest and the mild winter caused coal consumption to decline further last year

This had led to fierce competition which had intensified pressure on profit margins. MacPhail managed to counter the worst effects of these conditions by extending market share, he said

Market penetration improved by the opening of a Western Cape depot and entry into the Natal market. Factors which improved

turnover were a marginal increase in the pithead price of coal and a greater proportion of transport costs in its sales, he said

Investment in new technology for information and technical services, cash and asset management and expense controls — would be relied on to maintain market share

However, as coal demand was derived from purely external factors, no improvement in the market could be expected until the economy recovered, said Weintraub

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Demand hikes earnings 65%

MARCIA KLEIN
 (186)
 Primary health care products saw a 65% increase in earnings to 5,6c a share in the 12 months to end-December 1992, says MD Don McArthur, who makes and distributes health care products. He compared its 1992 performance with 1991, as financial 1991 actually covered the period. Earnings were 4,8c a share in 1991. McArthur said that it would shortly embark on a view of "the strong organic growth in the industry over the next few years and in order to maintain the long term objectives". Revenue rose by 43% over the previous year to R15,6m. MD Don McArthur said the result of strong demand for primary health care products. Revenue grew by 39% to R2,9m from R2,1m. An increase in the interest bill resulted in a net profit of R2,8m from R1,9m. Income tax expense was higher at R1,8m from R992 000. Net assets of R497 000 comprises goodwill from the acquisitions of surgical glove manufacturer Hygenic Trading. Macmed showed an accumulated profit of R1,8m for the year, compared with a loss of R1,8m for the previous year. Macmed issued a final scrip dividend, where it issued one share for every 115 shares held, which closed yesterday at 110c.

EXECUTIVE SUITE



MACMED

(Reg)
 Incorpora

AUDITED RESULTS for the year ended 31/12/92

STRUPP

(2) whether he has since received any further applications from mines in this respect, if so, from which mines? B197E

THE MINISTER OF MINERAL AND ENERGY AFFAIRS

(1) Yes
(a) (i) with effect from 20 September 1992
(ii) with effect from 15 January 1993

(b) (i) Harmony Gold Mining Company Limited
(ii) Lorane Gold Mines Limited

(c) Section 9(1)(f) of the Mines and Works Act, 1956 (Act No 27 of 1956)

(2) Yes
(i) St Helena Gold Mines Limited
(ii) Hartebeestfontein Gold Mining Company Limited

†Mr F J LE ROUX Mr Chairman, arising out of the hon the Minister's reply, I should like to inquire whether he has consulted the relevant trade unions in this regard and what their attitude was in regard to this matter

The MINISTER Mr Chairman, I would like to tell the hon member that I had both the National Union of Mineworkers and the Mineworkers' Union in my office a week or two ago to discuss this particular matter. I assured them that there would be no change to the existing legislation in this regard without my discussing it with them. They were concerned that there was a trend towards Sunday work, and they were concerned that this might affect the working relationships of mineworkers of all races, those of both Cosatu's unions and the Council for Mining Unions. I can assure the hon member that I am in close contact with all unions concerned with mining.

Sugar industry financial assistance
*2 Mr A A B BRUWER asked the Minister of Agriculture *(186)*
(1) Whether the State has rendered any financial assistance to the sugar industry
HOUSE OF ASSEMBLY

in the latest specified period of 12 months, if not, why not, if so, (a) when and (b) what was the (i) nature and (ii) extent of this assistance.

(2) whether he will make a statement on the matter? *(186)* B236E

†THE MINISTER OF AGRICULTURE

(1) Yes, as announced on 7 May 1992
(a) Since May 1992
(b) (i) and (ii)

Interest subsidy on loans of sugar farmers at the Land Bank for crop loss loans, re-establishment loans and production loans

(2) No, it has already been done

*3 Mr L F Stolberg—Foreign Affairs † [Question standing over]

Local authorities: amalgamation

*4 Mr A GERBER asked the Minister of Local Government †

(1) Whether his Department has launched an investigation in order to determine the financial implications of the possible amalgamation of local authorities, if not, why not, if so, (a) what in broad outline were the results of this investigation and (b) what financial implications will such amalgamation have for the White taxpayer.

(2) whether he will make a statement on the matter? B243E

†THE MINISTER OF LOCAL GOVERNMENT

(1) No special investigation has been conducted, but the Department is aware of the factual financial position of local authorities based on various surveys and the implications it might have with regard to amalgamation
(a) and (b) fall away

(2) Yes The matter was discussed by the Council for the Co-ordination of Local Government Affairs last year. I also refer to a press statement issued by my predecessor on 27 March 1992

Due to the policy directions of the past, economic activities were almost exclusively concentrated in white local authority areas and naturally benefited these areas. This factor, together with the lower income abilities of residents in Black towns and backlogs relating to service rendering in these areas, resulted in Black local authorities not being financially viable. The financial position of Black local authorities furthermore became intolerable due to political pressure on councillors to resign and the fact that boycotts and malpayment of services and other levies were abused as political instruments.

Of course one can continue with the current racially based system, which is not only unacceptable to the larger majority of the broad community, but which also places a heavy burden on the general taxpayer to support non-viable Black local authorities by way of intergovernmental grants. Such intergovernmental grants only address the symptoms of the actual problem. Unless the actual problem is solved, one may expect that the burden of intergovernmental grants on the general taxpayer will increase annually.

The other option is to move within the broad political reform process (and thus through negotiations) towards a system of amalgamated non-racial local authorities. Unrest, boycotts and malpayment can only be addressed through a legitimate political dispensation and effective administration. Such an approach will indeed have cost-implications for the existing White local authorities. With greater rationalisation of service rendering, improved utilisation of resources as well as better understanding for the needs of the broader community in general, stability can be restored, which will without doubt contribute towards making the cost-implications in the long term for the country's taxpayers, seen as a whole, much smaller than they are at present.

In conclusion I would also like to point out that Government accepts that the eradication of backlogs and socio-economic upliftment in general cannot simply

be devolved to third-tier authorities and that a system of intergovernmental grants will have to remain an important facet of the financing of local authorities. However, such grants can be applied with greater impact in a stable atmosphere and with an effective administrative base.

†Mr H J COETZEE Mr Chairman, arising out of the reply of the hon the Minister, may I ask whether this means that a study was not done on what the financial implications will be for White local authorities? Is he saying that the White taxpayers and White municipalities should take responsibility for the costs of the Black town councils that have failed?

†THE MINISTER Mr Chairman, I refer the hon member to the reply in the statement I made.

Pact: talks between TPA/ANC

*5 Mr A GERBER asked the Minister of National Education †

(1) Whether at the end of 1992 the Performing Arts Council of the Transvaal was directly or indirectly involved in talks between the Transvaal Provincial Administration and the ANC, if so, (a) to what extent and (b) what, in broad outline, was discussed and/or agreed upon during these talks.

(2) whether similar talks have taken place since then, if so, (a) when and (b) what, in broad outline, was discussed and/or agreed upon on these occasions.

(3) whether he will make a statement on the matter? B244E

THE MINISTER OF NATIONAL EDUCATION

I would like to point out that I have no formal jurisdiction concerning this matter and that the details provided in the answer were obtained from the Administrator of the Transvaal.

(1) Yes, the Performing Arts Council of the Transvaal was indirectly involved.

Code breaks new ground in labour relations

SHARON SOROUR
Labour Reporter

186 134

A GROUND-BREAKING code of conduct forbidding all forms of violence and intimidation has been signed at the Boksburg factory of Langeberg Foods

Considerable labour unrest and "some incidents of violence" occurred at the plant in 1991 and 1992

Company managing director Mr Ray Brown said in a statement the code was signed by representatives of Langeberg

Foods, the Food and Allied Workers' Union (Fawu) and the United Workers Union of South Africa (Uwusa) ARG 5/3/93

"It is aimed at ensuring that a climate of tolerance and fair-dealing will prevail at the factory and sets up a system to ensure the settlement of disputes by negotiation," Mr Brown said

The code signalled "a new beginning for all who are bound by a common interest in the prosperity of Langeberg and represents a triumph for

reason, negotiation and the democratic principles of tolerance and respect for the individual"

Fawu president Mr Chris Dlamini said the code was "history in the making"

Mr Dlamini said the parties at Langeberg were brave enough to discuss ways of sorting out problems even though the country was being devastated by violence

"If we learn to respect and tolerate one another, the question of violence as a product of

mistrust could be stopped immediately," he said

According to Mr Brown, one of the "outstanding" features of the code was that it had not simply been imposed by top management and union officials, but had evolved through the process of broad consultation involving all groups in the factory

The local committee of the National Peace Accord had helped in the mediation which culminated with the signing of the code

ABACOR

FM 5/3/93.

Pushing through privatisation

186

When government tried to push through the privatisation of Abattoir Corp (Abacor) late last year without first deregulating the meat industry, everyone from cattle farmers to meat wholesalers and deregulation lobbyists let out a collective howl. The project was shelved.

Agriculture Minister Kraai van Nierkerk, chastened but unbowed, heard the volume of the protests but obviously not the substance. In January he issued some reforms that freed the movement of meat and animal products and abolished the traditional system of "controlled" and "uncontrolled" areas for the marketing of meat. This week he announced that his deregulation had removed the "last obstacles in the way of privatisation" and that Abacor now can be listed on the JSE, probably by the end of May.

Government has not said where it will set the share price or how much it expects to raise with the listing. A prospectus is due to be released later this month.

Van Nierkerk's announcement surprised some in the industry who thought Abacor's listing had been postponed indefinitely. But others saw it coming when commercials relating to the privatisation once again began appearing on television.

"We do not have a problem with privatising Abacor, just the way they are doing it," says Nils Dittmer, chairman of the Organisation of Livestock Producers.

The problem, says Chris Darroll, national co-ordinator of the free-market Sunnyside Group, is one of degree. "They've repealed certain prohibitions but it's the same old story. It's important that the whole meat industry should be truly deregulated."

As an example, Blue Ribbon Meat MD Gareth Ackerman suggests that government do away with the auction system, allow a futures market and implement the recently released, staunchly pro-deregulation recommendations of the Kassier Committee, which Van Nierkerk appointed last June to examine the marketing of agricultural products.

"What's still in place is the ability to manipulate the market," Ackerman adds. "There's still plenty of pulling of strings. And the Department of Trade & Industry has put a freeze on issuing import permits, pending an investigation, which has tended to push meat prices up."

Critics were surprised to hear about the renewed privatisation plan because Van Nierkerk's new policy evaluation committee — to

look into Kassier's recommendations — met for the first time only last month. An agriculture department spokesman says Abacor's privatisation was designed well before the formation of the committee.

Opponents of government's handling of the privatisation also object to the format the listing will take. They believe that Abacor's 11 abattoirs — which handle 41% of the country's slaughtering — should not be sold as a set, but rather as individual units. In support of that position, they point out that Kassier concluded "it would be wrong to privatise Abacor *en bloc*" as did a report last August by the Competition Board.

Abacor MD Frans van der Vyver supports the *en bloc* sell-off because he doesn't believe there's much of a market for small, individual units.

That's one of the reasons why opponents of



the plan say the abattoirs should be sold individually. Says Ian Isdale of Imperial Cold Storage's Renown Meat: "If no-one is prepared to buy (a particular abattoir), how can they expect the investors to put money into it (the privatisation)?"

Critics also object to government's insistence on reserving pre-determined percentages of the shares for producers (45%), the trade (30%), employees (5%) and the public (20%). Without proper deregulation, they say, this will have the effect of transferring the monopoly from the State sector to the private sector.

Isdale says his company, which processes its meat through its own abattoirs as well as Abacor's, believes the listing is premature because Van Nierkerk's January deregula-

tion has hardly had time to become effective. He believes that it would be impossible to determine Abacor's future profitability based on such a small period of deregulation.

But Van der Vyver says Abacor won't be run differently after privatisation. He has been "running this company in a businesslike manner for the past few years, that's not a new challenge." What will change, he says, is that it no longer will "keep a low profile and let others dominate."

TELKOM FM 5/3/93

Talking prices

The cost of local calls will go up nearly 10% on April 1 but Telkom may have managed to garner a little positive PR by reducing rates on some international calls for the second straight year. And, while last year's innovation was introducing different rates for different countries, this year's advance is introducing different rates for different times of day.

On local calls, the unit cost will rise from 17,2c to 18,9c but the duration of metered units will remain the same. Telephone rentals will climb by more than 10%, as will installation fees.

Telkom MD Dame du Toit says improvements in trunk telephone exchanges have allowed Telkom to replace the four rate groups with 15 rate bands, making way for standard, peak and off-peak tariffs to 21 countries.

Other spin-offs are an average 7% reduction in the standard rate to more than 100 countries. However, the standard rate will increase by an average of 9% to another 79 countries.

Popular destinations

At first glance, the new rates look like a very good bargain, especially to countries such as Italy, where the new standard rate is down to R10,31 a minute from R11,39. But the new rates exclude Vat while the current rates include Vat. This is probably because the new Vat rate has not been announced.

The new rates for the UK and US — two of the most often-called destinations — are the same: R5,67 a minute during peak times, a standard rate of R5,40 and R4,36 off-peak. The current rate for both countries is R5,97 a minute.

Calling Australia is set to become significantly cheaper, though. The current rate is R5,97 a minute while the new rates will be R4,93 (peak), R4,76 (standard) and R3,91 (off-peak).

The peak, standard and off-peak calling

FM 5/3/93

The short-term prosperity of the sugar industry is in the balance. It depends on two crucial developments. The first, and most important, is that the recent rains continue. The second is that the higher international price of sugar stays at current levels long enough for SA producers to benefit.

The drought-ravaged industry has just had its second-worst production year and though the drought seems to have broken, with near normal rainfall for the first time in well over a year in the Natal sugar belt, growers say further good falls this month and next are crucial to a turnaround.

Local production shortfalls are preventing the industry from cashing in on the rise in the international sugar price. Instead of an export bonanza, with the sale of surpluses, the SA Sugar Association (Sasa), which operates as the industry's single-channel exporter, has insufficient supplies to satisfy all foreign commitments from its current season, which ends this month.

Figures released at the recent Agricon conference in Pretoria show that SA's total production was 1,51 Mt, compared with 1,37 Mt in 1983/1984, the worst year ever, and 2,3 Mt in the 1991/1992 bumper season. Local demand accounts for about 1,3 Mt. The surplus is sold abroad.

Sasa international marketing director David Hardy says one of the factors affecting the price is changed expectations about Thailand's production.

"Thai sugar producers have suddenly revised their estimates — thanks to a drought in October and November — from 5Mt to about 4 Mt."

Hardy adds that the situation is aggravated by suggestions that Cuba will buy sugar from Thailand to make good its own shortfall on an agreement to supply China — Cuba usually supplies China with 800 000 t a year. This has fuelled speculation that the

FM 5/3/93

Sugar • BUSINESS & TECHNOLOGY

Cuban crop is smaller than expected

The question is whether these shortfalls are genuine or manoeuvres by two major producers to inflate the price by talking of shortages. "It's obviously in their best interests to get the market up if they can. On that basis, I am not convinced that there is as much quality in the price movement as one would hope. It has gone up dramatically and quickly, which could mean an equally violent correction in the not-too-distant future,"

says Hardy

CG Smith Sugar MD Don MacLeod, who sits on Sasa's international market committee, takes an optimistic view. He points out that the price has been low for some time because of an international sugar surplus (this includes Indian sugar though this never finds its way to world markets). "However, there is talk of greater supply and demand balance in the international season which begins in September

186

"I believe the price has been artificially low at US\$170/t-\$180/t. It is now closer to the normal world equilibrium at between \$220/t (10c/lb) and \$250/t. And, in view of the price stability in the face of past surpluses, it is not inconceivable that it will rise to \$280/t-\$300/t if an international sugar deficit develops."

Hardy agrees. "If the Thai/Cuban situation is accurate and substantiated then we could see a firmer market soon."



KRAAI VAN NIEKERK
Restrictions in place relate to hygiene matters

Knives are out in Abakor row

By GJARAN RYAN
SITIMES (RUSSJ) 13/93

A BLOODY battle is looming as Minister of Agriculture Kraai van Niekerk is determined to force the privatisation of Abakor in the face of growing, hostile opposition.

A government source estimates that the privatisation of Abakor will raise between R60-million and R70-million for the government.

Opponents to the listing include the Organisation of Livestock Producers, deregulation lobby the Sunnyside Group, leading agricultural economist Eckard Kassier and trade union federation Cosatu.

Competition Board chairman Pierre Brooks says deregulation of the industry still needs to go further.

Plans are well advanced to list Abakor by the middle of the year. A prospectus is being drawn up by Rand Merchant Bank and joint sponsoring stockbrokers Martin & Company and George Huyssamer.

The JSE is yet to receive an application for a listing. Abakor is expected to make an announcement on the listing date, issue price and other details early next month.

The price at which it will be sold by the government has already been established, according to Abakor managing director Frans van der Vyver. He declines to mention a figure.

"The government is trying to hoodwink the public into thinking the meat industry has been deregulated so that

it can rush Abakor into privatisation," says Organisation of Livestock Producers chairman Nils Dittmer.

He says a campaign of civil disobedience is under way whereby meat is being sold direct from the farmer to the consumer, by-passing various meat controls, at prices up to 45% below meat sold through official channels.

Professor Eckard Kassier, chairman of the Kassier Committee which proposed the break-up of Abakor ahead of privatisation in its report presented to government earlier this year, says he is "surprised" at Mr van Niekerk's statements that the meat industry has been deregulated.

Freedom

"Unless you slaughter your meat at any one of the 27 approved Class 1 and 2 abattoirs, you do not have freedom to sell your meat where you like. The proposed system is a closed shop which will harm the small man."

"What we need is greater transparency in government so that we can see what is going on."

Mr van Niekerk says laws restricting the slaughter of meat have now been repealed, giving the producer freedom of choice as to the slaughter and movement of meat.

"Restrictions which remain in place relate to hy-

giene matters," he says. "The SA Consumer Union condones these restrictions and regards them as non-negotiable."

Mr van Niekerk says Abakor slaughters only 41% of all red meat in SA. "If privatisation does not take place and the trend of by-passing Abakor accelerates, as indications show, Abakor will eventually be another white elephant."

Abakor is prohibited by law from competing with private sector abattoirs in markets other than meat slaughter. Mr van der Vyver says Abakor will in time extend its field of operations to compete with the "Big Three" food producers - Kanhyam, Vlissentral and ICS.

"If Abakor is privatised before meaningful deregulation of the meat industry, we are going to create a worse monster than the one we had before," says Jan Groenewald, professor of agricultural economics at the University of Pretoria.

Professor Groenewald says SA has among the lowest per capita consumption of red meat in the world. Meat controls are said to be behind per capita consumption of red meat, declining from 41,9kg in 1956 to 25,1kg in 1988.

Mr Dittmer says there is deliberate misrepresentation of deregulation in the industry coming from the government. The assertion that the meat industry has been deregulated is "an outright lie", alleges Mr Dittmer.

(1)

Star 8/31/93

(186)

(30)

Food sales show surprising decline

By Sven Lunsche

Sales of food last year plunged by 12.4 percent, making it one of the worst-performing sectors in the retail industry

The sharp fall in food sales is a reverse of trends in previous recessions, where consumers first of all cut their discretionary spending on durable goods and only later on food

Figures provided by Econometrix show that 1992 sales of clothing increased by 3.8 percent, furniture by seven percent and audio equipment by 5.7 percent

Other items to show declines last year were non-edibles with 12.1 percent, pharmaceuticals with 3.2 percent and appliances with two percent

Econometrix describes the poor performance of food sales versus durable sales as "most

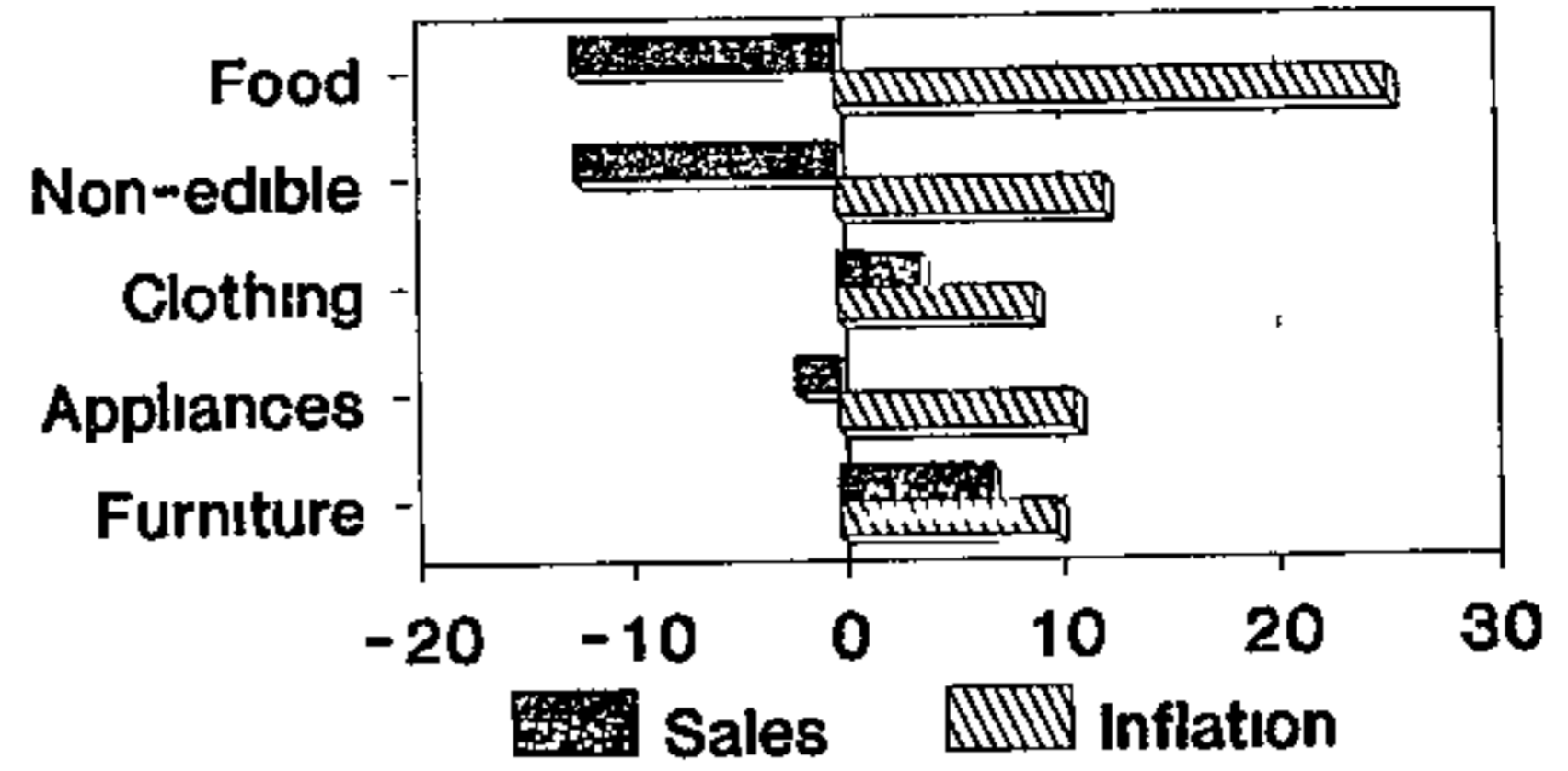
surprising"

"Many of the better performing retail sectors are involved with discretionary spending and one might therefore have expected these industries to under-perform food in the midst of recessionary conditions and high interest rates"

The retail figures also seem to contradict Reserve Bank data of private consumption spending, which shows that far more is spent on non-durables (mainly food) than on durables

Econometrix suggests that this could be due to the fact that formal retail outlets have lost market share to the informal sector, whose sales are captured by the Reserve Bank, but not by formal retail sales figures.

Nevertheless, the institute adds that food sales were indeed under-performing other



Retail sales and inflation in 1992 (percentage change)

sales, which could signal "entirely new patterns of consumption expenditure"

The Econometrix figures also highlight the large anomaly between demand and price adjustments

Whereas in a "normal" free market environment, the price of goods would fall if demand

declined, retail price increases averaged about 10 percent, despite declining sales in most sectors

This is most striking in the food sector. While sales declined by 12 percent, price rises last year averaged 25 percent, although this was slightly distorted by the impact of the drought

Cadbury buoyant despite weak consumer demand

BIDAY
MARCIA KLEIN

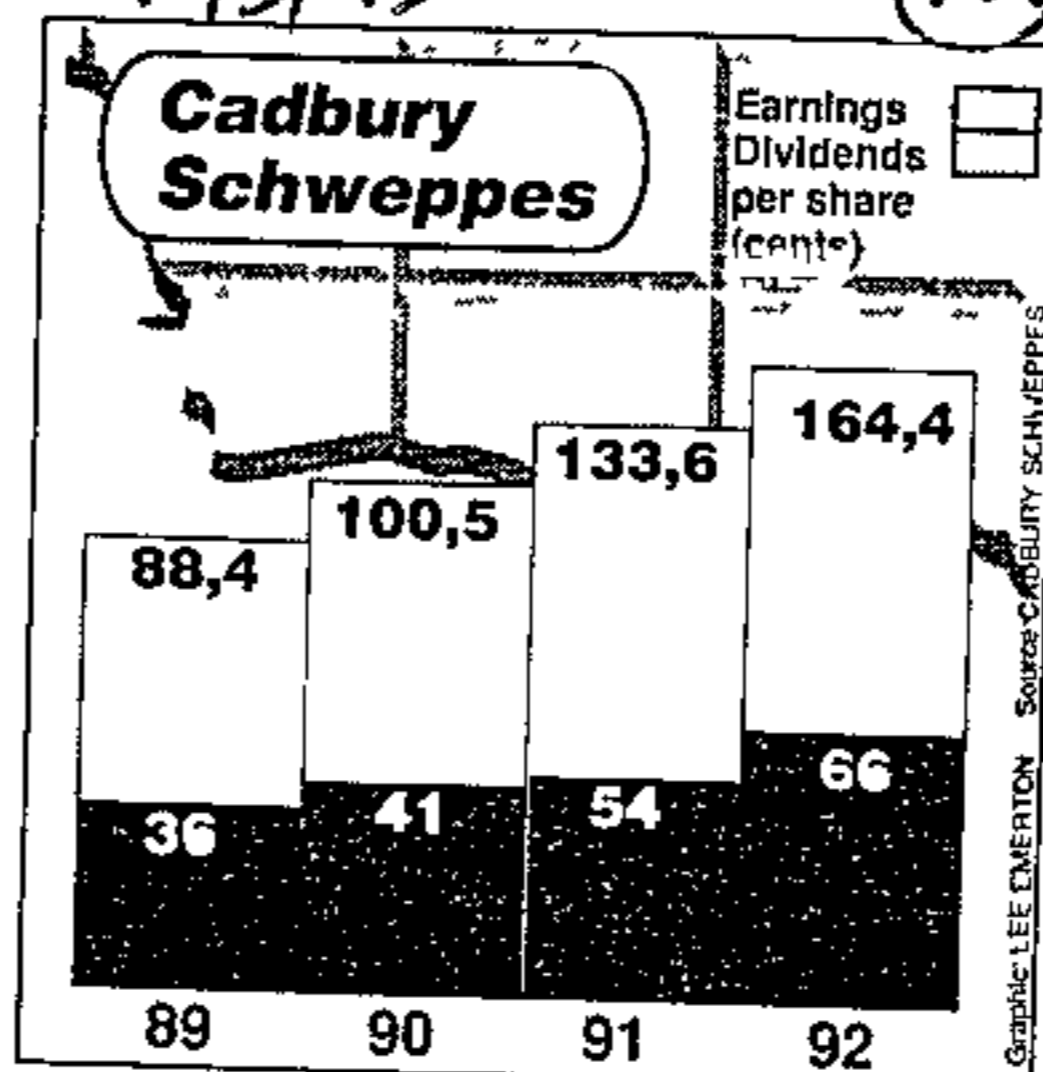
SOFT drink and confectionery group Cadbury Schweppes (Cadswep) has maintained its growth record by increasing its earnings 23,1% to 164,4c (133,6c) a share in the year to end-December

This growth was achieved despite significant capex and weak consumer demand, as well as warnings from CE Peter Bester at the interim stage that the group was heading for a difficult second half

Strong volume growth in the soft drink sectors of the group saw turnover rise 18,6% to R723,6m (R610m) Bester said weak consumer demand had been compounded by competition, unrest and mass action

Operating profit grew 16,4% to R70,5m (R60,6m) despite major structural changes to the group's manufacturing facilities, which had a disruptive effect on costs and efficiencies

Cadswep's significant investment in capacity and infrastructure was reflected in finance costs, which rose 21,7% to R15,3m (R12,5m) This saw pre-tax income increase by 15% to R55,2m (R48m)



But a lower effective tax rate, largely due to investment allowances and benefits linked to the group's Swaziland operations, resulted in a 21,5% rise in profit after-tax to R42,6m (R35,1m)

Dividend income and equity accounted earnings rose 30,7%

Attributable earnings grew by 23,8% to R58m (R46,8m) A final dividend of 51c a share was declared, bringing the full year dividend up by 22,2% to 66c (54c) a share

Bester said results were good in view of the economic climate and against the high base of financial

1991 Cadswep had produced an average compound earnings growth of around 24% in the past five years

He said the group's significant investments included new capacity in Cadbury Confectionery had absorbed the costs and the disruption associated with the restructuring, which included the consolidation of some plants

Cadbury had had to cope with declining volumes in its market, Bester said The entry of Mars into SA was taken seriously, and the group was "gearing up to treat it as a full-scale competitive battle"

Apart from capex on confectionery, Cadswep had increased marketing spend by 26% as part of its commitment to building its brands It had also increased its investment in training and development by 47%

In the coming year, the group would continue its capital programme in confectionery, but expenditure would be at a lower level than 1992, Bester said

The benefits of reconfiguration and expansion of the manufacturing capacities should benefit the group in the coming year, and Cadswep expected "to achieve worthwhile real growth in earnings in 1993"

So sweet as Cadswep div jumps 22 percent

Business Staff

CONFECTIONERY and soft drink manufacturer Cadbury Schweppes (Cadswep) has lived up to its premium market rating by increasing earnings per share 23,1 percent to 164,4c in the 53 weeks to January 2

The dividend has been raised 22,2 percent to 66c

Turnover rose 18,6 percent to R723,5 million MD Peter Bester says there was strong volume growth in soft drinks where the Schweppes brands gained market share, and gains in sugar confectionery

Cadbury's share of the chocolate market declined because of price discounting by competitor Beacon Beacon also used wrapping which was found by the Advertising Standards Authority to be too close to Cadbury's packaging

By year-end Cadbury had regained market share.

Bester says the group's capital expenditure programme reached a peak with R57 million spent over the year. The Cadbury's Johannesburg factory was relaid and upgraded.

A factory was closed in Cape Town, as was one of two plants in Port Elizabeth.

Marketing spending increased 26 percent and training and development spending 47 percent. Borrowings rose from R68 million to R86 million and gearing from 38 to 40 percent

This led to a 21,7 percent hike in financing costs to R15,3 million But financial director John Buchanan says finance costs will fall in the current year

Net working capital was well controlled and rose just four percent

Pre-taxprofit was up 15percent to R55,2 million, but the effective tax rate fell from 27 to 22,8 percent because of higher capital investment allowances and the benefits given to the group's Swaziland operations.

Equity-accounted earnings and dividend income increased 30,7 percent to

R15,4 million

The main contributor was the group's 19 percent holding in Amalgamated Beverage Industries, which benefited from hot, dry weather, both in the first and last quarters of the year

Soft-drink sales, however, have weakened considerably since December

There was good earnings growth in real terms from the 49 percent-held Namibian specialist confectioner, Springer

Mr Bester says that Cadswep should realise the benefits of the re-configuration and expansion of manufacturing facilities undertaken last year

Unless there is an unforeseen deterioration in trading conditions, he predicts worthwhile real growth in earnings will be achieved

■ Sterling Clothing reeled under the effects of the recession in the year to end December 1992, as attributable income dived by 85 percent to R195 000 from R1,3 million, reports Sapa

Sterling not surprisingly under the circumstances decided not to declare a final dividend compared to a dividend in the previous year of 2,5c a share

Earnings a share fell by almost 90 percent to one cent a share from 2,5c but Sterling said corrective action taken during the year would only become evident in the current financial year

The clothing group blamed its poor results on the fact that business conditions had deteriorated further last year with private consumption expenditure for non-durables becoming negative in real terms for the first time since 1985

Sterling's activity is largely concentrated in the rural areas and it expressed a degree of optimism that the end of the drought which impacted heavily on the rural population would positively effect its performance

Bidvest plans R31-m rights offer

Finance Staff (186)

Afcom and Crown are to become wholly owned subsidiaries of Bidvest in a deal which will see the two companies delisted from the JSE

Bidvest announced today that the delisting would be followed by a R31 million rights offer to reduce the company's borrowing. In terms of the offer Bidvest shareholders will be offered four shares for every 100 held at R70 a share.

Holding company Bidcorp would follow its rights by raising R14,3 million in an issue

of four Bidcorp shares for every 100 held at R36,50 a share.

In terms of the delisting Crown shareholders will be offered 2,5 Bidvest shares or debentures for every 100 Crown shares held or a cash alternative of 190c a share.

Option

Afcom shareholders will be given the option of receiving 3,92 Bidvest shares for every 100 shares or 265c in cash.

Bidvest executive chairman Brian Joffe said in a statement the

deal held many advantages for the group as a whole.

Delisting Crown and Afcom would provide minority investors in Afcom and Crown the opportunity to participate directly in Bidvest.

It also allowed scope for larger acquisitions, a cohesive group with 100 percent-owned subsidiaries, an enhancement of cash flow management and improved borrowing power.

After the acquisition Bidvest is expected to have a market capitalisation of more than R800 million.

Bidvest details its plans for restructuring

186 MARCIA KLEIN

IN A major restructuring, Bidvest Group subsidiaries Afcom and Crown Food are to delist from the JSE and become wholly owned subsidiaries of Bidvest.

The group announced yesterday that after these transactions, Bidvest would embark on a R31m rights offer to reduce borrowings, and holding company Bid Corporation (Bidcorp) would hold a R14,3m rights offer to follow its rights.

The announcements followed a cautionary announcement issued jointly last week by Bidcorp, Bidvest, Afcom and Crown.

Chairman Brian Joffe said the deal would give Afcom and Crown minorities a chance to participate directly in Bidvest. He said growth opportunities in Bidvest were stronger than in its subsidiaries. The two listed companies were fairly small businesses with similar shareholders.

The group had had to decide how to develop and whether to sell businesses down to the listed companies or sell up to Bidvest. He said institutions had indicated that they would prefer to invest in the holding companies with a larger market capitalisation.

The decision to take out the minorities in Crown and Afcom would result in a more cohesive group, and would reduce the conflict of interests within the group's companies. Catering interests, for example, were currently held in listed Crown as well as wholly owned Cater Plus.

The deal would give the holding companies access to cash flows in the subsidiary companies and would result in cost savings.

After the transaction, Bidvest would have a market capitalisation of R820m. This size would be attractive to institutions and would give the group the ability to make a major acquisition, Joffe said.

In terms of the proposed scheme, Afcom shareholders would be offered 3.92 Bidvest shares or debentures for every 100 shares held, or 265c a share. Crown shareholders would be offered 2.5 Bidvest shares or debentures or 190c a share.

Joffe said it was expected that there would be a small acceptance of the cash alternative.

Food price cuts could begin today — major retailers

BTDAM 12/3/93

(186)

MARCIA KLEIN

MAJOR retailers and manufacturers expect price benefits from next month's zero rating of certain foodstuffs to start flowing through from today

On Wednesday Finance Minister Derek Keys announced a zero rating on rice, fresh vegetables and fruit, some vegetable oil and milk products, brown wheaten meal, raw eggs and legumes

The zero rating, which would be effective from April 7, would mean a 10% reduction in some food prices

Pick 'n Pay marketing director Martin Rosen said yesterday his chain of stores would immediately cut the price of certain brands of eggs, rice and milk

Major manufacturers and retailers praised government, saying Keys' decision would mean a 10% reduction in some food prices. But most said meat and white bread should also have been zero-rated

Blue Ribbon Meat Corporation CE Gareth Ackerman said the continued imposition of VAT on meat was ominous news for consumers, particularly in view of recent Meat Board recommendations to government that import duties be set at a high level.

Foodcorp CE Dirk Jacobs said he had hoped all products which were previously GST-free would be zero rated. However, as meat made up a third of the total food basket, it could have been too much of a burden to zero rate it, he said

Premier Food Industries chairman Norman Fowler said the Food Logistics Forum — which he convened — trusted that further extensions, particularly on unprocessed meat and white bread, would be introduced

A Tiger Oats spokesman congratulated government on the new system and on the fact that it had introduced it after consultation. However, he was disappointed that sorghum products were not VAT-exempt

SA Agricultural Union president Boet Fourie said there were mixed

feelings in agricultural circles. Agricultural producer prices would be under less pressure than when VAT was introduced. However, similar exemptions had resulted in "the total collapse" of the GST system

ADRIAN HADLAND reports from Pretoria that Consumer Council executive director Jan Cronje urged consumers to report wholesalers or retailers who did not exempt basic foodstuffs from VAT to the council

He appealed to food producers, wholesalers, and retailers to ensure consumers received the full benefit of the exemptions. Further concessions were required from government to provide relief for millions of consumers impoverished by the continuing recession, Cronje said

Our political staff reports from Cape Town that the DP said government's short-sighted, dogmatic approach to VAT forced it to backpedal, making the system increasingly complex and open to abuse. DP finance spokesman Ken Andrew said the increase in the range of zero-rated foods would provide some welcome relief to consumers. However, medical services should have been excluded, "as taxing illness is unreasonable and is particularly onerous for senior citizens and the less well-off members of our community"

Sapa reports that Inkatha welcomed the zero ratings, but bemoaned the exclusion of medicine and drought-resistant crops such as sorghum and millet from exemption

Medical Association of SA chairman Dr Bernard Mandell also said health services should have been exempted. "We had hoped that, seen against the background of increasing costs in the provision of health services and an ailing economy, medical services and medicine in particular would be zero rated in the interests of allowing the provision of more affordable health care"

Jottings on De Beers

S/Times (B455) 14/3/93

DE BEERS chairman Julian Ogilvie Thompson described how destabilising supply developments and Japanese retailer destocking led to the 35% decline in the diamond group's earnings to \$759-million in the year to December 1992

In rand terms the dividend was cut by 21% to 241,6c a share, but in dollar terms the decrease was 29%. The majority of De Beers's linked units are held by South Africans

In the aftermath of the panic accompanying last August's warning of a substantial dividend cut, De Beers shares have rallied from a low of R44 to the present R67 level. The price was R94 last May

It would be wrong to reflect on the mood of the directors present at Tuesday's Johannesburg and London-linked press conference as upbeat, but a few indicators suggest the bottom of the diamond market has passed

Contract quotas of producers

were trimmed by a quarter in value terms during the last few months of 1992

Ogilvie Thompson said that the first two sights of 1993 had been very good, stimulated by exceptional factors, excluding which he could not estimate how the market might otherwise have been

The factors include fewer Angolan stones due to rain and war; a hiatus in polished stones from Russia because its government imposed a 20% general export duty no buyer will pay; and big Indian demand

De Beers director Gary Ralfe related some of his first-hand knowledge of Russian developments. Happenstance, Russian production had declined by the same quarter required by the CSO and a further 15% decline is anticipated this year

Poor general economic conditions and deeper deposits are among the reasons. The new Jubilee mine has been delayed by 18 months already because of the difficulties of equipping it. The Russian mine manager's lament: How can I build a plant when I can't even get cement?

Russia's polished stockpile could be worth \$1-billion. However, says Ralfe, in contrast to its steps in other commodity markets, Russian policy seems not to be to undermine the diamond price

It is entitled to sell 5% of its rough production as a check against the prices won through the CSO, which sells the rest. Other producers have no need of such a system, which evolved historically because it would have been improper for Russia to despatch government diamond-valuers to do such checks

The Russian diamond industry has become politicised, but there is increasing realisation on all sides of the political spectrum that nobody's interests are served by upsetting the CSO appecart.

Russia has repaid \$450-million of the \$1-billion advanced two years ago by De Beers. The loan is secured by diamond collateral held in London.

Another director, Jeremy Pudney, said consumer demand for diamonds is strong — 53-million items of diamond jewellery are sold each year. America is picking up, Japan and Europe are holding reasonably well and south-east Asia has high potential for growth for "the luxury product aimed at the mass market"

Question time at the conference produced cautious, stock answers — no necks stuck out. Supply and demand at the cutting centres has been restored and De Beers describes the mood there as "cautiously optimistic"

The JSE view of the share falls into the same bracket.

CASH-HAPPY JOFFE

BIDVEST's acquisition capacity will top R600-million, chairman Brian Joffe said this week

Announcing expansion plans this week which involve the delisting of Afcom and Crown and a R30-million rights issue in Bidvest, Joffe said that institutions say they want to have their stakes alongside his own and not in small subsidiaries.

The diverse nature of the group meant that some divisions held in the listed companies would fit better in the unlisted divisions

Delisting the companies would also remove the possibility for a conflict of interest when the Bidvest group made acquisitions

Other benefits include access to cash flow, scope for tax planning

and the opportunity to disclose less to competitors.

Top company Bidcorp will raise R13-million to follow its rights in Bidvest. A large percentage of each company's shareholders have indicated their intention to follow their rights. Joffe says that when all the debentures convert, Bidcorp will own 46% of Bidvest, compared with the current 51% diluted. "In the new South Africa it is not necessary to retain absolute control," said Joffe. "30% is enough."

Standard Merchant Bank advises the minority that the terms offered by Bidvest are fair and reasonable. The cash offers (detailed in Week in Brief on Page 7) bear premium to the prices quoted before the cautionary announcements.

S/Times (B455) 14/3/93

186

218

Star 16/3/93

Good rains dampen producer price of food

By Sven Lunsche

Food prices at the agricultural level fell sharply in January as the good rains boosted production of most agricultural products.

The latest producer price index (PPI) figures of Central Statistical Services show that the index for agriculture declined by 2,9 percent and the index for manufactured food by two percent in January com-

pared with December last year

The fall in food prices contributed to a largely unchanged producer price inflation rate of 7,4 percent in January, compared with 7,3 percent in December.

Between December and January the PPI increased by a mere 0,2 percent, a further indication that consumer price inflation should maintain a steady rate of around 10 percent over the next few months

(186) The two subsectors of the PPI — locally produced and imported — showed varying trends

The PPI for imported commodities increased by 3,1 percent year-on-year but declined by 0,4 percent between December and January

Locally produced goods increased by 8,3 percent year-on-year and by 0,2 percent on a monthly basis

(247) Where large monthly producer increases occurred it related mainly to industrial goods

Monthly rises were reported by rubber and plastic products (two percent), basic metals (4,7 percent) and optical equipment (3,1 percent)

The cost of electricity, gas and water also went up sharply by 5,2 percent in line with recently announced tariff increases.

Star 17/3/93

Wise money on Foodcorp in the food sector stakes

By Stephen Cranston

Foodcorp could outperform its major competitors in the food sector

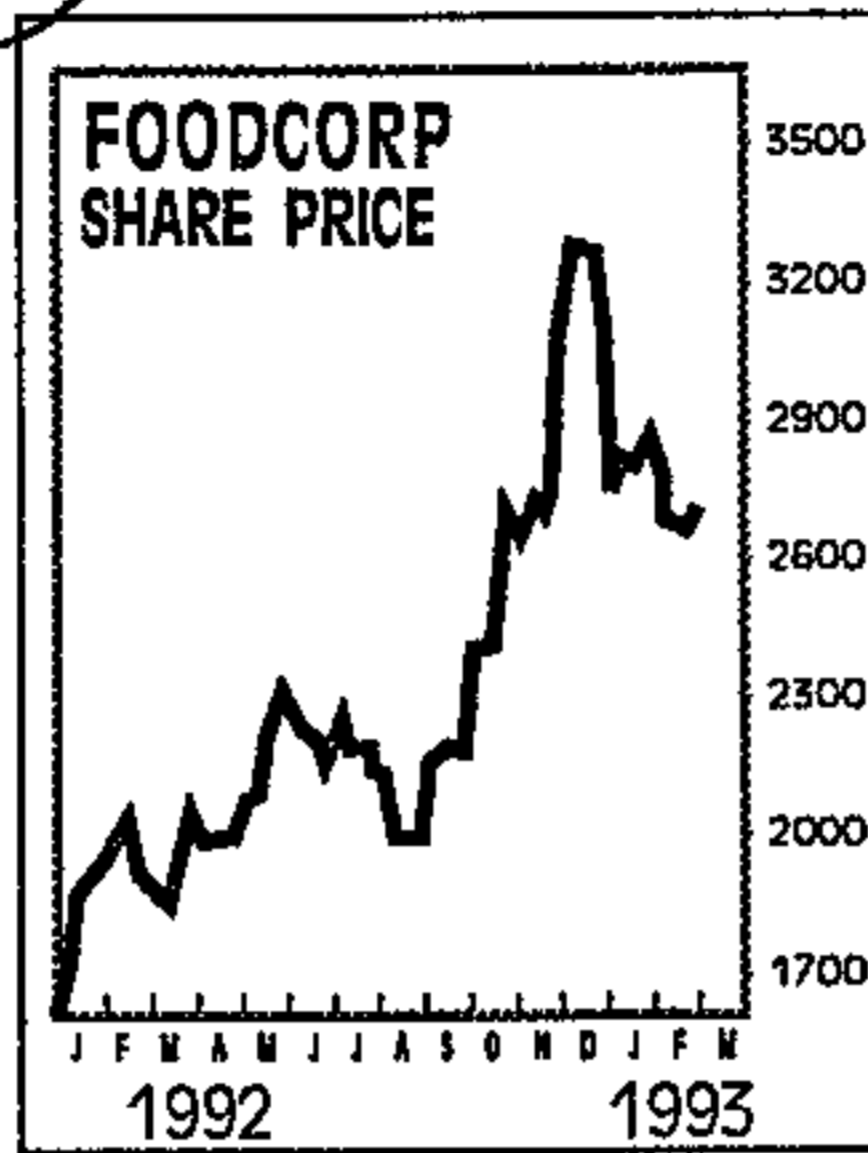
Analysts predict that Tiger Oats will increase earnings by about 8 percent in the six months to March and that ICS will report lower earnings. I&J has already reported a 19 percent dip in the six months to December

In contrast, analysts expect Foodcorp to increase its earnings per share by 11 to 15 percent to between 210c and 215c a share for the year to August, with at least a 10 percent hike in the six months to February

The share advanced steadily last year from R16 to R33, although recent anxieties have pushed the price back to R27.

Part of the rating reflects the high regard in which CE Dirk Jacobs is held by the market. He is known for his tight control of assets and his ability to maximise profits by pruning costs

He made a dramatic debut at Fedfood when he dismissed 30 staff from head office



By last August's year-end, in spite of retrenchment and closure costs, R82 million of the group's R346 million borrowings had been repaid.

Unlike its main competitors, Foodcorp is not exposed to the poultry business as the Mielie Kip subsidiary was discontinued during the year

Poultry has been a bloodbath for all concerned, as shown by warnings that Rainbow Chicken will lose R40 million this financial year.

Foodcorp is exposed to low

meat prices through its Kanhym operations, but it has scaled down its feedlots and moved the focus of its meat operations into higher-margin processed meats, where it has a 37 percent market share

Foodcorp will enjoy the benefits of the full period's trading since the rationalisation under Malbak has taken place

There is an annualised saving of R8,25 million from the downsizing of ongoing operations, R10 million from the closure of the Harvestime factory in Port Elizabeth, R5 million a year because of the closure of Patoma and R1 million a year from the closure of Nola's feed division

None of Foodcorp's operations are expected to show significant volume growth — in the last two months of the period, in particular, volumes sales of food have fallen significantly.

But there will be a turnaround in the Chilean fishing interests, and a swing towards frozen vegetables, which have maintained their prices, while fresh vegetable prices have increased

CADBURY SCHWEPES
Calls for the bubbly

186

FM 19/3/93
No wonder Cadswep has been a favourite flavour on the JSE for the past five years. The 1992 results show turnover up nearly 19%, which converts into an EPS improvement of 23%. Achieved in an inflationary environment and a year of continued economic and political gloom, that is the kind of result which makes shareholders break open not you know who but expensive bubbly.

The hotter it is, the better Cadswep managers like it. It was particularly hot in the first half of financial 1992, with strong volume growth in soft drinks. That was abetted by cash-strapped customers who bought down during the year. The 31% rise in dividend income and equity accounted earnings to R15,4m largely reflects ABI's performance, but CE Peter Bester cautions that soft drink sales have weakened considerably since December, with volumes for the first quarter lower than year-ago levels.

The 9% increase in current assets suggests Cadswep may have had a problem controlling stocks and debtors. But Bester hastens to add that net working capital was "extremely well managed," up only 4%, he says, against sales growth of 18%. Further clarification will have to wait until the release of the annual report. The 17% hike in the investment and loans figure to R57m reflects retained earnings for ABI which, says Bester, is equity accounted.

Earnings growth was slightly better than market expectations, largely because of a lower-than-expected interest bill of R15,3m. Capex peaked in financial 1992, with spending during the year exceeding 1991's R47m. Another positive influence was the lower effective tax rate, because of investment allowances and benefits linked to Swaziland operations. Reduced capex in 1993 will see an increase in the effective tax rate, though the interest bill should come down, improving gearing which is now 40% (38%).

Management is forecasting "worthwhile real growth in earnings" for 1993, suggesting expectations of an improvement in soft drink sales (roughly half of Cadswep's earnings). Realisation of the potential benefits from the reconfiguration and expansion of manufacturing facilities should also reflect

REFRESHING

Year to	Dec 28 '91	Jan 2 '93
Turnover (Rm)	610	724
Operating income (Rm)	61	70
Attributable (Rm)	47	58
Earnings (c)	133,6	164,4
Dividends (c)	54	66

on bottom line profitability

The group may find it difficult to maintain its market share (estimated at 40%) with the entry of Delmonte Foods' Mars bars. Bester says the industry has assessed this development and Cadbury will increase activity to defend its place in the chocolate market.

That is the kind of response one would expect from a market leader suddenly under threat from a competitor long thought to be without consequence in SA.

Nevertheless, the market share war which threatens will be followed with consuming interest by shareholders and chocaholics alike.

Marylou Greig

BIDVEST/AFCOM/CROWN

The power of one

He admits it was an impetuous decision. And the unexpected result of the purchase of a small meat supply company earlier this month for R3,1m, concedes CE Brian Joffe, is that minorities will be bought out and Bidvest subsidiaries Afcom and Crown will be delisted. Structural changes announced last week include rights issues by Bidvest and pyramid Bidcorp.

While looking for a suitable home for BMR Foods, Joffe became aware of the similarities among 66,5%-held Crown, 88,3%-held Afcom and wholly owned unlisted Cater Plus and Steiner. To incorporate common elements, Joffe says, it had to be decided whether to absorb food-related interests in Crown or to buy out minorities in the listed companies and bring all the subsidiaries under one umbrella — Bidvest. With institutional preferences being towards companies with large market capitalisation, Joffe chose the latter. The cost of this option is a cool R84m.

Afcom minorities are being offered 3,92 Bidvest ords or debentures, or a combination of the two, or R265 for every 100 shares or debentures held. But how does this fare against the share's price, EPS or NAV? Figures for the 12 months to December place EPS at 22c a share and NAV at 91,2c — a third of the offer price. The share, having gained three-quarters since January last year, trades at 245c — also below the offer price.

On the face of it, this is not an unreasonable proposal, however, the effect of accepting Bidvest's offer is to reduce Afcom shareholders' earnings by 8,2% and NAV by about 30%.

The question, therefore, is whether Afcom shareholders believe Bidvest is worth that kind of sacrifice.

Crown minorities can take up 2,5 Bidvest ords or debentures or, again, a combination of the two, for every 100 shares held. A cash option of R190 per 100 shares has been made.

The effect of the buyout on Crown shareholders is somewhat different than that for Afcom stakeholders. The comparison shows that if Crown shareholders accept the offer, their EPS will increase by 1% with NAV shedding only a fifth. However, the cash price offered to minorities matches, and is not at a premium to, this week's market price of 190c a share.

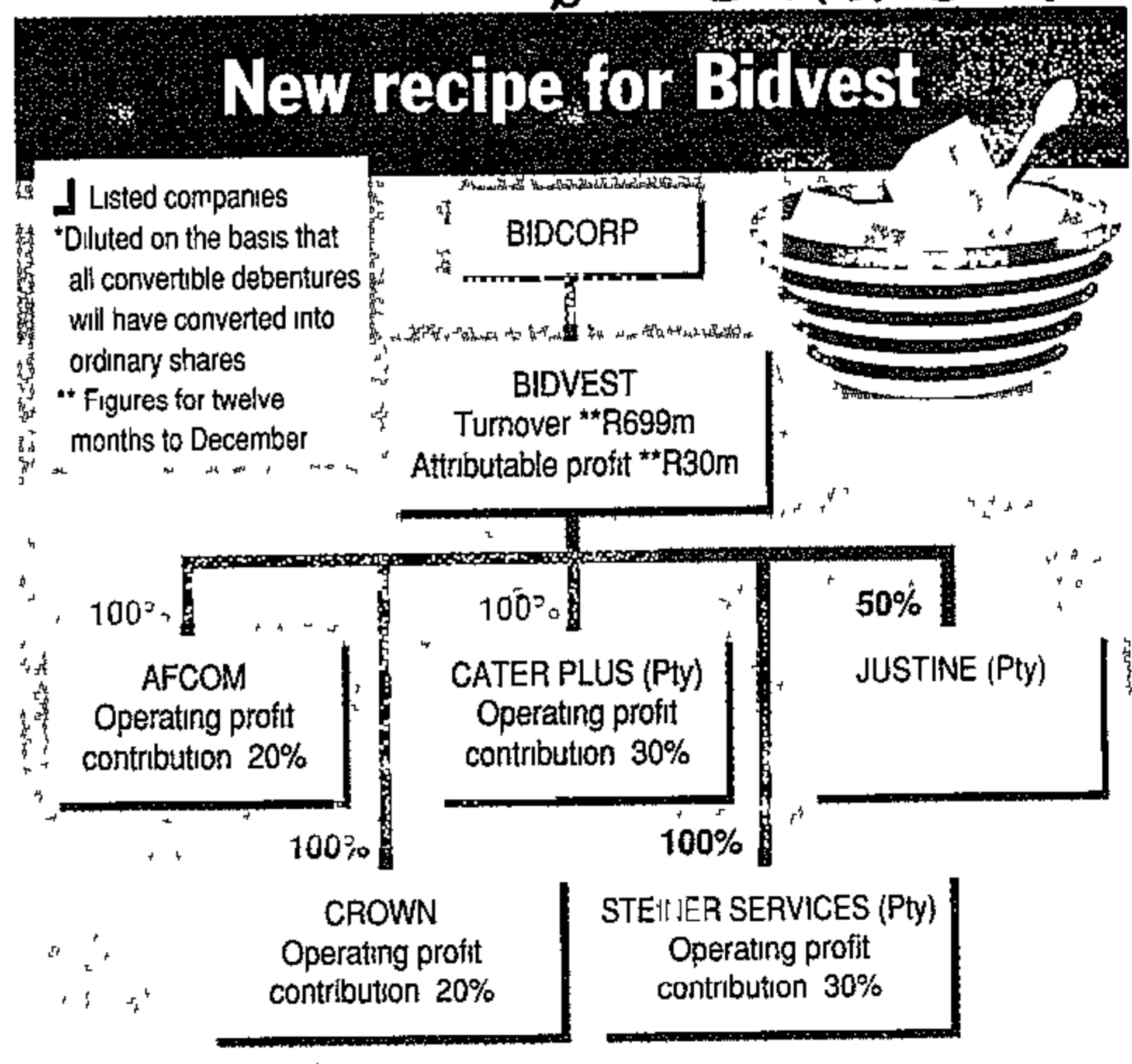
Joffe says the restructuring will enhance Bidvest's cash flow management, improve tax efficiencies and borrowing power. He says that, through the issue of paper, borrowing capacity of R700m-R800m will become available if needed, which would lift gearing to 60%. A R31m rights issue is being held to bring Bidvest's gearing below 20% (1992 35%).

Holders of Bidvest ords and debentures will be offered four new shares or debentures for every 100 held, at R70 a share or debenture. The move by Bidvest necessitates a R14,3m rights issue by Bidcorp. Four new Bidcorp shares for every 100 held, at R36,50 per ord held, are on offer. Bidcorp and certain institutions holding 87,8% in Bidvest have undertaken to take up their rights in respect of their shareholdings, with SMBL underwriting the rest. Shareholders holding 80,7% in Bidcorp have agreed to take up their rights. Investec Merchant Bank will underwrite the remaining 19,3%.

One result of the tighter group structure is that Bidvest will not be obliged to disclose contributions from subsidiaries — be they good or bad. That will be comforting for the directors but frustrating for shareholders.

Post-restructuring market capitalisation, after the conversion of debentures, will be a

continue



hefty R820m. The share has gained R9 to R72 in a week. That's an indication of the increased seriousness with which the group is being viewed.

Kate Rushton

Del Monte pick up juicy orders

St Times (BUS) 21/3/93

186

THE fruits of the R2,3-billion takeover of international food group Del Monte Foods International (DMFI) are already flowing through to the Western Cape economy.

Royal Corporation, now called Del Monte Royal Corporation (DMR), has secured an additional order for 23 500 tons of fruit — worth close to R100-million — for export to Europe.

The fruit will be supplied by South African farmers from the 1993 crop.

The order confirms assurances given and studies done prior to the takeover that the

By **CHERYLYN IRETON**

acquisition would benefit the economy.

But DMR chief executive Vivian Imerman cautions against extrapolating profit estimates from the sales, stressing that DMFI is an international company influenced by many factors.

"What we can say is that South African fruit farmers are getting a substantial direct boost with spinoffs for local employment and the country's balance of trade," says Mr Imerman.

"The decision is on merit based on best value," he em-

phasises. The group buys its fruit from more than 600 farmers spread across the fruit belt in the Western Cape and the benefits are estimated to filter through to some 60 000 people within that area.

The group's production facilities are concentrated at Tulbagh and Firgrove, near Somerset West, with products sourced from such areas as Tulbagh, Saron, Gouda and Ceres.

The additional fruit ordered comprises 600 000 cases of peaches weighing 10 000 tons, 300 000 cases of apricot halves weighing 5 000 tons, 200 000 cases of pear halves weighing 3 500 tons, 4 000 tons of pear pulp and 30 000 cases of grapes weighing 1 000 tons.

Stable

At the time of the acquisition, a study commissioned by Royal estimated that sales linked to Royal's canning and preserving company — SA Preserving Company (Sapco) — could rise from R314-million in 1991 to R2,5-billion by the year 2000 if the Del Monte purchase was approved.

The study said the deal would give Sapco direct access to European markets, a move which would provide stable sales growth.

Direct employment by Sapco was expected to increase from the 1 750 workers employed in 1991 to more than 17 200 in the year 2000, the study said.

The whole deal would have "positive effects on the South African economy in all respects, but particularly regarding increased output, employment, labour remuneration and net exports.

"The planned increase in activity will make a large positive contribution to the trade account," the study concluded.

EUROPE BOUND

CONTINUED speculation that the executive management team of Del Monte Royal group is to relocate overseas in the second half of this year has drawn a response from its Sandton headquarters. *SI Times (Buss) 21/3/93*

"Following the acquisition of Del Monte Foods International, the majority of the DMR group's activities are situated overseas, mainly in Europe. A direct consequence of this is that executive management will have to spend more than 50% of their time overseas. (186)

"As a result, they intend to establish residence at some time in the future in a European country — probably the United Kingdom — but to retain residence in South Africa as well. They do not intend to emigrate in the accepted sense of the word."

Malbak's Foodcorp

Star 24/3/93

beats expectations

(186)

By Stephen Cranston

Foodcorp, the Malbak-controlled group formed by the merger of Fedfood and Kanhym last year, has beaten market expectations by reporting a 30 percent increase in earnings per share to 95c in the six months to February, notwithstanding a 60 percent rise in the number of shares in issue.

Based on the last reported interims for Fedfood/Kanhym, the improvement has been 40 percent (albeit determined by different accounting practices)

A dividend of 23c has been declared

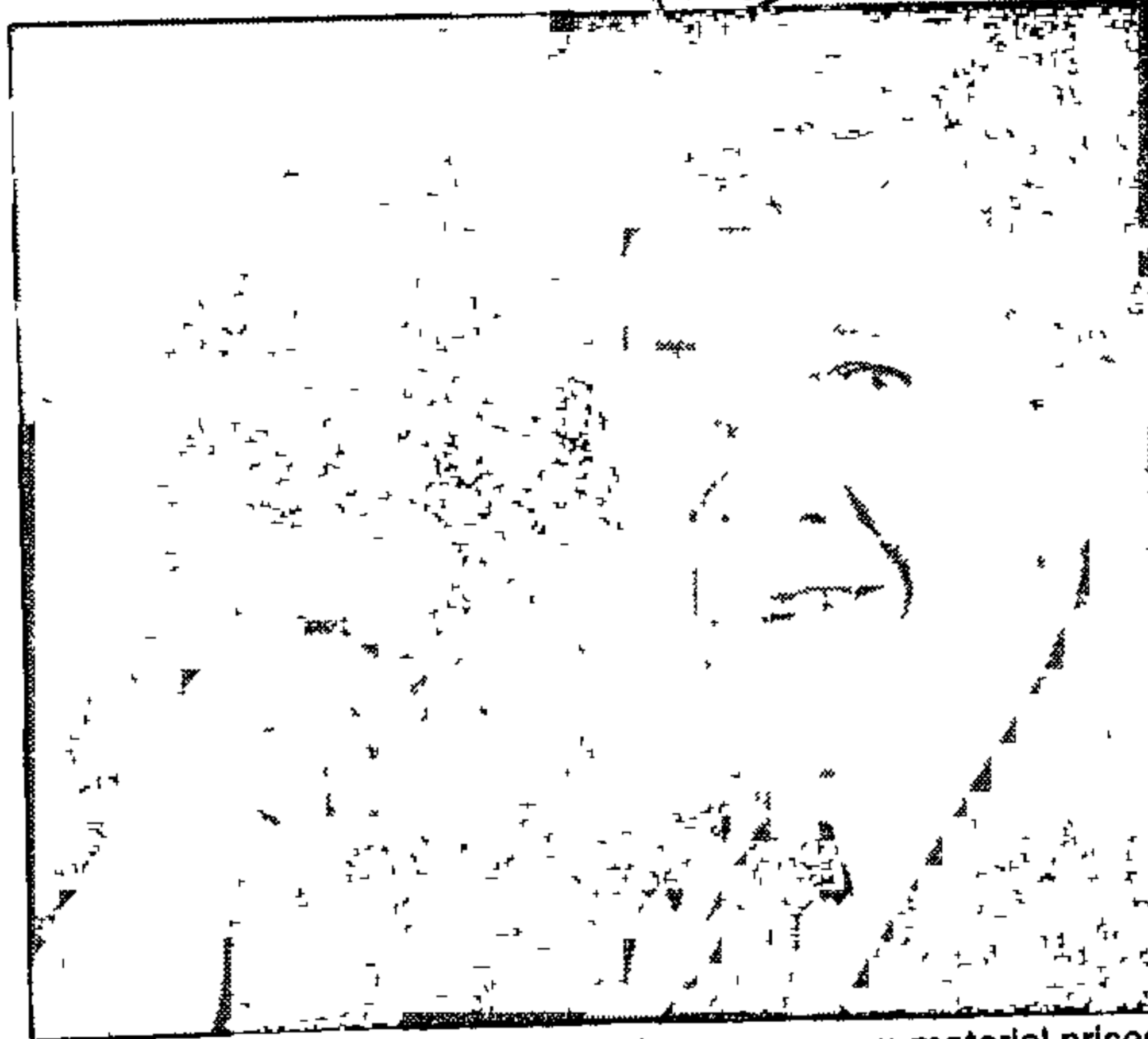
Group CE Dirk Jacobs expects earnings to accelerate to between 200c to 220c for the full year

Turnover increased marginally from R1,21 billion to R1,30 billion, but operating income fell from R90 million to R86 million

Comparative figures are, however, not valid as they are distorted by rationalisation and closures over the comparable period

Jacobs says there was an unexpectedly high increase in raw-material prices caused by the drought.

Maize prices increased because of the need to import, affecting Ruto Mills, Nola and the feeding costs of Kanhym's agri-business



Dirk Jacobs unexpectedly high increase in raw-material prices

The increased cost of potatoes also affected Simba's margins

The operating contribution from the agri-business was also hit by the lowest red meat prices for 15 years in real terms and its operating profit fell by R14 million

The oversupply of poultry and increased slaughtering because of the drought contributed to low prices. Subsidised imports from the European Community also disrupted the market

Jacobs expects prices to in-

crease from September, after Foodcorp's financial year-end, provided demand is maintained

The agri-business result would have been disastrous for the old Kanhym, but Foodcorp's more broadly based basket has considerably reduced this volatility

A shortage of potatoes pushed up Simba's raw-material costs, but it nevertheless reported some nominal growth

Jacobs says the group was able to contain the fall in margins because of a downsizing of opera-

tions, which included the closure of the Patoma atchar and Miele-Kip poultry subsidiaries, and the consolidation of the Harvestime and Table Top operations into one site in George

Simba, Table Top, Harvestime, Enterprise and Nola all performed to expectations, helped by new products such as the Simba Explorers range, Table Top baby foods and Nola salad dressings and spreads

Ruto Mills and Sunbake took full advantage of increased demand for staple foods

Marine Products had a strong performance, particularly from its Chilean operation

Marine is setting up an operation in the south of Chile, which will start landing fish in September

It has bought a white fish trawler for R10 million with facilities to fillet on board to cater for a shortage of cod in the American market

Net working capital fell from R344 million to R267 million, despite a consolidation of the Chilean fishing interests, and was a major contributor in the reduction of gearing from 49 percent to 32 percent.

If the investment in preference shares is excluded, gearing falls to 18 percent, making for a strong balance sheet and highlighting the need for acquisitions or further investments in on-going operations

Merger leads to gains by Foodcorp

BIDM 24/3/93.

MARCIA KLEIN

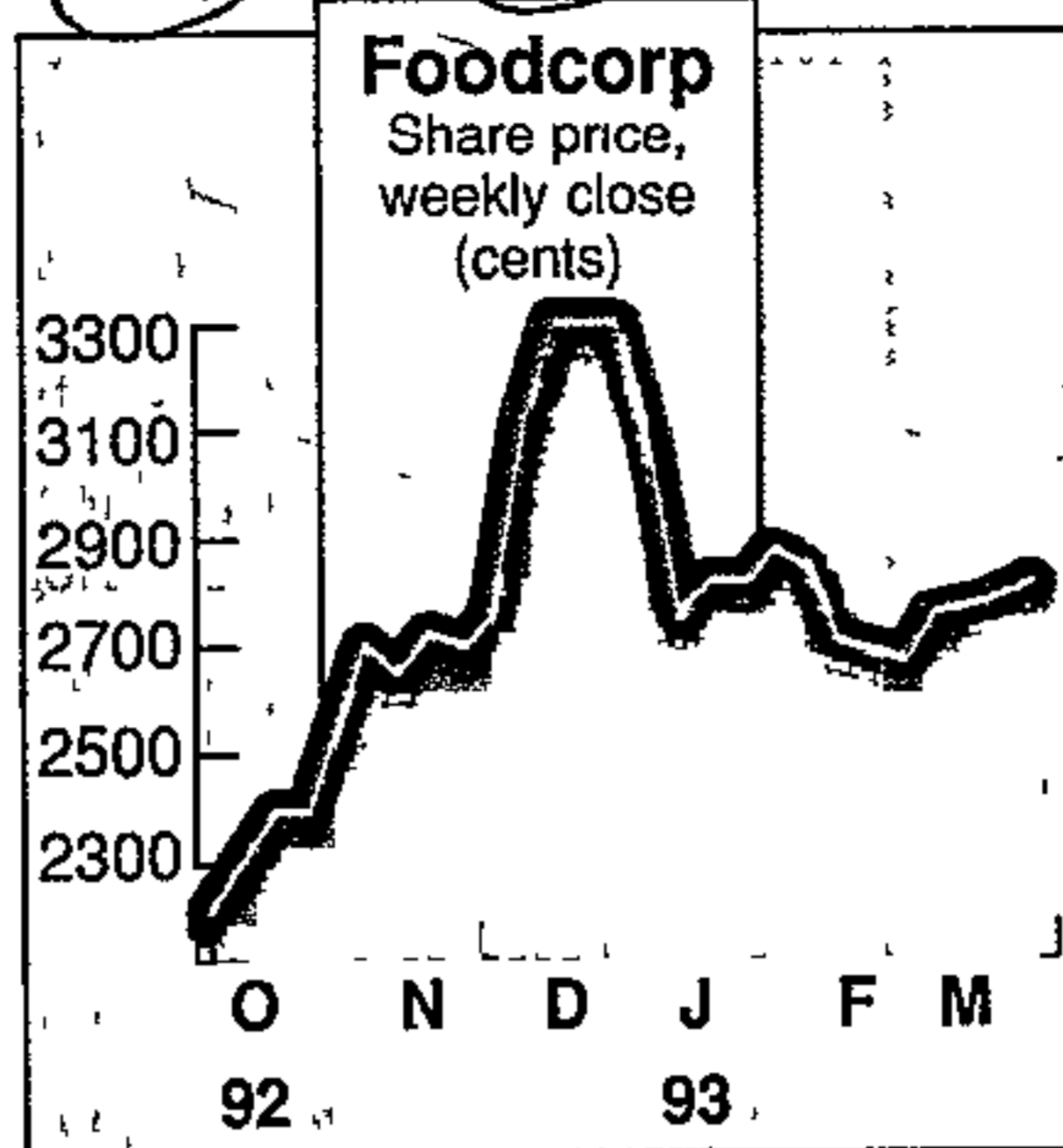
FOODCORP, the major food group formed through the merger of Fedfood and Kanhym, has produced earnings of 95c a share in the six months to end-February on the back of rationalisation benefits and the advantages of a broader base of products

Results compared with those of Fedfood for the six months to end-March 1992 — prior to the Fedfood/Kanhym merger — show a 30% rise despite an increase of 61% of shares in issue.

Earnings compared with computed interim results of the combined Fedfood and Kanhym show an increase of 14%, albeit for different accounting periods

An interim dividend of 23c was declared based on a ratio of 40.60 of interim to final dividends. Turnover was R1.3bn and operating income R86m. CE Dirk Jacobs said rationalisation activities during the current and the former combined Fedfood/Kanhym periods had distorted turnover and operating income comparisons.

Improved cash management which reduced finance charges — and a lower tax



Graphic LEE EMERTON Source I NET

liability — due to better earnings flow from the offshore fishing interests, had resulted in attributable earnings of R46m. This compared with Fedfood's earnings of R22m and Fedfood/Kanhym's R40m

□ To Page 2

Foodcorp BIDM 24/3/93

Jacobs said the period was characterised by weak consumer demand which had resulted in strong competition in product categories and declining volumes. Selling prices could not meet the increase in raw material costs caused by the drought. But rationalisation had "eliminated a certain amount of fat, which enabled Foodcorp to absorb the cost inputs without having to pass on cost increases"

Rationalisation and increased productivity had enabled the group to hold margins, reinforce brand leadership and increase market share

Jacobs said Simba, Table Top, Harvestme, Enterprise, Nola and Bobtail had turned in sound performances. Ruto and Sunbake took full advantage of increased demand and Hanni leathers held its own

But Kanhym's agri-business had suffered from the effects of the drought, which included a partial crop failure and low meat prices

Its contribution to operating income fell R14m, but this was partly offset by a strong performance from Marine Products, particularly the Chilean fishing operations. About R60m of the R90m capex was on the Chilean operations, with the

rest being spent on staple food products. Notwithstanding expenditure, working capital was reduced by R77m. The increase in fixed assets was due largely to the consolidation of the Chilean operations.

Gearing was reduced to 32% from 43% at the August year-end.

Jacobs said the group had a strong balance sheet and cash flow. Foodcorp was investing in Chile for geographical diversification and was looking at acquisitions

He said there were certain areas where Foodcorp could strengthen the business in the local market where it had a competitive advantage. He was negotiating with a number of companies, a process he hoped would be completed by August. Acquisitions could include opportunities using Simba's distribution, the use of raw materials to better advantage or in areas where Foodcorp was a small player where it would benefit from economies from scale

Jacobs said Foodcorp was committed to exports and would launch a range of products under the Table Top brand name in six Middle Eastern countries in May.

He said he was "stacking his neck out" in terms of forecasts. Earnings a share would be between 200c and 220c for the full year

186 □ From Page 1

Own Correspondent

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Proud showing from Foodcorp

turnover and operating income comparisons

Improved cash management — which reduced finance charges — and a lower tax liability — due to better earnings flow from the offshore fishing interests — resulted in attributable earnings of R46m. This compared with Fedfood's earnings of R22m and Fedfood/Kanhym's R40m

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But Kanhym's agri-business suffered the effects of the drought, which included a partial crop failure and low meat prices. Its contribution to operating income fell R14m, but this was partly offset by a strong performance from Marine Products, particularly the Chilean fishing operations. About R60m of the R90m capex was on the Chilean operations, with the rest being spent on staple food products

Now here is a company which takes a candid approach. None of the usual prevarication for Foodcorp, none of the habitual ducking and diving around figures which financial journalists read in one way but which can mean something quite different. CE Dirk Jacobs prides himself on the transparency of the accounts. And he has a lot about which to be satisfied.

Jacobs says internal efficiencies and economies, supported by the benefits of a balanced product basket, helped produce real growth in earnings in the six months to February. This was despite a 61% increase in issued shares. A comparison with Fedfood's half-year figures before the merger with Kanhym shows EPS up an impressive 30% to 95c, though a more meaningful appraisal, based on pro forma figures combining Fedfood and Kanhym interim results for last year, gives a 14% year-on-year increase.

Turnover is only marginally up at R1,3bn, but this is distorted by post-merger rationalisations. Support for the bottom line came largely from a reduction in finance charges resulting, says Jacobs, from improved cash management as well as from a decrease in the tax liability with an enhanced earnings flow from the offshore fishing interests.

Gearing has fallen to 32% (18% excluding the investment in preference shares) from the pro forma 49%. "If you can't sell yourself out of trouble, you must save yourself out of trouble, and that's what we're doing."

Capital expenditure of R90m, against a depreciation figure of R50m, was injected into upgrading and improving efficiency of the staple food divisions and the Chilean fishing operations.

The balance sheet showed the full benefit of better asset management, which reduced

FOX

HEALTHY MIX

Six months to	Feb 29* '92	Feb 28 '93
Turnover (Rm)	1,2	1,3
Operating income (Rm)	90	86
Attributable (Rm)	40	46
Earnings (c)	83	95
Dividends (c)	32,4	23,0

* Proforma figures for Fedfood and Kanhym

working capital by R77m to R267m. The ratio of working capital to sales fell to an annualised 10% (14%).

And what of the R10m after-tax from the benefits of downsizing which Jacobs expected to add to the bottom line? This has been used to maintain margins at 7%, something Foodcorp's competitors may find difficult to

do at present.

Divisional performances highlight the importance of a balanced product portfolio. The value-added and branded portion was maintained at 55%, with commodities representing the remainder. Jacobs says on the staple foods side, Ruto and Sunbake took full advantage of increased demand as consumers traded down, adding that this is expected to continue in the second half. Simba, Table Top, Harvestime, Enterprise and Nola made sound contributions, though their margins were under pressure.

While marine products did well in the period to end-February, Jacobs believes, it may be difficult to match this in the second half as fish prices on international markets have weakened. But he adds "Foodcorp saw this coming and has invested in a vessel which will allow white fish fillets, of which

there is a shortage, to be filleted on board." This improves quality and means a higher price can be charged.

The increase of Vat to 14% next month will initially knock Foodcorp, with its concentration on value-added products. But its diversity of interests, particularly in Hanni and its Chilean operations, neither of which relies on the SA economy, will help. Relief will also be found in its exports to six Middle East countries. Foreign markets will be extended later to include Pacific Rim countries. Export contributed 7% of turnover.

Management is forecasting accelerated growth in the second half, and EPS of 200c-220c for the full year. The market's perception of Jacobs and his ability to meet his forecasts suggests the share, now R27,75, will see a further upward rerating above R30.

Marylou Greig

RAINBOW CHICKEN

Pauling 186

Worsening fears of a bloodbath

FM 26/3/93.

Rainbow Chicken's year-end loss is going to be much bigger than expected. When the broiler producer issued a cautionary in January warning that a "significant loss" was expected and that the dividend would be passed (Fox January 29), it was speculated the loss would be about R40m. It now seems it will be closer to R65m.

The announcement pushed the share price down to a new low of 180c. Then, for no obvious reason, it began to recover strongly, gaining 30% in the first week of March to reach 260c. It has since settled at 230c, but investors must now be wondering whether there is life in the old bird yet.

Since holding company Hunt Leuchars & Hepburn (HLH) took over direct management of Rainbow last month in an attempt to stem the losses, there have been some changes. A new group MD is being sought for the chicken producer.

HLH CE Neil Morris, who has spent much of his time during the past two months standing in as group MD for Rainbow, says there has been a restructure of senior management.

"Structurally, we have split the company's management. John Geoghegan (Rainbow's former group MD) now heads the production and processing company, Rainbow Chicken Farms. He has always done that job well and we believe he can continue to do so," Morris says.

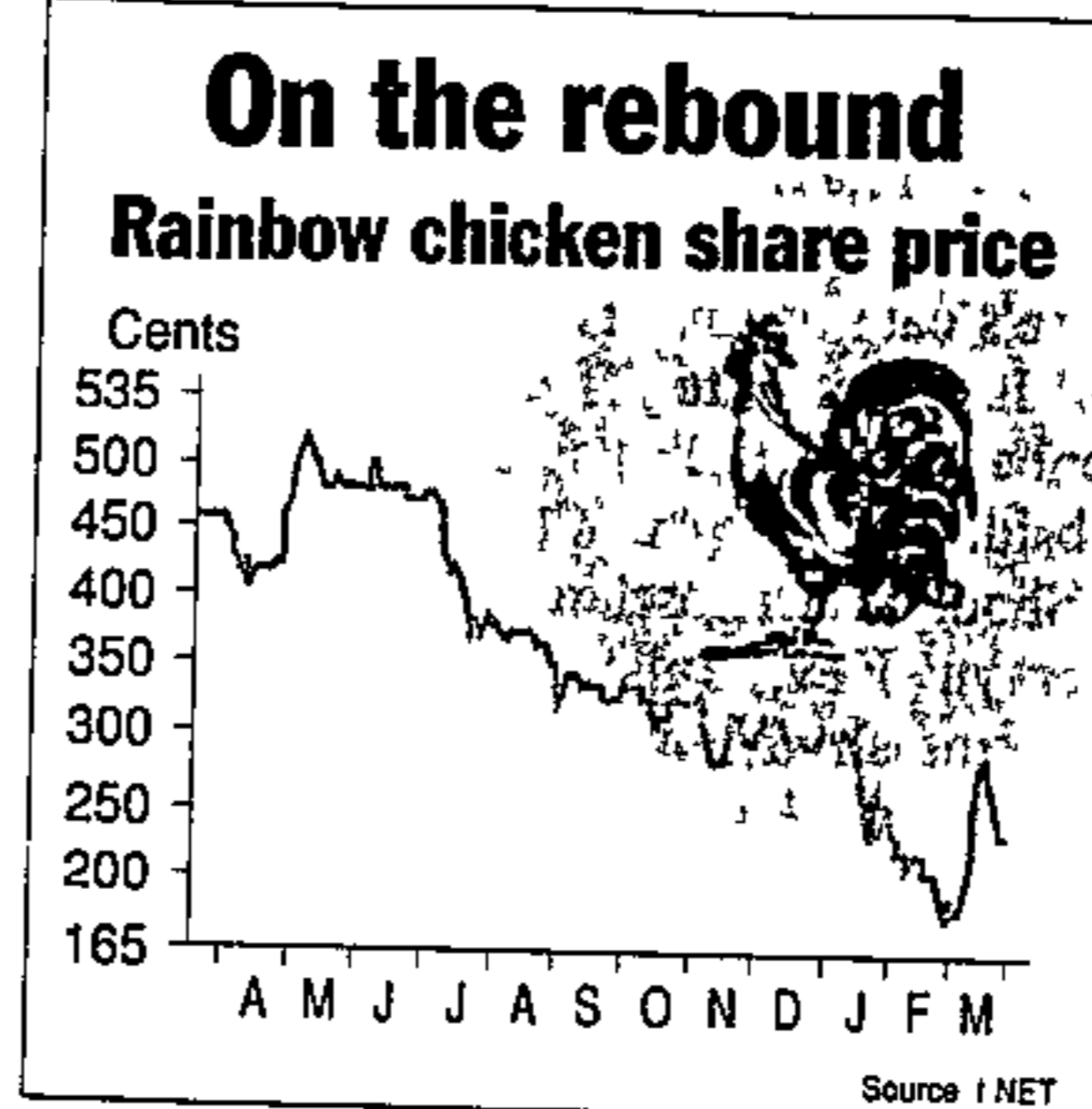
The rest of management will concentrate on finance, administration, human resources, marketing and sales. A new MD is wanted to co-ordinate all activities.

Rainbow has cut production by 11%-12% in an attempt to get more realistic pricing in the industry, but that is being hampered by smaller competitors who have not cut production. Some have even increased output.

"We are also considering exports to take up some of our surplus," Morris says. Input costs remain a problem, with 55% of the total cost of producing a chicken consisting of maize, whose price rose 24% last year. "That's why it's so hard to compete against imported chickens, whose producers are paying 60% of the price we are for maize," Morris says.

But the problem of what the industry called "dumped" chickens has been eased by the Board on Tariffs & Trade, which earlier this year imposed temporary import tariffs of 225c/kg on frozen whole chicken and 313c/kg on frozen chicken pieces. That will help the industry, as will the late summer rains which the SA Agricultural Union believes will alleviate the need to import maize this year.

But even if market conditions improve this year, it seems the best that Rainbow can



hope for is to break even or show a small profit by the end of the 1994 year.

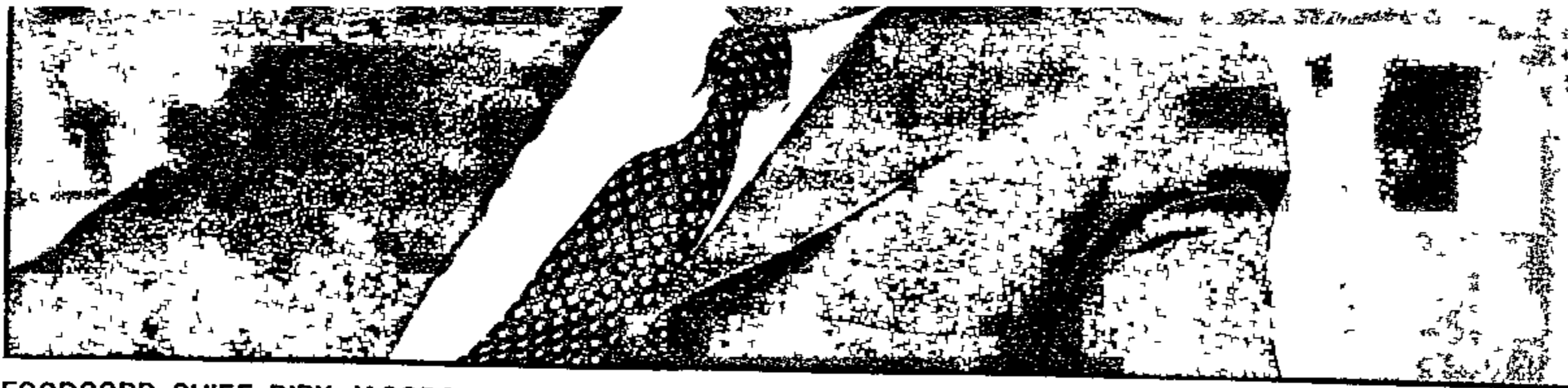
What's going to hamper Rainbow's return to profitability is the fundamental change in its balance sheet. When it listed in 1989, it was ungeared and had R100,5m cash. By 1991, after Rainbow acquired major competitor Bonny Bird for R224m and 50% of Epol for R20m, the cash was only R1,7m and stated gearing was 25%. Last interim debt had ballooned to R326,5m, the cash was gone and gearing was 37%, leaving an interest bill of R18m.

Morris says the interest would not be a problem if Rainbow were operating at full potential. Management is, therefore, concentrating on a return to profitability. But that's likely to take at least a year.

So why is the share price rising? Part of the answer must be a technical correction — it was trading above R5 less than a year ago and after its steep fall there had to be a bounce. But it also seems investors are taking a long-term — at least two to three-year — view on the share and have decided last month's 180c was the bottom of the cycle.

The cautionary and HLH's direct involvement helped too. The market has an idea of what is coming and may be discounting it. For investors who have faith in the chicken industry as the major supplier of cheap protein to SA's rising population, now may be the best time to buy the share. That's the view Rembrandt took when it invested in Rainbow in 1989 and the view some institutions seem to be taking now.

Shaun Harris



FOODCORP CHIEF DIRK JACOBS: People are buying cheaper lines and not wasting as much as they used to

FOOD companies report an alarming drop in sales of basic foods in January, raising fears that hunger is spreading rapidly among the poor

Tiger Oats, South Africa's leading manufacturer and distributor of staple foods, says sales in January — a traditionally poor month — were the worst in years.

Premier Group deputy chief executive Gordon Utian confirms the drop

Mr Utian says: "January was much like hitting a brick wall. We've tried to analyse the reasons and have concluded that January can't be looked at in isolation. Sales must be coupled with those of December — when Christmas came too late to move stock and there was a huge carryover in stores.

"February sales recovered slightly and this carried through to March, although it was by no means a great recovery."

Luxury

OK Bazaars confirms that January was "very tough" on the retail side, the poor sales extending to February.

OK marketing director Arthur Solomon says the 40% increase in VAT and 10% in petrol are expected to exacerbate the problems of the poor and unemployed.

An IBIS marketing information service analysis of food sales for the year to December shows a big drop in "luxury and value-added items", such as condiments.

But there was a pick-up in products like pasta (11% higher in volume terms) and dry-packet sauces (up 23%). Manufacturers believe they are being used as substitutes for meat.

Soya substitute sales rose 13%. Chewing gum sales were off 16% and potato chips 7%.

An earlier analysis showed a huge increase in dog-food sales, heightening manufacturers' suspicions that impoverished people are turning to pet food for protein.

Sales of basic products, such as maize, salt and peanut butter, have been hit. Tiger Oats says people appear to be buying smaller quantities of staple foods.

A spokesman says "Poverty is definitely spreading. This is most disturbing because it could mean hunger or the poorer sections of the community. There is no evidence of an upturn and with 10 million unemployed the picture is gloomy."

Results for the Barlow subsidiary for the six months to March are likely to mirror the poor state of the market.

Hunger fears rise as sales of basic foods take a dive

By CHERILYN IRETON

186

Foodcorp, which has a portfolio balanced between staple foods and value-added products, did not find January so dreadful. February was reasonable.

This is confirmed in the group's results published this week. The good bottom-line figures — earnings were effectively up 14% a share — disguise the fact that there has been no real growth in food sales for the past 12 months.

Foodcorp chief executive Dirk Jacobs does not expect any growth for the rest of the year. He says the recent Bud-

get will dampen consumer demand further.

Mr Jacobs says "If you look at the rapid rise in urbanisation and population growth, it is obvious that people are eating less. But we believe that there is less waste. People have become more frugal."

He notes a strong trend among consumers to buy down and says this is reflected in growing demand for the products of his group's staple-foods operation.

National Brands, the Anglovaal subsidiary, has a small exposure to basic

foods. But group managing director John Bryant confirms a "particularly bad" January in this category. February was slightly improved, but the outlook for the first quarter is below that of the previous year.

"The downturn in some markets is cushioned by better performances in other categories."

Mr Utian has several theories about the January decline. "The heavier burden on parents as a result of the switch to model C schools meant that a lot more money was spent on back-to-school items, although these people are not on the bread line."

Good rains may have resulted in more home-grown produce being eaten. Another possibility is that retrenchment packages, paid out towards the end of last year, have begun drying up.

Tiger has embarked on a programme to identify unnecessary costs in an attempt to counter the depressed state of the market and lower volumes.

Star 31/3/93

Rainbow Chicken price slips as shareholders brace for bad news

By Des Parker

(B) Rally
DURBAN — Rainbow Chicken's share price is moving erratically as investors weigh up the prospects of a huge loss against a management scramble to get it back into the black.

Analysts' fears are growing that instead of the R40 million predicted when Rainbow first cautioned investors in January to expect a significant loss, the bottom line is more likely to be R65 million or even R70 million the worse for wear when the company reports on the March year-end.

Since the January announcement, Rainbow shares have dipped from about 330c to a low of 180c at the end of the February.

In the first week of March, they rebounded to 260c before settling back to a steady 230c.

However, renewed speculation last week that the company looked set to crack out a loss more like R65 million pushed the shares back down to 200c.

Never the most candid of companies, Rainbow has made no official announcement about a restructuring initiated by major stakeholder Hunt Lauchars & Hepburn.

HLH assumed responsibility for group management in January and has since reshuffled management, moving MD John Geoghegan aside to take responsibility for the production and processing business.

"Structurally, we have split the company's management," HLH chief executive Neil Morris said recently.

A new group MD is being sought, while finance, administra-

tion, personnel, marketing and sales are being run separately from production.

However, analysts remain sceptical that the changes will achieve much before the poultry industry as a whole is put to rights.

Rainbow's current misfortunes have been ascribed in large part to bad timing.

It pecked deeply into the bountiful cash reserves it had at the time of its listing in 1989, as well as incurring substantial debt in a calculated spending programme aimed at increasing chicken-feed self-sufficiency and gaining an unbeatable 50 percent-plus share of the market pecking order.

Unfortunately, the moves coincided with a prolonged slump in chicken prices as consumption declined. Competitors compounded the problem by keeping their production levels steady.

Malbak gears up for share 'unbundling'

23/3/93

186

From MARCIA KLEIN

JOHANNESBURG. — The Malbak group was continuing with plans to unbundle Malhold, which holds 39,5% of Malbak, through distributing Malbak shares to Malhold shareholders by means of a dividend in specie, executive chairman Grant Thomas said yesterday.

The announcement was made in conjunction with Malbak's interim report to end-February, in which sound results from all of its diversified consumer-related businesses enabled it to increase attributable earnings by 12% to R170m (R152m)

Earnings rose only marginally to 55,5c (5,1c) a share due to the higher number of shares in issue.

The group, whose major interests include food group Foodcorp, packaging group Holdains, SA Druggists, furniture retailer Ellerine and international operations, increased its sales by 9% to R5,39bn from R4,96bn, and its operating income by 8% to R388m from R360m.

Thomas said consumer demand in most areas of activity were affected by the recession and difficult socio-political conditions, and this had led to increased pressure on margins.

A strict focus on productivity improvements and working capital efficiencies, together with lower interest rates, resulted in a 20% reduction in the interest bill to R64m (R80m) and a 16% rise in pre-tax income to R324m (R280m)

Income after tax was 11% higher at R209m (R188m) The interim dividend was maintained at 12,5c a share

Gearing was reduced to 23,8% (28,4%), and the group generated R500m in cash from operations

Major contributor Foodcorp, formed after Malbak acquired Fedfood and merged it with Kanhym, contributed 19% or R33m to attributable earnings Thomas said rationalisation and productivity improvements, as well as lower interest and tax charges, enabled Foodcorp to increase earnings in a competitive market.

Malbak's packaging and paper interests, held through Holdains, contributed to 17%

or R29m of earnings Thomas said it had improved earnings in a competitive market where volumes were static

Extensive reorganisation and rationalisation saw SA Druggists increase its contribution from 11% to 12% or R20m of earnings.

Ellerine and Malbak Motor Holding had produced "particularly pleasing results and increased their market shares But Tedalex was still being affected by weak consumer demand and competition from imports

The international division, which mainly includes the UK-based paper and plastic packaging products group MY Holdings, had continued to improve its contribution despite the devaluation of the pound. Thomas warned that business conditions in the UK remained difficult

No details of the unbundling were given Thomas said it would take place once legislation facilitating unbundling was passed and provided there were no other impediments

Malhold maintained its interim dividend of 35c a share

COMPANIES

ICS to list 62%-held Sea Harvest

ICS is to list Sea Harvest on the JSE, it said yesterday. This move follows the investment of a further R72m in the fish product company.

Sea Harvest has become a 62%-held subsidiary of food group ICS after its acquisition of an additional 12% stake in the company for R72m in cash from Spanish-registered Pescanova SA.

ICS and Pescanova previously each held 50% of Sea Harvest.

ICS would seek a listing for Sea Harvest in July *BIDAM 12/5/93*

Pescanova would divest itself of a further 28% interest in Sea Harvest by way of a private placing, diluting its remaining stake to 10%, a statement said.

Sea Harvest operates a deep sea trawler fleet from Saldanha Bay and processes a wide range of fresh and frozen fish products.

It has fresh fish distribution terminals at City Deep, in the Transvaal, and at Epping in the Cape.

EDWARD WEST

ICS MD Nick Dennis said the increased shareholding in Sea Harvest was a strategic move into an associate which had been a major contributor to profits in the past.

"The value-added nature of Sea Harvest's products, and its access to international markets is in line with ICS's strategy of growing the branded and value-added component of the portfolio," Dennis said.

ICS's earnings a share would have increased 2,3% to 150,4c from 147c a share had the deal been effective in ICS's financial year to end-September 1992. *186*

ICS's net asset value would have fallen 11,9% to 1060,8c from 1204,1c a share based on its and Sea Harvest's balance sheets as at September 30 1992. *252*

The listing, for which a prospectus was being prepared, was conditional on Reserve Bank and JSE approval, the statement said.

Rand Mines interim dividend unchanged

RAND Mines, now the holding company of Randcoal following its restructuring last October, declared an unchanged interim dividend of 100c a share for the six months ended March 1993.

The figures have been restated for comparative purposes.

Rand Mines was broken up into four separate entities — Randgold & Exploration, PGM Investments, Rand Mines Properties and Randcoal with effect from October 1.

The group's only investment now is a 71% stake in Randcoal.

Turnover in the period amounted to R791m compared with the restated figure of R766m for the six months ended March 1992.

Operating income before interest fell to R101m (R120m) and finance charges were lower at R16,3m (R38,3m), leaving operating income of R84,8m (R81,3m).

Interest bearing debt

JONO WATERS

had decreased to R92,6m (R129m).

Investment income fell to R10m (R21,8m), and pre-tax profit was lower R94,8m (R103m).

Tax payment of R4,5m (R2,4m) included R3,9m for the payment of the Secondary Tax on Companies.

After-tax profit fell to R90,3m (R101m) and R20,4m (R22,5m) was paid to outside shareholders. Preference dividends were lower at R2m (R2,2m).

Attributable income dropped to R67,9m (R76m) or 510c (455c) a share.

Chairman John Hall said the international coal market was depressed and prices and demand were weak because of the world recession.

Inland coal sales were 13% lower but Eskom demand had grown.

Profits from the Eskom-tied collieries were expected to remain at current levels for the second

half of the year.

However, the prices received for coal exported to Europe and the Far East in the current six months would be lower than those received in the period to March.

Although the rand was expected to remain relatively weak against the dollar, this would not compensate for the lower prices.

The final dividend was likely to be cut as a result of the expected lower earnings, Hall said.

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Star 21/4/93

Market starting to worry about Tiger

By Stephen Cranston

186

The recent plunge in the price of the highly rated food group Tiger Oats, from R50 to R41, reflects an increasing anxiety that it will show only nominal earnings growth for the year.

After years in which earnings per share have increased in line with inflation, some analysts are predicting that Tiger will report just a three percent improvement in its interim results to March.

Forecasts vary from a five to a nine percent improvement in the year to September.

Food was once considered to be virtually immune from inflation, but most products in the Tiger food basket have shown either static volumes or a fall in volumes of up to five percent.

The biggest drain on profits will be the poultry division, County Fair.

The oversupply in the poultry market has continued, leading to an expected R45 million loss from Rainbow Chicken in the six months to March.

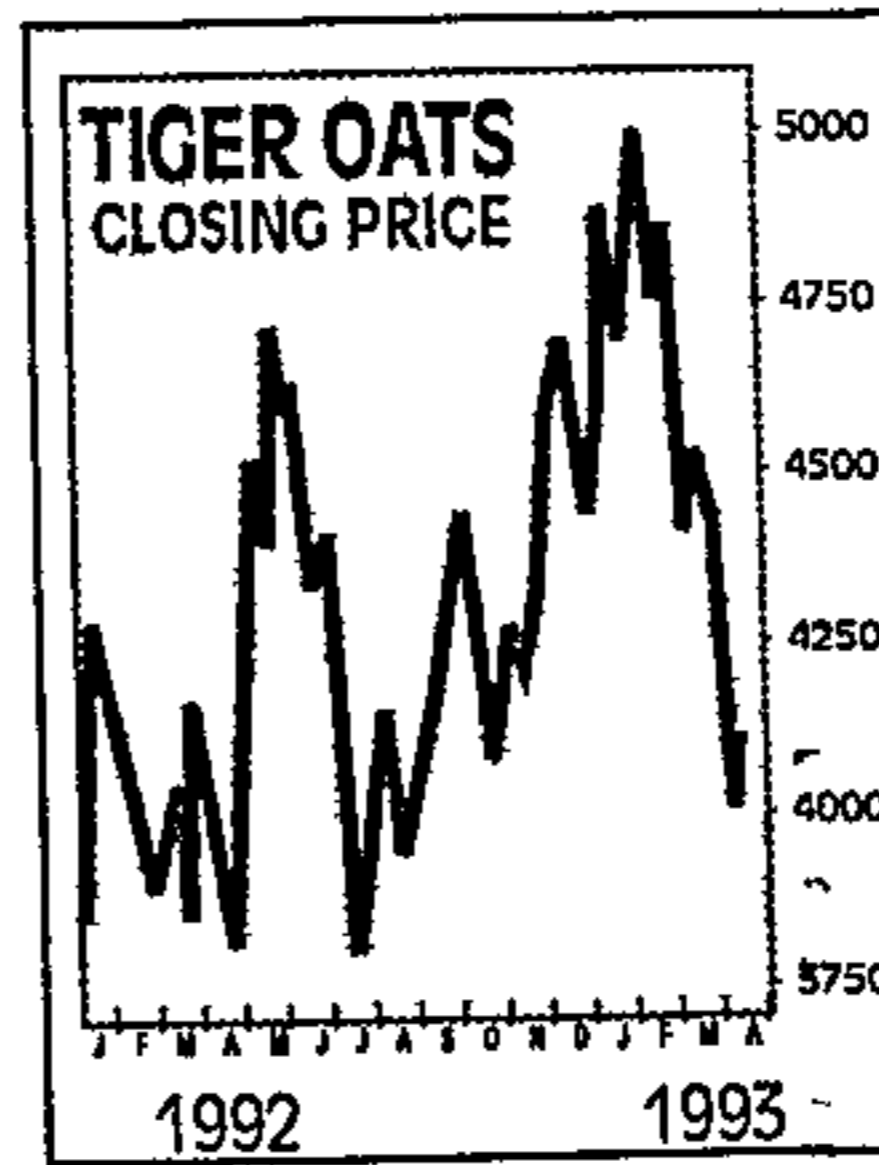
County Fair has suffered from the same oversupply problems and is expected to suffer a loss of R10 million. In the six months to March 1992 the industry was profitable.

Langeberg, which was a strong contributor last year, will fetch lower prices from its canned peach and pear exports because of good crops in Europe and South America.

It will also see increased competition from Del Monte products, which are likely to be marketed more aggressively locally as Del Monte Europe is now controlled by local food group Royal Corporation.

Langeberg's contribution is expected to be down about R3 million in the first half.

Competition is also likely to cut



into the market share of Tastic, one of the strongest contributors to Tiger in recent years, because of the local entry of Uncle Ben's Rice.

It is not expected to take a significant share of the market in the current year, but it has put pressure on Tastic's margins because it has had to increase its marketing budget and sell at keener prices.

The full-scale entry of Mars into the chocolate market this winter should have a similar effect on Beacon's margins in the second half.

Tiger's earnings will be hit by an increased depreciation charge. Last year fixed assets increased by almost 50 percent to R1,6 billion.

On the positive side, however, Oceana Fishing is expected to show a 20 percent increase in earnings and the pharmaceutical subsidiaries Adcock Ingram and Logos should report a 24 percent improvement.

Durban Bulk Shipping has had a good year as its expansion coincided with the large-scale import of maize, wheat and oilcakes.

Spar also had a strong year, continuing to gain market share and improve efficiency through its distribution centres.

Del Monte men keep SA link

PETER GALLI

186

THREE of Del Monte Royal Corporation's (DMR's) executive management members had established residence abroad but retained SA links, a spokesman said yesterday

DMR CE Vivian Imerman, MD Doug Johnston and financial director Jacques Fragis were spending a large amount of their time abroad — mainly in the UK — and establishing residence offshore was considered necessary, the spokesman said

After the acquisition of Del Monte Foods International in a R2,3bn deal concluded early this year, most of the DMR group's activities were situated in Europe

"Executive management will have to spend over 50% of their time overseas, mainly in Europe. However, while establishing residence abroad, residence in SA will be retained as well and they do not intend to emigrate in the accepted sense of the word," a statement said

While market speculation was that homes might already have been acquired abroad, this could not be confirmed and the spokesman declined to comment

Del Monte Foods International's main office was near London. Another important office was in Milan, he said

BIOM 21/4/93

CADBURY SCHWEPPEES

(186) FM 23/4/93.

Sweet taste of success

Activities: Manufactures and markets confectionery, soft drinks and food

Control: Cadbury Schweppes plc 53%

Chairman: A J L Clark, CE P M Bester

Capital structure: 35,4m ords Market capitalisation R1,96bn

Share market: Price R55,50 Yields 1,2% on dividend, 3,0% on earnings, p e ratio, 33,5, cover, 2,5 12-month high, R60, low, R33,50

Trading volume last quarter, 129 963 shares

Year to Dec 31	'89	'90	'91	†'92
ST debt (Rm)	10,5	28,5	13,8	35,7
LT debt (Rm)	38,1	27,9	46,9	36,0
Debt equity ratio	0,15	0,13	0,11	0,10
Shareholders interest	0,62	0,71	0,68	0,72
Int & leasing cover	7,6	4,6	4,8	4,6
Return on cap (%)	11,5	9,0	9,5	8,4
Turnover (Rm)	440	538	610	724
Pre-int profit (Rm)	41,9	47,1	60,6	70,5
Pre-int margin (%)	9,5	8,8	9,9	9,7
Earnings (c)	88,4	100,5	133,6	164,4
Dividends (c)	36	41	54	66
Net worth (c)	640	1 067	1 241	1 703

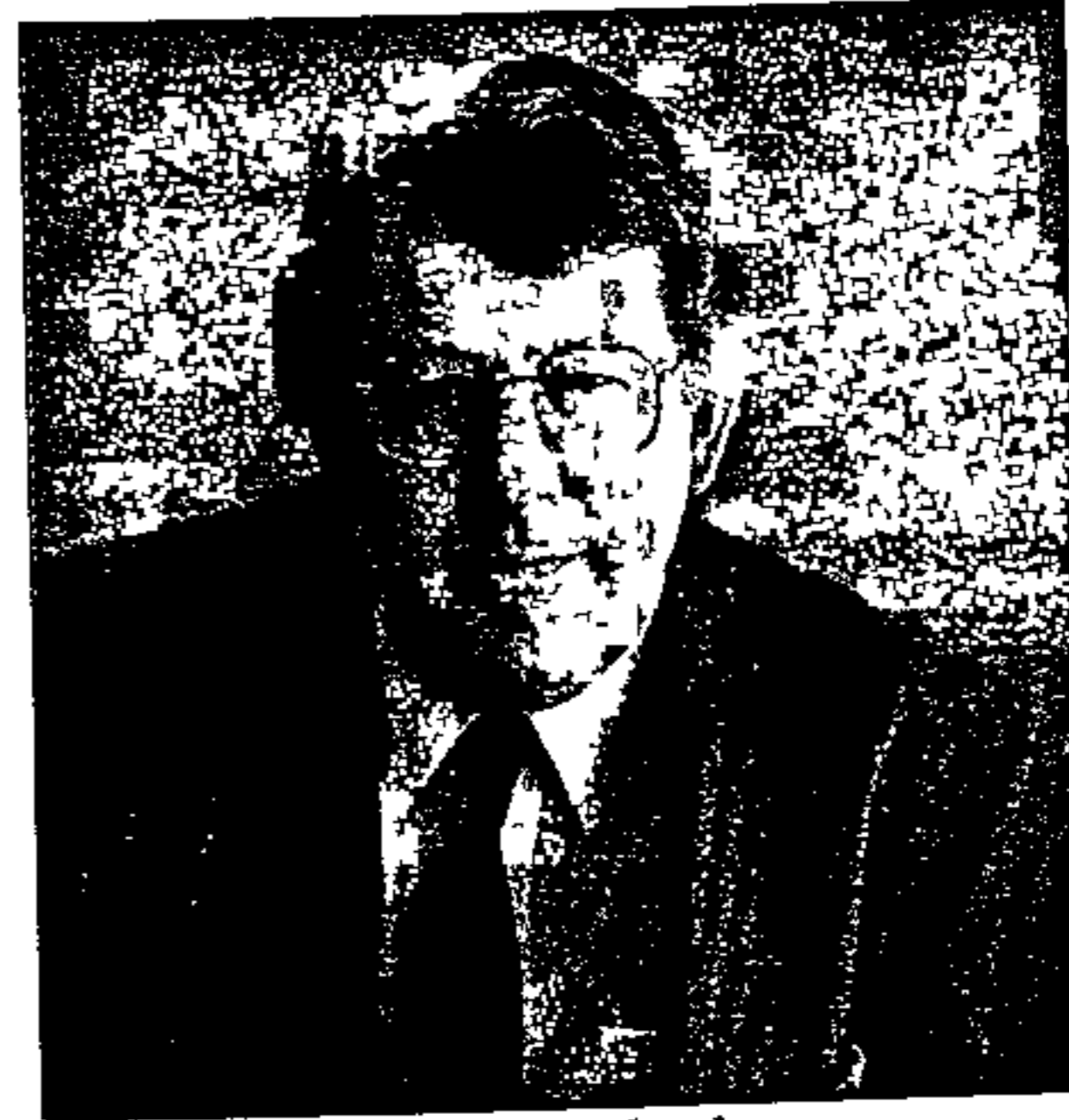
† Fifty-three weeks ended January 2

Once again results vindicate Cadswep's premium rating, on a p e of 33,5 The 23,1% rise in earnings to 164,4c (133,6c) a share on turnover up nearly 19% was achieved not only in difficult trading conditions but also intensified competition in the chocolate confectionery industry

Strong growth by squash and concentrates producer Bromor, which gained market share, left the record untarnished despite significant structural changes to manufacturing facilities, increased financing costs and depreciation

Hot weather in the first six months of financial 1992 was reflected in strong volume growth in soft drinks, reinforced by cash-strapped consumers who bought down The 31% increase in dividend income and equity-accounted earnings to R15,4m largely reflects ABI But this sort of performance is unlikely to be repeated, says CE Peter Bester Sales since December have weakened considerably, with volumes for the first quarter lower than year-ago levels

Weak trading conditions saw volumes in sugar confectionery dip 7% Cadbury was able to gain market share, benefiting from its strategic market penetration, with less expensive products from recently acquired Chapelat-Humphries In chocolates, where market volumes fell 4%, it was less successful, losing ground to competition (rather



Bester the hot weather helped

interestingly, some to Del Monte Food's Mars Bars during its trial period)

Capex reached record levels, bringing investment over the past two years to R100m This year the figure will come down significantly, says Bester, to roughly R30m, most being channelled towards the confectionery business Capex in 1994 will be biased towards soft drinks

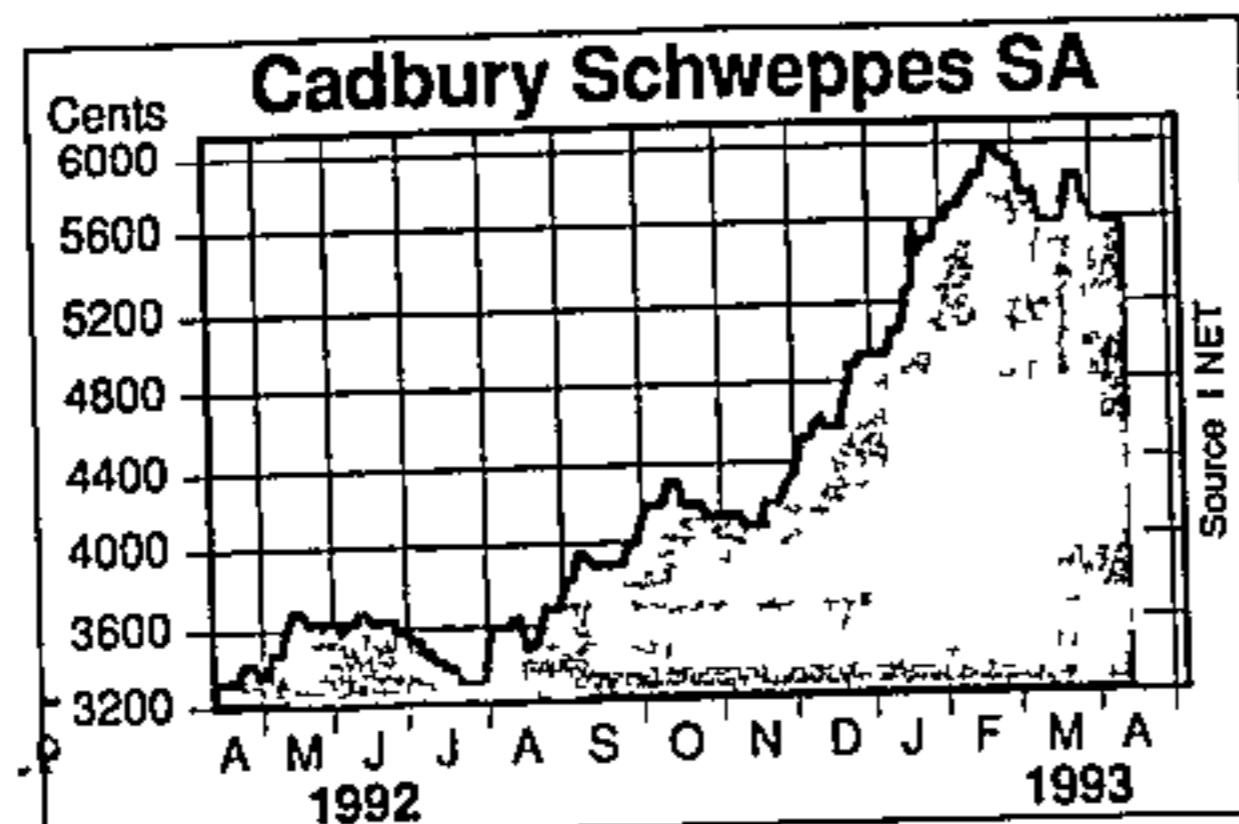
Gearing, as reported in the accounts, stands at 40%, up marginally on the previous year But this is a conservative figure, for if shareholders' funds are adjusted to include associated companies (a policy followed by the FM) the figure becomes a healthy 10%

Management forecasts "worthwhile real earnings" this year, through the continuing strategy of broadening the consumer base, product development and entry into new markets Though Bester sees little growth in sales, efforts will be directed at increasing market share Benefits are still flowing through from previous acquisitions, and the important strategic investments made in 1992 have considerably enhanced wealth-generating capacity

The share price at R55,50 significantly exceeds NAV of R17 but analysts believe the solid earnings growth and balanced business portfolio are important fundamentals

There's no doubt the share is expensive However, if management can continue to produce results of this calibre, the counter still gives fair value

Marylou Greig



Oceana cashes in on demand 186

CAPE TOWN — Oceana

LINDA ENSOR

Fishing Group's earnings soared 82% in the six months to end-March as the group took advantage of pilchard demand to land and sell most of its annual quota early in the year. Earnings of 151,8c (83,5c) a share were notched up and an interim dividend of 42c (30c) was declared. Because profits accrued

unevenly during the year, earnings growth for the full year would be substantially lower than in the first half, chairman Robbie Williams, said yesterday. The bottomline performance was mainly attributable to growth at operating level as turnover slipped

most complete), restored profitability in the shipping and clearing operation, and a strong performance by the cold storage division. Research indicated that the pelagic and lobster resources were in a sound condition, Williams said

7% to R182m (R196m) on account of lower volumes in the trading division. In contrast the operating margin doubled to 14% (7%), generating an operating income of R25,6m (R13,8m). Williams said the growth in operating income was due to the higher fish meal stocks brought forward from the previous year, earlier sales of perlemoen (the 1992-93 quota was al-

Tongaat-Hulett refocuses to hold decline at less than 5%

TRACY SCHNEIDER

TONGAAT-Hulett managed to limit its decline in earnings to less than 5% for the year ended in March in spite of the the severe drought which had reduced the sugar division's profit after tax by R22m.

Attributable earnings dropped 4,9% to R142,9m (R150,2m), equivalent to 190,9c a share (200,7c)

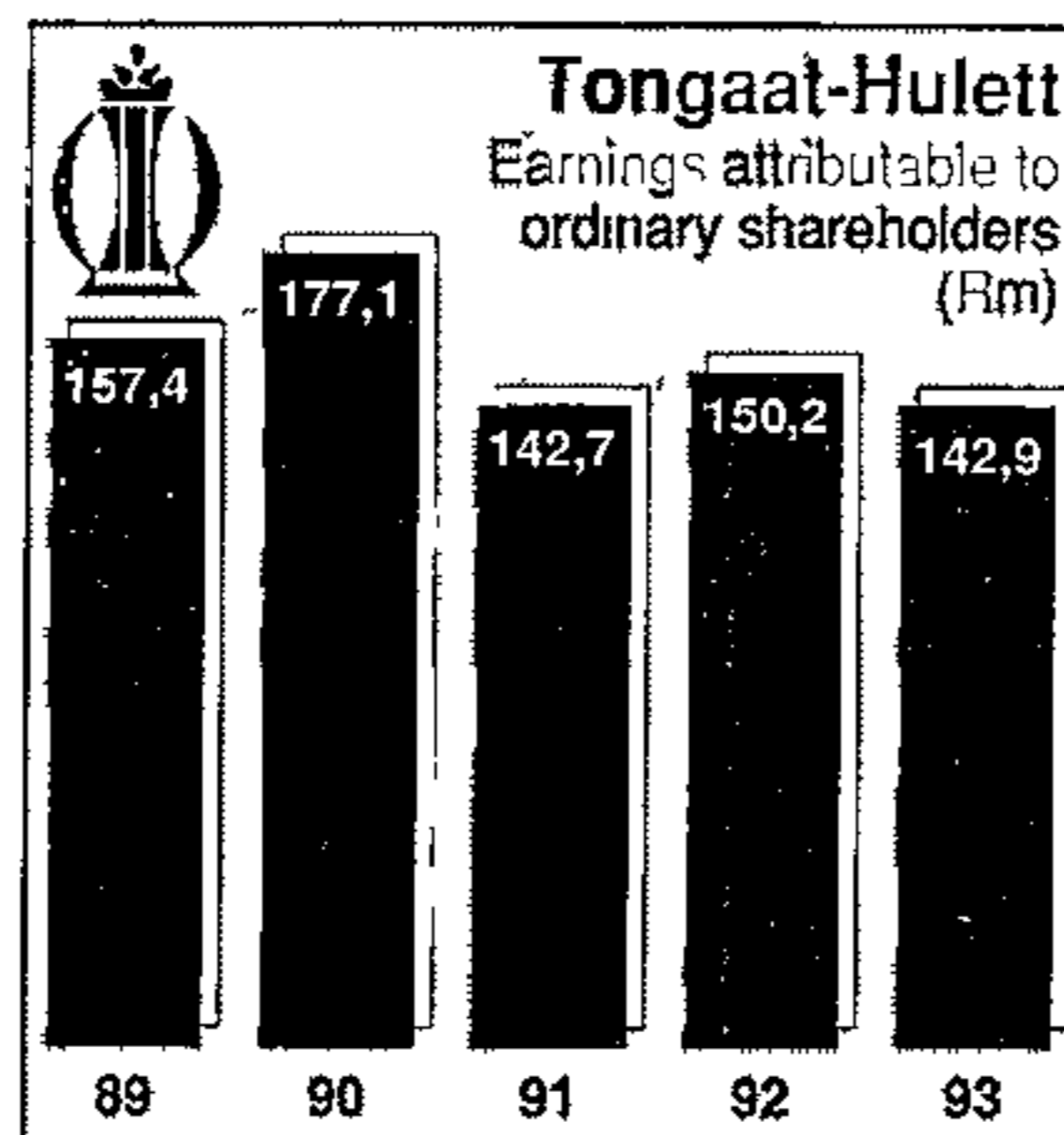
An unchanged final dividend of 50c, was declared, making an unchanged total distribution of 73c

The Natal-based group whose manufacturing includes sugar, building materials, food and textiles, had to contend with a fall in turnover, a sharp rise in taxation and the effects of a drought

True to forecasts, attributable earnings fell 4,9% to R142,9m (R150,2m) as trading conditions became progressively more difficult and the effective rate of taxation rose to R50,2m (R26,4m)

The drop in earnings was cushioned by a focus on core activities, management restructuring and concentration of cash generation

Operating profit declined 4,1% from



Graphic RUBY GAY MARTIN Source TONGAAT HULETT

R280,8m to R269,4m, but the group recorded a 8,4% improvement in profit before tax to R192,6m (R177,6m)

Directors said a reduction in finance costs arising from reduced net borrowing levels and lower interest rates contributed to this improvement

Net total debt fell from R232m in 1992 to R138m in 1993

"Due to the good work done by selected task forces concentrating on cash generation in a variety of businesses, the group's average debt levels are R111m less than last year," said Tongaat-Hulett group MD Cedric Savage

Investment continued in core businesses and a R200m capital expenditure programme for the sugar, aluminium and starch and sweeteners divisions had been embarked on

Non-strategic company housing and about 1 500ha of sugar farms had been sold A number of brick factories had also been closed or mothballed, Savage said

Rationalisation of 5 500 employees reduced the staff complement to 30 000, resulting in major cost reduction and improved competitiveness.

Savage said the group had considerable upside potential once there was a revival in the economy, particularly in view of the action management had taken to cut costs and refocus on areas of competitive advantage

"The group has the ability to grow in the short term without investment as there is good quality spare capacity in every division," he said

Getting it in the nets (186)

The startling increase in operating profit and EPS for the half-year to March came about partly because the 1991-1992 anchovy quota was more than doubled, to 350 000 t. But MD David Behrens is quick to point out that all four segments of the business did well.

Ironically, comparatively the fishing division did least well, posting only a 13% increase. The cold storage division increased its contribution to attributable income by a substantial 1 200% and there were gains of 129% and 62% respectively from trading and shipping and the investment division.

Against lower group turnover, reflecting

FISH MEAL

Six months to	Mar 31 '92	Sep 30 '92	Mar 31 '93
Turnover (Rm)	196.2	179.2	182.0
Pre-interest earnings (Rm)	13.8	22.5	25.6
Pre-tax profit (Rm)	16.6	25.5	29.6
Attributable (Rm)	7.9	10.3	14.4
Earnings (c)	83.5	109.3	151.8
Dividends (c)	30	90	42

lower volumes in the trading division, operating margin jumped to 14% (7%). Profitability was restored in shipping and clearing and cold storage space was in demand because stocks have grown instead of the quick off-take induced by more prosperous times.

Behrens expects steady performance from fishing for the rest of the year, though fish-meal prices will be lower. Results from shipping and clearing, cold storage and the abalone business should be well ahead of 1992.

But earnings don't accrue evenly throughout the year and EPS growth for the full year will be substantially lower than that indicated by the first six months.

Gerald Hirshon

NEWS IN BRIEF

Demand for 15% rise (186)

THE Food and Allied Workers' Union demanded a 15% across-the-board increase at a preliminary round of wage negotiations with SA Breweries this week. Traditionally these negotiations, which affect about 12 000 workers, set the trend for wage settlements in the food sector and have an effect on wage bargaining in other industries. (185) (187)

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Retail sales likely to be static

By Claire Gebhardt

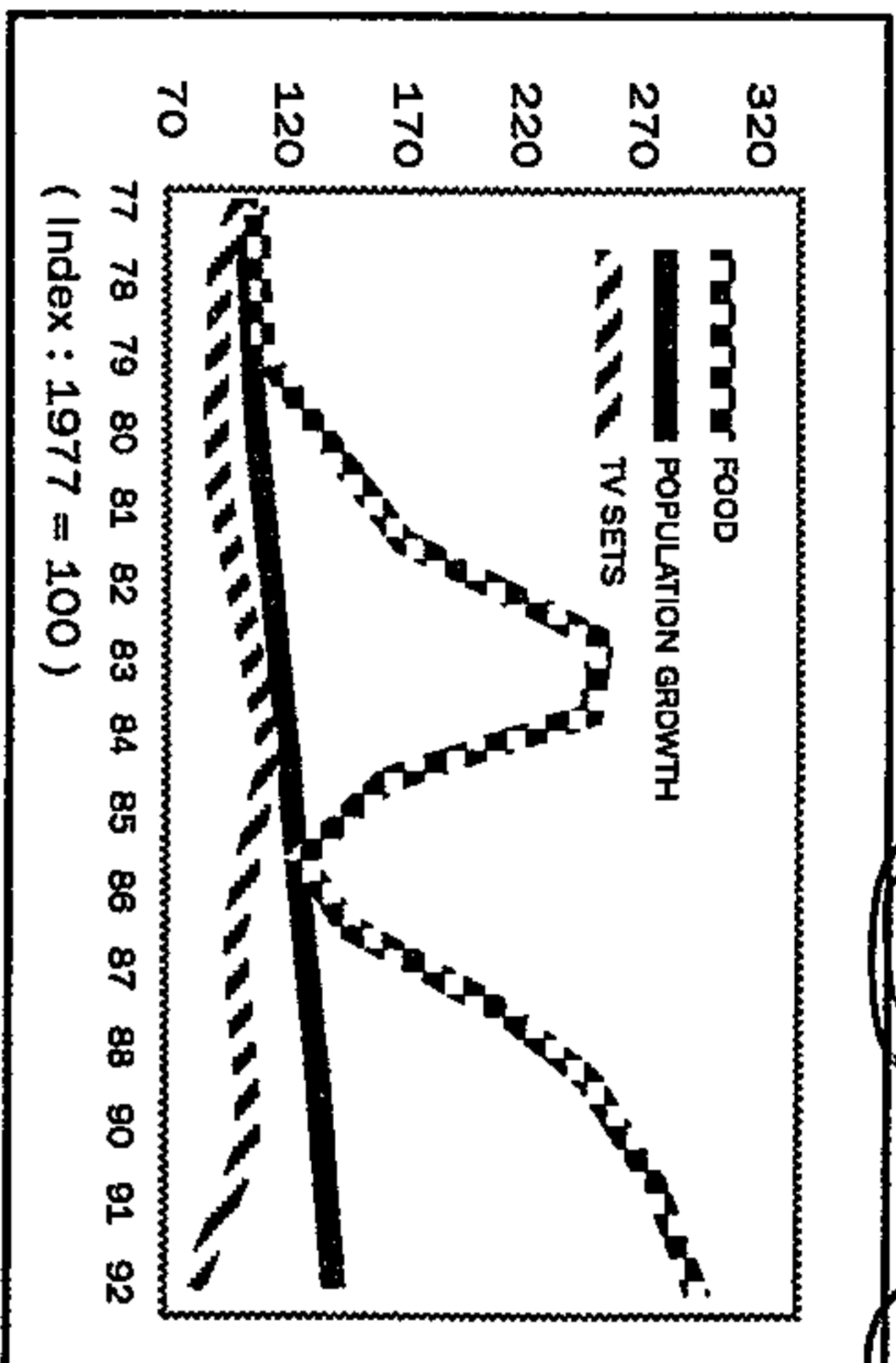
Consumers are set to save about R1,5 billion on housing costs with interest rates on home loans two to three percent lower in 1993, according to the Bureau for Market Research (BMR). But anything they save on the housing front will probably be needed to keep the wolf from the door somewhere else.

That's the message from the BMR's Professor Marius Loubser who sees a large proportion of this spending finding its way to the retail market, boosting sales by 0,5 percent.

"However, because the informal sector is likely to expand at the expense of the formal sector, total formal retail sales will remain at much the same level as in 1992."

In its total retail sales scenario for 1993, the BMR predicts sales will average three percent lower in the first six months and three percent higher in the second six months.

The predicted upswing in the second half of the year will be the result of several factors including relief from the adverse effects of the drought, additional state expenditure on social services (R700 million for the equalisation of social pensions alone



Population growth and retail sales of food and TV sets, 1977-1992

from September 1993) and the psychological boost provided by the expectation of a moderate revival in the economy in the second half of 1993.

Of the total expected sales volume of R87,6 billion, whites are expected to command R37,7 billion (43,1 percent), blacks R37,8 billion (43,1 percent), coloureds R8,1 billion (9,2 percent) and Asians R4,1 billion (4,6 percent).

Non-white population groups have a share of more than 50 percent of the market for eleven of the nineteen merchandise groups surveyed.

The BMR's 15-year survey on trends in population growth and retail sales of food and TV sets, shows that food sales have declined in each successive year from 1984 to 1987.

Thereafter, until 1990, they rose annually more or less in tandem with the increase in population growth.

The BMR says a seven percent drop in food sales in 1991, followed by a further drop of 12,4 percent in 1992 was due to a downswing in personal disposable income on the one hand and an upswing in the informal sector's activities on the other.

"The introduction of VAT on food during the last quarter of 1991 helped push down food sales in 1992 but the expansion of the list of zero-rated food items as from April 7 is expected to prevent a further drop in food sales in 1993."

The BMR expects informal food retailing to expand its share in total food sales, resulting in a 1,3 percent drop in the formal sector.

Retail sales of TV sets, after rising sharply from 1979 to 1983, showed virtually no growth in 1984 and by 1986 had plummeted to an all-time low due to poor economic conditions and high interest rates.

Accumulation of demand in 1985 and 1986, the electrification of black townships and a growing replacement market fuelled a strong recovery after 1986.

Sales rose by an average annual rate of about 5,5 percent between 1989 and 1992 and are expected to increase by 5,7 percent in 1993.

The Central Statistical Services expects retail sales for April this year to total R7,64 billion — a decline of 3,7 percent in real terms on April last year.

Sales for the three months to April are also 4,8 percent lower than in the preceding three months from November 1992 to January this year.

Rainbow Chicken hit by oversupply

8109M 6/5/93 186 ~~309~~

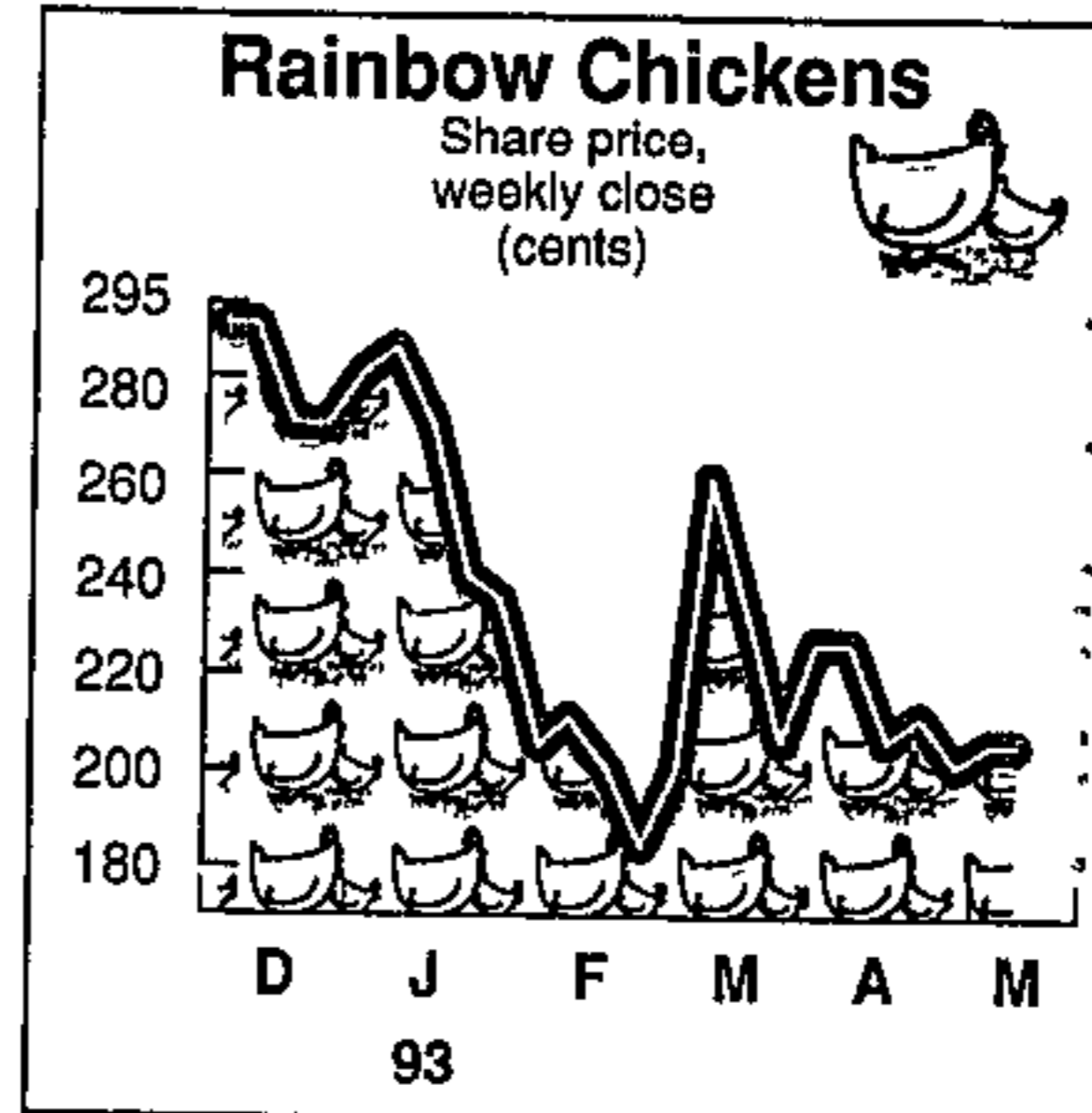
MARCIA KLEIN

RAINBOW Chicken, suffering the effects of oversupply in the poultry industry, low selling prices and high feed costs, plunged into the red in the year to end-March.

The group, SA's largest chicken producer, reported an attributable loss of R76,7m from a profit of R48,5m in the previous year and an R18,9m loss at the September 1992 interim stage.

In January, Rainbow warned shareholders it would report a significant loss for the year, and announced that 40,3% shareholder Hunt Leuchars & Hepburn (HL & H) would assume management control. Former MD John Geoghegan now heads production and processing operations.

HL & H CE Neil Morris, who is managing the group until a new MD is appointed, said the year began with overstocking and low red meat prices. Although Rainbow reduced production by about 11% over the year and embarked on exports to alleviate the oversupply situation, certain producers increased their production and took a percentage of market share. Rainbow cur-



Graphic LEE EMERTON Source I NET

rently holds 42% of the market.

In addition, the declining economy and dumped imported chicken led to continued oversupply. Selling prices of chicken were severely discounted and net realisations were well below production costs.

□ To Page 2

Rainbow 8109M 6/5/93

Rainbow's sales volumes decreased by 5% and sales prices rose by only 4%, while Epol's turnover growth was marginally below inflation. Group turnover rose by just 2,3% to R1,55bn from R1,51bn.

Morris said feed costs, which accounted for more than 50% of total costs, rose at a rate above inflation on the back of a 24% rise in the basic price of maize. The marginal increase in sales prices could not cover cost increases, and this resulted in an operating loss of R39,1m from operating profit of R76,3m in the previous year.

Cash outflows — arising from the operating loss — and capex were largely responsible for the 46% rise in the interest bill to R39,7m (R27,2m). No provision for tax was necessary due to the losses.

Epol traded at a loss on the back of lower margins and bad debt write-offs.

186 ~~309~~ From Page 1

The group reported a loss of 20,8c (earnings of 13,8c) a share, and did not declare a dividend.

Morris said HL & H had taken significant steps to ensure that the group returned to profitability. Rainbow was in a profit situation and expected to be in a profitable position at the end of financial 1994, albeit at a low level.

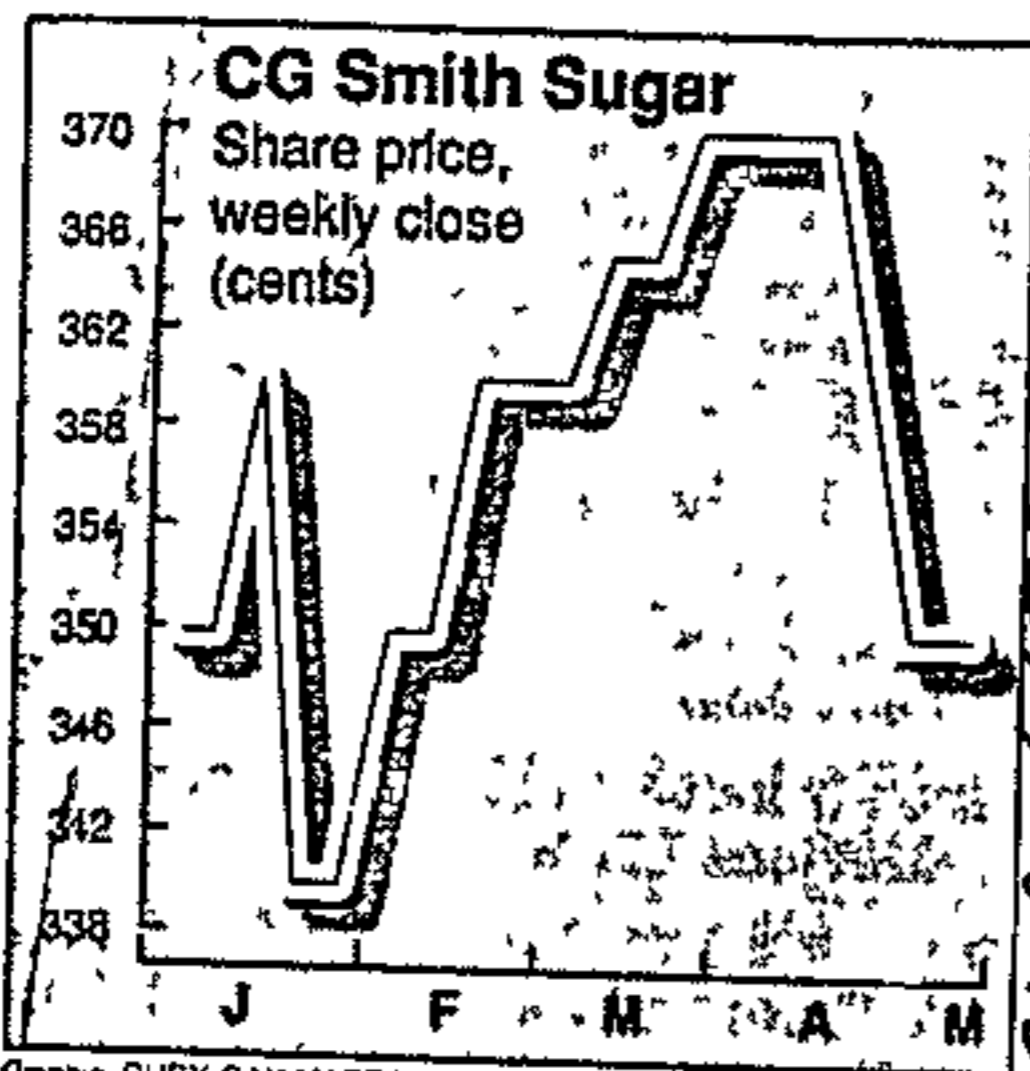
Although sales volumes would remain at current levels, Rainbow had begun the year with lower stocks. This, together with the expected reduced production in the industry, should result in a balance between supply and demand and improved price realisations. Longer-term prospects were good with the expected increase in urbanisation and demographic growth, coupled with an economic improvement.

Drought wilts C G Smith Sugar profit

186

MARCIA KLEIN

C G SMITH Sugar's attributable profit dropped by 21% to R38,5m (R48,7m) in the six months to end-March as drought conditions took their toll on the sugar industry MD Don MacLeod said results



Graphic RUBY GAY MARTIN Source I NET

BIDM 6/5/93

incorporated the second half of the 1992/93 sugar season which had been affected by extreme drought conditions. The worst effects had been felt by the company's three sugar mills on the Natal South Coast, where total sugar production had dropped by 157 600 tons from the previous year. Turnover had increased 13% to R603,2m (R534,1m), but operating profit had fallen 7% to R80,9m.

MacLeod said the furnfural plant in Sezela, traditionally a strong profit contributor, had been affected by lower prices and reduced volumes due to the drought. The plant used by-products to make furnfural alcohol, for use in foundry resin.

The 29% rise in the interest bill to R24m (R18,5m) was largely due to the R90m acquisition of the Umfolozi

sugar mill and increased crop financing. Interest cover had been reduced to four (5,7) times, and average gearing had risen from 30% to 36%.

Pre-tax profit had been reduced 16% to R60,7m from R72,0m. After a 7% reduction in taxation to R20,9m, profit after tax was down 20% at R39,8m from R49,5m. Earnings decreased 24% to 24,4c (32,1c) a share on additional shares in issue. A 22% lower interim dividend of 7c (9c) a share had been declared.

MacLeod said the decline in earnings was purely drought-related, and did not reflect any problems. The drought had persisted, and sugar production was expected to decline further. Although C G Smith Sugar had implemented some cost cutting measures, profits for the second half were expected to be below those of the first, MacLeod said.

Star 6/5/93

A year for Rainbow to forget

By Stephen Cranston

In what is euphemistically described as an "extraordinarily difficult" year, Rainbow Chicken lost R76,7 million, equivalent to 20,8c a share, in the year to March

Neil Morris, CE of Hunt Leuchars & Hepburn, who has temporarily assumed the responsibilities of Rainbow group MD, says the industry began the year with significant excess stocks

There was, moreover, additional red meat available because of increased slaughtering occasioned by the drought

Rainbow reduced production and started an export programme, but certain producers increased production, which led to an over-supply

Because of discounting, net realisations were below production costs

Turnover increased slightly from R1,511 billion to R1,546 billion because a five per cent volume decrease was accompanied by a four per cent

sales price increase.

Morris says that costs were well managed, but that feed costs, which represent more than half of total costs, increased by more than the inflation rate due to the 24 per cent increase in maize prices

Morris says that the latest price increase, from R475 a ton to R505 a ton was less than might have been expected from a body like the Maize Board.

Rainbow incurred an operating loss of R39,1 million, compared with a R76,3 million profit in the previous year

Interest paid increased sharply from R27,2 million to R39,7 million Gearing was up from 28,8 per cent to 47,6 per cent.

Morris admits the gearing is too high, but says debt should come down as Rainbow is now trading profitably

The former Rainbow MD John Geoghegan has been put in charge of production and processing, which Morris says might have been neglected when management was busy with the ab-

sorption of Bonny Bird over the last two years

A new group MD will be appointed shortly

Capital expenditure was cut back from R103,3 million to R67,7 million, of which R15,6 million was spent on the completion of the Rustenberg feedmill.

Morris says working capital was well managed and that finished product stocks are now at optimum levels

In the short term, Rainbow is not expecting economic growth as the consumer has limited funds. But it has spare capacity and will not need to spend money on expansion for a few years

Morris says the medium-to-long-term future looks good because black consumption of chicken is well below that of their white counterparts.

When they move to urban areas, people are exposed to fast food outlets for the first time — and Rainbow is the principal supplier to Kentucky Fried Chicken.

HL & H turns in 'very disappointing' results

186 (191)
B/D/M 75793
MARCIA KLEIN

FOOD and timber group Hunt Leuchars & Hepburn (HL & H) has dropped its earnings by 65,7% to 28,1c (82c) a share on the back of significant losses in associate Rainbow and deteriorating agricultural sector conditions.

CE Neil Morris said the group, in the Rembrandt stable, had produced very disappointing results.

All group companies had been affected by the economy and the worst agricultural conditions in many years, and only Robertsons had performed satisfactorily.

Turnover had increased 9,3% to R758,4m (R693,7m), but drought and increased pressure on margins due to reduced consumer demand had resulted in an 8,5% decline in operating income to R113,3m (R123,8m).

Dividends and interest received had declined significantly as no dividend had been received from Rainbow Chicken — which yesterday reported a R76,7m attributable loss — and a reduced dividend had been received from HL & H Timber, Morris said.

Lower borrowings and rates had enabled the group to reduce its interest bill, and pre-tax income was down 19,9% to R89,2m from R111,3m previously.

The effective tax rate had been increased due to reduced dividend income and secondary tax on companies, and income after tax was 32,4% lower at R58,3m (R86,3m).

Losses incurred by Rainbow had been

reflected in a R16,3m negative contribution from associates (income of R32,9m).

This had caused net attributable income to plunge 64,8% to R42m from R119,2m.

HL & H had declared a final dividend of 8c a share, bringing the full year dividend down 33,8% to 21,5c (32,5c) a share.

In January, agreement had been reached for HL & H to assume management control of the troubled Rainbow, and Morris said restructuring had been implemented.

Transvaal Sugar (TSB) had begun to build a mill on the eastern Transvaal at an anticipated cost of R480m.

Morris said good late summer rains had improved TSB's prospects.

HL & H Timber had made some acquisitions, and was now SA's largest exporter of value added softwood products.

The Densa sawmilling operations, which had incurred substantial losses in the past year, has been sold.

Morris forecast significant earnings growth — off a low base — in financial 1994. He said lower inflation, reduced interest rates and an improved agricultural year should lead to increased economic activity in the second half of 1993.

Huntcor, whose only interest is its holding in HL & H, reported earnings of 56,4c (164,4c) a share, and declared a final dividend of 16c a share.

SUGAR DROUGHT

Year to	Mar 31 '92	Mar 31 '93
Turnover (Rbn)	3,97	3,87
Operating income (Rm)	281	269
Attributable (Rm)	150	143
Earnings (c)	201	191
Dividends (c)	73	73

Tongaat-Hulett's sugar division, that meant a R22m drop in taxed profits. Of course Tongaat-Hulett is widely diversified, covering foods, building materials, textiles and aluminium. But sugar from the North Coast canelands is one of the group's core businesses and profit sources. The drought has reduced the sugar division's earnings by about 29% and that means its overall contribution to group profits has slipped from about 41% in the 1992 financial year to less than 35% in 1993.

It also affected group turnover. That has declined by 2,5%, the first time in at least a decade the group has reflected ebbing sales. But group MD Cedric Savage says the deficit from sugar was more than compensated for by improved performances in other core activities, particularly the aluminium and starch & sweeteners divisions.



Cedric Savage *stopping the bleeding*

Most important, he says, is that the ongoing management restructuring and refocusing programme, instituted a year ago (*Fox*, May 8), has "stopped the bleeding" in underperforming businesses. Those beyond viable treatment have been terminated, including eight brick factories which have either been sold, closed or mothballed.

One result of the programme — Savage says some 16 management groups are examining areas of concern in the group's 28 different businesses — is improved cash generation. And it shows on the balance sheet, where cash resources have grown more than eight times to R255,5m, reducing net borrowings by about R95m despite a 51% increase in long- and short-term loans.

That's taken 26% off the interest bill, reducing it to R76,8m. But a tax charge which doubled to R50,2m — partly because the previous rate was very low, when deferred tax provisions were reduced by 2% and the end of export incentives — has hammered earnings, knocking them back to 1991 levels.

Still, the drop in earnings was less than the market expected. One analyst's report, published when the interims were announced, forecast EPS to be nearly 5c lower.

Savage says cost efficiencies and greater cash generation will be a continuing trend. Capital spending of R200m is being invested in the stronger performing divisions: sugar, aluminium and starch & sweeteners.

Biggest project is the R100m scheme to irrigate 5 000 ha of caneland at Heatonville, which should be operating by October. Besides increasing sugar production, it will also offer Tongaat-Hulett a degree of protection from future droughts.

At the same time, corrective measures, like the salary increase freezes instituted last year, will be applied if necessary, Savage says. "We don't like doing it, but it shows the staff we are serious about improving the business."

All these efforts seem to be reflected in the share price, which has only lost about R2 over the year, despite less than sparkling results, and, at R21, is on improved ratings.

Fm 7/5/93
TONGAAT-HULETT

Sugar didn't give it go

Maize farmers are smiling for a change, but November's drought-breaking rains came too late for Natal's sugar cane crop. For

7/5/93

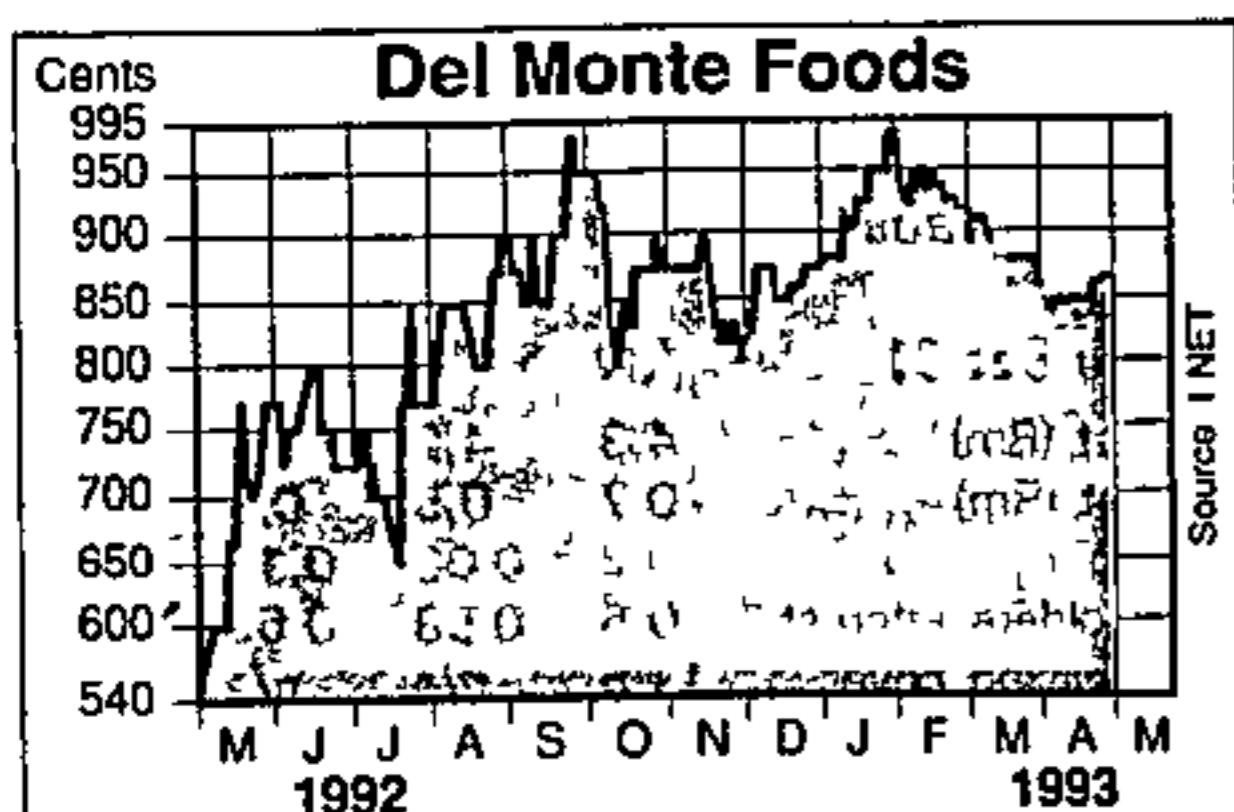
186

It appears relatively expensive at present, any significant drop in price could be a buying opportunity considering the group's potential.

Shaun Harris

Assessment of Del Monte Royal Corp (Delcorp) and its separately-listed food and chemical subsidiaries — Delfood and Roychem — is again complicated by major structural changes and a change of year-end

Acquisition of European-based food company Del Monte Foods International



(DMFI) by Del Monte Royal Foods (Delfood) as of December 1 1992 has caused the name and year-end change. The figures are for 15 months to November 1992.

In addition, the previous year's results included 18 months of Royal Beech-Nut and Holpro-Lovasz, and only six months of Sapco and Ferro Industrial Products. Chairman and CE Vivian Imerman warns that the figures "are neither meaningfully comparable with previous results nor relevant to the present situation."

Conclusions depend largely on the method used to deal with these distortions. But more value may be gained by assessing what Imerman and his management team have achieved over the past few years.

Operations such as RBN, Sapco and Ferro Industrial products, all consumer orientated,

were bought from divesting US companies at the bottom of the economic cycle and, more significantly, ahead of larger and more established competitors. Though it's been suggested he overpaid, the nature of the acquisitions means they will benefit swiftly from an increase in demand. Balance sheets remain strong.

Before the DMFI acquisition, Delfood (Royfood) accounted for about two-thirds of Royal's assets and income, but this has increased greatly. Improved efficiencies and the inclusion of Sapco is reflected in better margins of 14,3% (12,3%). Liabilities increased from R109 000 in August 1991 to R86m in November 1992, though this is well covered by shareholders' interests of R233m. The effective tax rate is marginally down at 10% (12%), resulting in attributable income

COMP

DEL MONTE/ROYCHEM
FM 7/5/93
Will forecasts be met?

DELFOOD

Activities: Manufactures, markets and distributes branded confectionery and food products, as well as scanning and export of deciduous fruit

Control: Del Monte Royal Corp 65%

Chairman/CE: V S Imerman

Capital structure: 97,4m ords Market capitalisation R843m

Share market: Price R8,65 Yields 1,1% on dividend, 3,4% on earnings, p e ratio, 29,7, cover, 3,1 12-month high, R10, low, R5,50

Trading volume last quarter, 6,0m shares

Year to November	Feb '90	Feb '91	Aug* '91	Nov† '92
ST debt (Rm)	0,2	n/a	9,6	66,0
LT debt (Rm)	0,6	n/a	0,1	19,7
Debt equity ratio	(0,03)	n/a	n/a	0,81
Shareholders interest	0,58	n/a	0,60	0,37
Int & leasing cover	4,4	n/a	3,9	3,9
Return on cap (%)	22,3	22,1	16,0	17,0
Turnover (Rm)	103,7	118,4	248,6	374,0
Pre-int profit (Rm)	10,4	13,1	30,5	53,4
Pre-int margin (%)	10,0	11,1	12,0	14,0
Earnings (c)	12,5	15,0	22,9	36,4
Dividends (c)	4,1	3,1	5,0	12,0
Net worth (c)	56	68	118	119

* 18-months † 15-months, excludes Del Monte deal

COMPANIES FM 7/5/93.

of R35,5m

Delfood made a number of acquisitions. April 1 saw the inclusion of Lecol cordials and squashes into the RBN stable, for about R8,5m. Sapco bought Donald Cook's for about R27,6m in September, and Donald Cook's then acquired Fresh-Up from Utico for about R10m.

No mention is made of the performances of ongoing operations, though industry sources suggest RBN's confectionery interests are under pressure and that the initial boost by the Mars launch is waning (a claim denied by management).

A 12,1c dividend was declared from EPS of 36,4c (22,9c). The massive rights issue needed to fund acquisition will see a dilution in EPS this year.

The share stands on a dividend yield of 1,1% and p e of 29,7, this earnings multiple being well above the sector average of 22. But the share price of 865c reflects the potential for future earnings, management is forecasting EPS of 60,1c for 1993 which would give a prospective p e of about 14,5. It remains to be seen whether this will be achieved, any further rerating of the share will depend on this.

Langeberg bruised as prices and volumes fall

CAPE TOWN — Fruit and vegetable processing group Langeberg suffered a 14,2% decline in earnings a share in the six months to end-March as international prices and local volumes slumped.

Earnings of the Tiger Oats subsidiary fell to 18,8c (21,9c) a share and the interim dividend was maintained at 5c a share

Turnover increased by 5,2% to R360,5m but with margins slashed to 10,4% (12,2%), operating income plummeted by 11% to R37,2m. Lower interest charges and a higher tax rate translated into a 14,3% decline in net after-tax income to R30m

MD Ray Brown noted that the domestic recession had been aggravated by increased competition stemming from the weakness of export markets, adding that the pressure on margins had been countered only by improved cost controls.

Domestic volumes had declined sharply as unemployment and unrest took their toll.

Brown said the deciduous fruit division had shown a real growth in profit despite the significant decline in international prices as a result of good crops worldwide and the global recession. The weakening of the rand was not sufficient to offset the slump in international prices.

The deciduous division benefited from higher prices on the local market

BIDM 10/5793
186
LINDA ENSOR

Tax at 8,5% was provided for as the group's tax losses would be exhausted this year. Financial director Johan Cilliers said that in terms of parent Barlow Rand's accounting policy, the secondary tax on companies was treated as an above-the-line item. He said there would be a significant increase in the tax rate next year.

A strong improvement was made in gearing which was reduced to 31,9% (73%) through better working capital management and lower levels of investment. Credit terms had been restricted and trade debtors managed so that they were at the same monetary level as two years ago.

Brown forecast that the second half would show a decline in profit compared with last year. Cilliers said the 1992 second half had produced more than half the annual profit and stressed that the extent of the decline in the current six months would depend on the group's ability to sell and ship exports to overseas markets.

Brown said "It is expected that both the domestic and overseas markets will weaken further during the remainder of the year. Increasing pressure on selling prices is being experienced in the group's overseas markets while no improvement is expected in the group's domestic sales volumes."

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Star 10/5/93

Langeberg maintains its dividend

Finance Staff ~~222~~

Hard hit by depressed trading conditions both locally and overseas, earnings at Tiger Oats' food processing subsidiary Langeberg dropped 14,3 percent in the six months to end-March

Despite the fall in earnings per share to 18,8c (21,9c) the group has maintained its interim dividend at 5c

Turnover during the six months improved by

5,2 percent to R360,5 million (R342,7 million), but operating profits fell 11 percent to R37,2 million (R41,8 million)

Langeberg says the effects on trading as a result of the continuing economic recession were aggravated by increased competition due to the weak export market.

While the pineapple division failed to improve on its previous loss, the deciduous division showed real growth in

earnings

(186)

Looking ahead, the directors say they expect a further weakening of both the domestic and overseas markets but the extent of the decline in earnings will be determined by efforts to reduce overheads and the sale of shipments of available stock.

The company raised its borrowings from R74,4 million to R101,7 million, but maintained gearing at 32 percent

Star 10/5/93

RMP gets Barlow properties

By Sven Lünsche ~~222~~

Barlow Rand has consolidated its property interest into Rand Mines Property (RMP) in a deal valued at close to R100 million.

In terms of the transaction RMP will pay Barlow Rand R71,5 million in cash for its 78 percent holding in Barlow Rand Properties (Barprop) with effect from April 1.

RMP will further issue 3,2 million shares, valued at R24,5 million, to Barlow Rand, which, in turn, will distribute them to

minority shareholder so they will maintain their percentage shareholding in RMP.

Barlows' stake in RMP is expected to be maintained at about 56 percent.

Commenting on the deal, RMP says it paid slightly more than the listed price for Barprop after evaluating the Barprop portfolio.

While the acquisition dilutes earnings by 2,5 percent when compared with 1992 profits, RMP forecasts a small positive effect on earnings for the year to end-

September 1993.

RMP chief executive and Barprop chairman Colin Steyn says RMP raised the bulk of the R71 million cash payment through the realisation of its existing portfolio of investment properties.

Outlining the advantages of the deal he says "RMP now becomes an even bigger property group with two key arms - land development through RMP and property investment through Barprop."

Its London listing is to be cancelled

Star 10/5/93

Refocus at Fraser Alex

By Stephen Cranston

Fraser Alexander has sold a 75 percent interest in its contract mining operation to management as part of a refocusing exercise to concentrate group efforts and resources on its core businesses

The operation, previously part of the mining division, undertakes underground mining, tracklaying and shaft-sinking on a contract basis. It will trade under the name Econotrack.

Chairman Peter Flack says. "Our peripheral activities have been under review in the light of the strategic necessity to build up our core operations."

"While contract mining is an essentially sound business, it is not in the mainstream of our environment-driven core divisions and as such does not fit into our long-term plans."

Flack says the retained interest in Econotrack is evidence of the group's confidence in the business and the ability of management.

been a positive response from employees, would occasionally have all found employees... been a positive response from employees, would occasionally have all found employees...



Food resource management needs care

BIDAM 11/5/93
PRETORIA — SA did not face a food supply disaster but it had to be careful, Agriculture Department senior economist Chris Blignaut said yesterday at the International Cereal Conference held at the CSIR.

Speaking on food security, Blignaut said single channel and single price systems led to distortion in the marketplace and placed limitations on the comparative advantage of some areas ~~186~~ (186)

GERALD REILLY

The answer lay in economic growth and equitable access to resources and means of production, with investment in human capital.

The southern African region faced the consequences of an exponential population growth which demanded a major effort in environmental management if the severe state of degradation was to be curbed.

Sasko in R40 million grain mill venture (18)

ARG 13/5/93

TOM HOOD, Business Editor

SASKO, the Cape-based milling and baking industry leader, is to invest R40 million in a new grain mill capable of meeting all the flour requirements of the Northern Transvaal

The mill will be built near Pietersburg and contain the industry's most technologically advanced plant, said head of operations Alan Bishop

The new mill is Sasko's eighth and it also operates 36 bakeries countrywide. About 80 new jobs will be created

Sasko will be able to supply all its own and affiliated bakeries in Gazankulu, Lebowa and Venda and between Naboomstruit and Messina, said Mr Bishop today

"Through this support, Sasko reinforces its support for the Lebowa Bakeries group (Lebaka) and its links with the region through good service and the provision of high quality flour and bread

"Sasko is known for good service and support for the community and the new mill will enable us to render even more efficient service to the people in the region."



corresponding to With a black-controlled board nonetheless existed.

Star 14/5/93
Boland Bank lifts profit

CAPE TOWN — Boland Bank has shown a 12 per cent increase in profit, despite a rise in bad debts.

The group returned a profit of R24,1 million after tax and provision for doubtful debt (R21,5 million in 1992).

MD Gert Liebenberg says the economic environment showed a further weakening, resulting in limited asset growth for the bank.

"On the other hand, owing to declining interest rates and a decrease in compulsory investments in liquid assets, net interest income showed satisfactory improvement.

"However, the increase in bad and doubtful debt arising from a sharp increase in liquidations and insolvencies continued to put pressure on profits," Liebenberg says.

He adds that the rights issue in March had strengthened the capital ratio to eight percent of risk-weighted assets.

The total dividend has been lifted from 52c to 56c — Sapa.

Star 14/5/93
Langeberg breaks ice of US boycott

By Stephen Cranston

Canned fruit producer Langeberg had received its first orders from the US in eight years, MD Ray Brown said last night.

Speaking to a meeting of the Investment Analysts Society, Brown said that Langeberg had sold 75 percent of its crop, whereas at this time of year it had normally sold 90 percent.

Orders from America, and others from Scandinavia, however, promised to be the first of many.

Since the beginning of sanctions in the mid-Eighties, Langeberg had built up its market in the Far East from almost nothing to 29 percent of deciduous fruit sales.

In rand terms sales to Japan increased in value in the six months to March.

The European market, however, accounted for 59 percent of Langeberg's deciduous fruit exports.

Greece had a bumper season and so export prices were down.

Brown said that Langeberg was supporting its exports with brand-building advertising in selected markets because South Africa "is no longer a dirty word".

Langeberg's next aim is to produce tomato products which compete with the best internationally.

It launched a canned Italian tomato product on the local market which was so popular that it was out of stock within three months.

A new tomato and other vegetable plant will be commissioned in Messina on Monday, which will offer better yields and lower expenses.

The pineapple division continues to make losses, but Langeberg plans to reduce this by reducing costs, improving quality and yields and by minimising production of concentrates where margins are negligible.

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Another tame year for Tiger

S/Timeo (Buss) 16/5/93

By CHERILYN IRETON

TIGER Oats warns that it may not achieve profit growth this year. That could be the first dent in its earnings record since Barlow Rand took control of the food group 10 years ago.

Tiger is South Africa's largest manufacturer and distributor of staple foods and its results at the half-way mark reflect the burden of both the recession and drought on consumer spending and profit margins.

Earnings slipped 3% to 106c a share for the six months to March, forcing the board to waive any increase in the interim dividend of 28c. Chairman Robbie Williams says 1993 will be a difficult year.

"The recession has lasted much longer than expected and we cannot expect an improvement in earnings for the year."

Food accounts for about two-thirds of the group's profit. So in spite of a strong start by its pharmaceutical operations which lifted their contribution to earnings by 40%, attributable profit rose only 3% to R159,1-million.

Earnings a share slipped because of an increase in shares in issue.

Sales rose in rand terms, but profit margins fell to 6,5% from 7,1%.

Tiger Foods contribution to the bottom line was down



ROBBIE WILLIAMS

11% at R103,4-million. But its problems went further than the estimated 3% volume decline in food manufacture brought on by shrinking purses.

Consumers once again resisted yellow-maize imports, leading to high stock returns. Manufacturing yields suffered because of processing difficulties linked to the poor quality of the imports.

The broiler and egg operations, serving an over-supplied domestic market, recorded losses and there was weak demand for canned foods.

Mr Williams says "We also incurred shake-down

costs in bringing major facilities on stream."

Operating problems plagued the newly acquired foreign vegetable-oil processing plants. Nonetheless, Mr Williams believes that the investments will come right.

The arrival of Uncle Ben's rice in SA does not seem to have ruffled market leader Tastic which produced good returns and says it is well positioned to face the new competition.

Diverse

Mr Williams says Tiger will continue to press the Government to allow imports of maize for animal feed in the Cape. Yellow maize landed at Cape Town is R135 a ton cheaper than the product railed from the Transvaal.

Mr Williams regards Tiger's performance as "reasonable under the most difficult trading circumstances." He believes its inherent strength will result in continued growth.

"The group is diverse, carefully structured, has strong management and is well placed to turn any improvement in the overall economy to real advantage."

"Our policy of continuing to invest despite a declining, difficult economy will pay off in better times. We have the ability to generate cash and our gearing remains conservative at 28%."

Tiger's short-term prospects are likely to keep the share from its high of R50 in February this year before it became known that January was one of the worst on record for Tiger Foods. The share is trading at R42,25, off its April low of R40.

The new tax scheme reduced Tiger's tax charge by R22-million.

Tiger Oats reports its ups and downs

186

B/DAM 17/5/93

MARCIA KLEIN

FOOD group Tiger Oats reported a 3% rise in attributable income to R159,1m (R154,4m) in the six months to end-March, as a significant drop in the contribution from its core food businesses offset good performances from its pharmaceutical and fishing interests

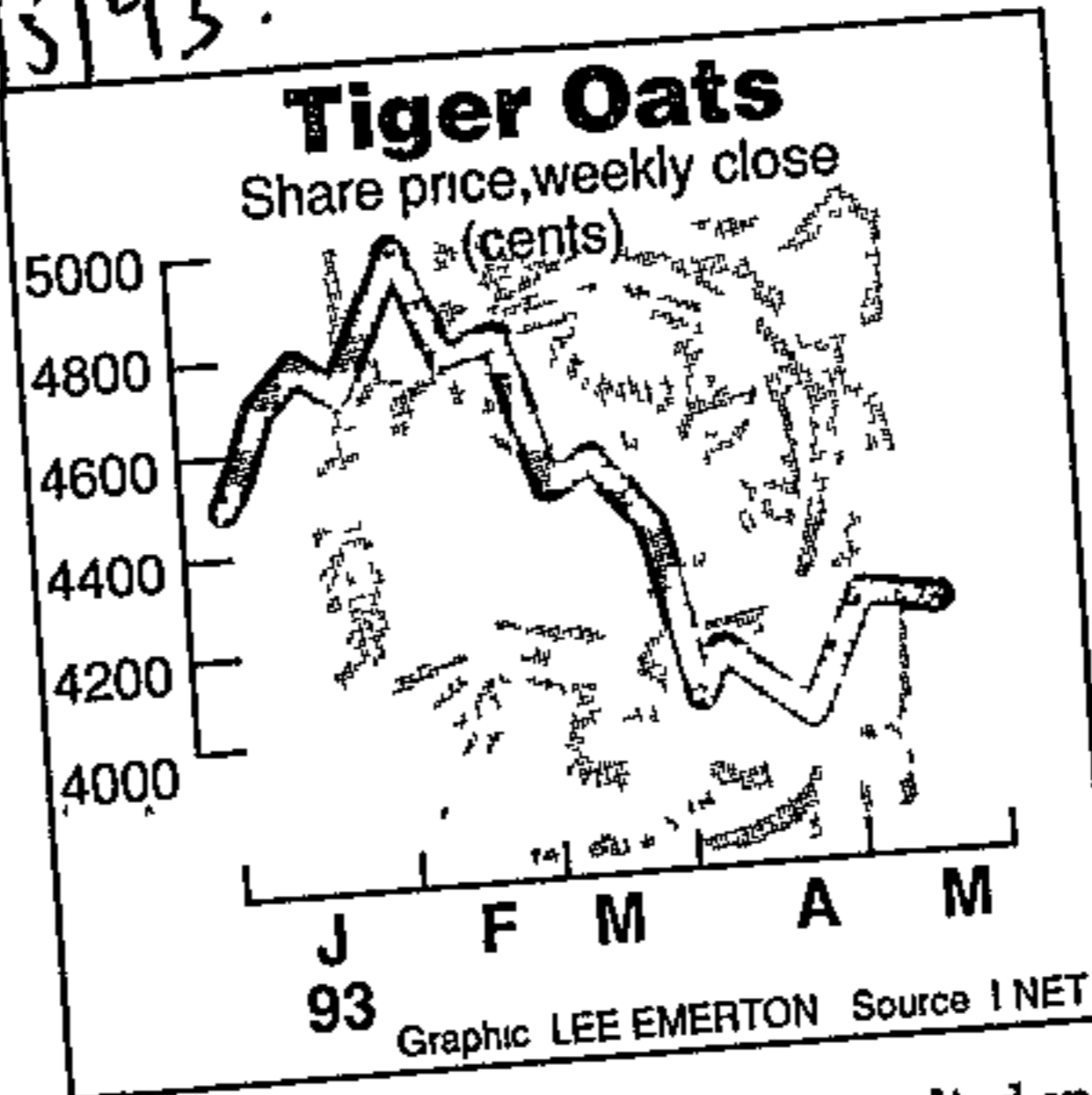
Additional shares in issue saw earnings drop by 3% to 106c (109c) a share, the first time in years earnings have declined

Turnover increased 11% to R4,9bn (R4,4bn) Weak consumer demand and overall food price increases below inflation saw volumes drop in Tiger Foods, chairman Robbie Williams said

Pressure on margins, lower volumes in some divisions and losses in the broiler and egg operations saw operating profit rise by only 1% to R320,5m (R317,9m)

Despite capex of R652m in the previous year, which included the R215m Maritzburg milling complex, net interest paid declined to R37,9m (R40,4m) Pre-tax income was up by 2% to R286,2m (R281,8m)

Williams said the new dual tax system



and the deferred tax release resulted in a benefit of R22,6m and a 5% rise in income after tax to R193,4m (R183,7m) After outside and preference shareholders, attributable income was 3% higher The interim dividend was maintained at 28c a share Tiger Foods' contribution to attributable earnings declined 11%, while the pharma-

□ To Page 2

Tiger Oats

186

□ From Page 1

ceutical and fishing interests increased their contributions 40% and 88% respectively

Williams said Tiger Foods' performance was affected by reduced consumer demand and the drought, which resulted in higher raw material costs There were difficulties in processing poor quality imported yellow maize, which led to lower manufacturing yields and a high level of stock returns There were also costs associated with new facilities, weak local and export markets for canned foods and oversupply in the broiler and egg markets

Maize, wheat milling, the local and international vegetable oil operations and Langeberg reported lower earnings

Results from the international vegetable oil processing operations were affected by the breakdown of a new piece of equipment Tiger had acquired and converted another vegetable oil extraction plant and acquired a sunflower seed con-

fectionery plant in the US Williams said despite current difficulties, the offshore investment would "prove a major strength for the group"

The rice, baking, confectionery, animal feed businesses and Spar group did well Adcock Ingram and Logos Pharmaceuticals recorded good results Oceana Fishing improved its results because of higher fish meal stocks brought forward, earlier sales of abalone, a strong performance in the cold storage division and restored profitability of the shipping and clearing activities

Williams said the balance sheet remained strong Cash generated increased 10%, working capital was well controlled and gearing was only 28%

He said volumes and margins would continue to be affected in the second half and Tiger did not expect any improvement in earnings for the full year However, growth was expected in 1994

First ever earnings decline at Tiger

By Stephen Cranston

For the first time in Tiger Oats' history, earnings per share have fallen

Despite stronger contributions from pharmaceuticals and fishing, there was a three percent fall in earnings to 106c in the six months to March.

The interim dividend has been maintained at 28c

The contribution from Tiger Foods was down 11 percent to R103,4 million, despite the inclusion of six of months trading from Colman Foods, acquired at the end of 1991

Sales from the food manufacturing subsidiaries increased by just 6,5 percent and volumes fell by an average of three percent.

Turnover increased by 11 percent to R4,95 billion, but operating profit was up just one percent to R320,5 million.

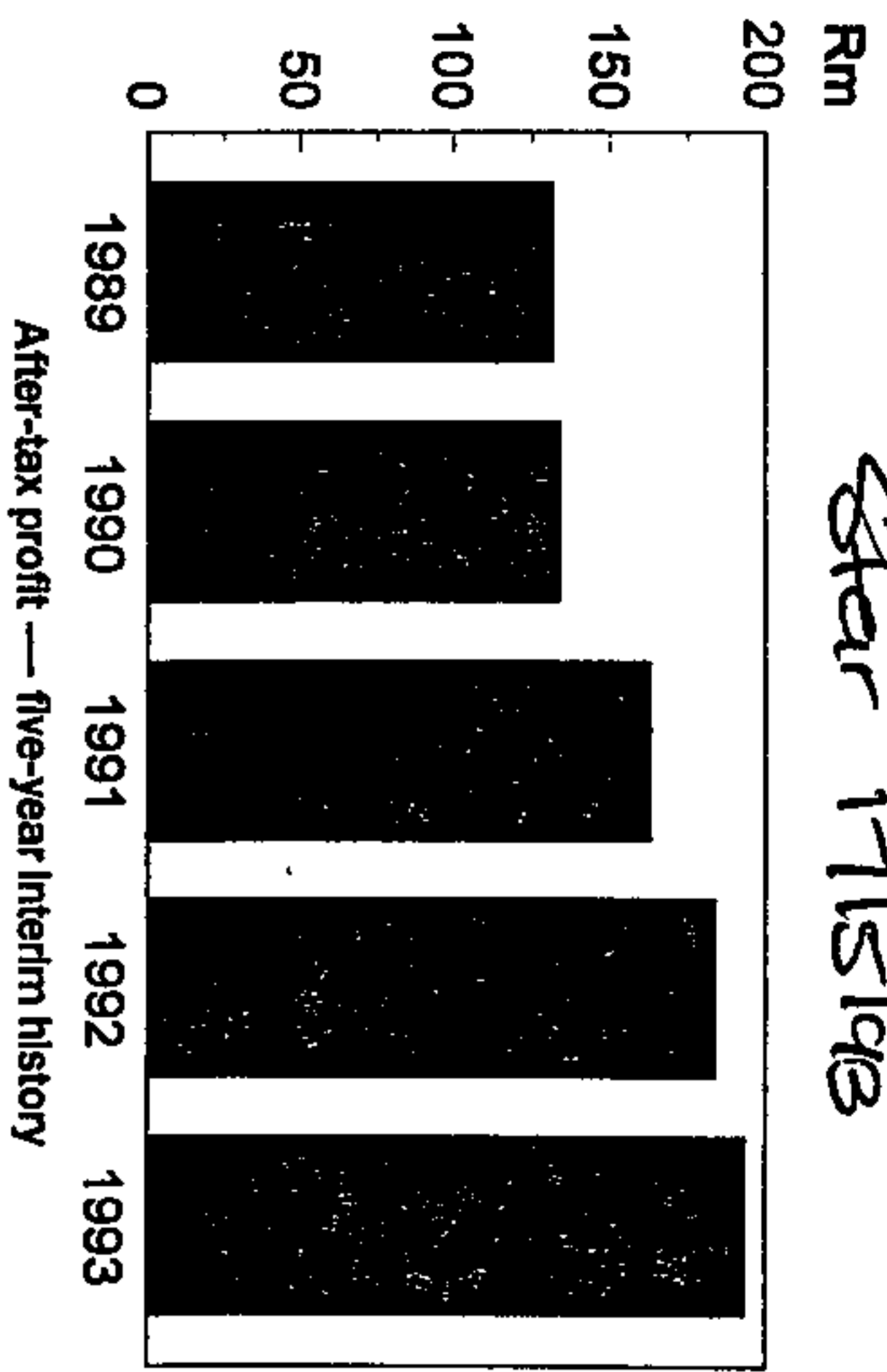
Margins

Chairman Robbie Williams says margins were squeezed, there were lower volumes in some divisions, and losses from the broiler and egg operations.

The depreciation charge was also up after last year's R652 million capital expenditure programme.

Interest paid was down from R40,4 million to R37,9 million. The changes in company tax reduced the tax bill by R22 million, including R9,7 million of deferred tax. Attributable earnings were up

Star 1715193



three percent to R159,1 million, but there was an increase in the weighted average number of shares because of the 1992 rights issue.

Williams says there were difficulties in the processing of poor-quality imported yellow maize, which led to lower manufacturing yields and a high level of stock returns because of consumer resistance.

Tiger will continue to press the Government to allow imports of yellow maize for animal feed production in the Cape as the current system prejudices Cape livestock and broiler producers.

Yellow maize landed at Cape Town, where major animal feed production facilities are located, is up to R135 a ton cheaper than the product railed from the Transvaal.

There were also unforeseen operational problems at the new oil extraction plant in Kansas, in the US.

But Williams argues that the offshore investment will prove a major strength.

Tiger has bought another vegetable oil extraction plant and a sunflower seed confectionery plant in the US.

The contribution of the Langeberg food canning operation was lower due to weaker export prices and reduced local demand.

Langeberg's earnings were down 14,2 percent and the fact that the company must for the first time absorb tax in the current financial year may affect its prospects for the second half.

Tastic Rice had good returns in a competitive market and is "well-positioned to face new com-

petition" in the shape of Unilever's Ben's Rice.

Beacon's results improved, although they were affected by reduced consumer spending, as the new facilities in Jacobs, Durban were bedded down.

The distribution interests, particularly Spar, continued to improve profits and market share. The baking and animal feeds interests also improved earnings.

The contribution from fishing increased by 88 percent to R9,4 million and that from pharmaceuticals was up 40 percent to R46,3 million.

Williams feels the results are reasonable, given most difficult trading circumstances, but says the inherent strength of Tiger Oats will ensure continued growth.

Operations

Cash generated from operations increased by ten percent to R442 million, but cash requirements increased by R82,2 million, compared with a R120,9 million increase in the same period last year.

Last year, Tiger enjoyed the benefits of a R385 million rights issue.

Williams says the policy of continuing to invest, despite a declining, difficult economy, will pay off in better times.

But he says 1993 is proving to be a difficult year and an increase in earnings is not expected.

Associate companies to rescue of ICS

Step 1815192

By Stephen Cranston



Profits from ICS's managed operations fell by 35 percent to R9,27 million, but a 20 percent improvement in the contribution of associates to R21,59 million enabled the group to report a one percent rise in attributable earnings to R31,2 million in the six months to March.

Earnings per share were up one percent to 82c. The interim dividend is an unchanged 17c.

MD Nick Dennis says the results were eked out against a background of harsh trading conditions and surpluses in red meat, poultry and milk.

Turnover was three percent down to R1,14 billion and operating profit plummeted by 45 percent to R13,7 million.

The poultry division, Festive Farms, had to contend with oversupply in the industry and a loss was incurred.

Festive also had to contend with the need to use imported maize, with additional rail costs, and the dumping of imported chicken on the local market.

The red meat wholesale interests held up well, but the retail division and tanning were unable to maintain margins.

Tanning paid higher prices for hides, but was unable to re-

cover these because of a price war.

There was no improvement in fresh milk margins, but some progress by the cold chain distribution division and by ice cream was achieved.

Once again, the star performers were associate companies, which provided more than two-thirds of earnings.

They lifted earnings by 20 percent, despite a lower contribution from Sea Harvest. Other associates include Fedics, Bull Brand, Chandling International and Commercial Cold Storage.

They benefited from the reduction in the corporate tax rate.

ICS's gearing fell from 14 percent to 10 percent and the interest bill from R6,1 million to R3,7 million.

Dennis says the poultry division will soon return to profitability as a result of the availability of local maize, a better balance between supply and demand and further rationalisation, including the closure of competitors Mielhe Kip and Delmas Chicken.

The red meat and fresh milk markets remain unstable, although the hide market is improving.

Dennis says the results for the full year will be similar to those of last year.

ICS Holdings achieves marginal improvement

B10AY 18/5/93

186

MARCIA KLEIN

PROTEIN surpluses and harsh trading conditions in the food sector saw ICS Holdings show a marginal improvement in attributable earnings to R31,2m (R30,9m) in the six months to end-September.

MD Nick Dennis said the group managed to maintain earnings against the backdrop of surpluses in red meat, poultry and milk.

This was achieved on 3% lower turnover to R1,14bn (R1,17bn) and a 45% drop in operating profit to R13,7m (R24,8m).

ICS said last week it had increased its stake in associate Sea Harvest to 62% from 50% for R72m. Sea Harvest, which reported lower profit for the period, would be listed on the JSE in the near future through a private placing by seller Pescanova SA of 28% of the total equity in issue. Pescanova would retain a 10% minimum interest.

Although the increased stake was financed internally, Dennis said the balance sheet remained sound. Gearing was re-

duced to 10% from 14%, and the interest bill was slashed to R3,7m from R6,1m.

An increase in income from investments and the effects of a lower corporate tax rate resulted in a 35% drop in profit after tax to R9,3m from R14,3m.

Associate companies, boosted by the reduced corporate tax rate, "made a solid contribution to the results", with ICS's share rising to R21,6m from R18m, Dennis said. Profit after tax, including associates, was 5% down at R30,9m from R32,3m.

Earnings were marginally higher at 82c (81,1c) a share, and the interim dividend was maintained at 17c a share.

Dennis said the poultry division was particularly hard hit and reported a loss. It had to use imported maize and was affected by the dumping of imported chicken.

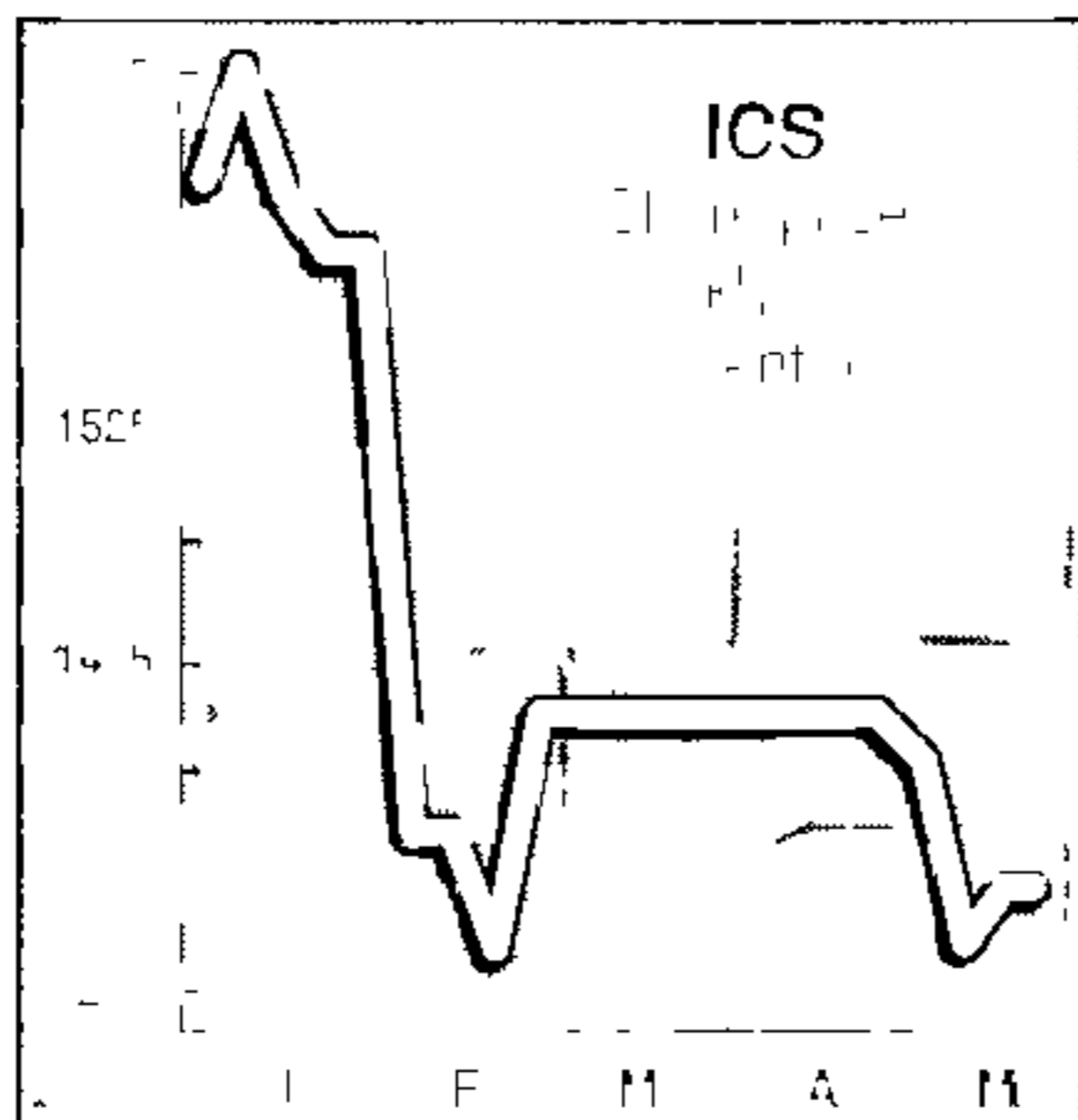
The meat division's earnings declined, Dennis said. The red meat wholesale interests held up well, but the retail division and tanning experienced pressure on margins.

The DairyBelle fresh milk division was unable to improve margins, but the DairyMaid ice cream and distribution divisions "showed progress".

Dennis expected the poultry division to recover on the availability of local maize, a better balance between supply and demand and further rationalisation.

He said the red meat and fresh milk markets remained unstable, but the hide market was stabilising.

He expected group results for the full year to be in line with the previous year. However, they could be influenced by "surpluses or shortages in protein".



Graphic: RUBY GAY MARTIN. Source: I NET

Tiger Oats urges maize price freeze

PRETORIA — Tiger Oats has called on government to impose a moratorium on further increases in the producer price of maize (186) ~~maize~~

In a letter to Agriculture Minister Kraai van Niekerk yesterday, the company — SA's biggest maize buyer — also called for an investigation into the causes of uneconomic maize production

According to sources, today's Cabinet meeting was expected to announce an increase in the producer price. Other sources have claimed that Van Niekerk buckled under producer pressure to have the Maize Board reassess the price he set

In its letter, Tiger Oats warned that an increase in the maize price would be

B/PA9

19/5/93

GERALD REILLY

fraught with social, political and economic undertones. It said the Maize Board was not aware of the plight of consumers nor was it attending to the plight of farmers. It had passed the buck to government.

On the threat that some farming bodies would withhold maize supplies until a satisfactory price was set, the company said this amounted to industrial sabotage. It said food sales had dipped below average retail sales for the first time, indicating strong consumer resistance.

Issues such as fuel costs and unrealistic charges for fertilisers, chemicals and hybrid seed had to be probed.

Police and journalists showed up at Johannesburg's Library Gardens for a march yesterday — which failed to materialise.

Food sector suffers sales slump

Blom 19/5/93

LESS than a quarter of all food products managed to show growth over the past year as activity in the food sector slumped to the lowest level in years, industry sources said.

Recently released figures from some major food companies reflected the severe pressure caused by significantly reduced consumer demand, oversupply of protein products and other drought and recession-related problems.

Food manufacturers said not only had there been little or no volume growth, but prices — and subsequently margins — were under severe pressure.

This marketing information services figures showed that 46 out of 64 food markets reported declining sales in the last quarter of 1992.

Ibis's Judy Gordon said that in the markets where there had been activity, there had been growth, and strong marketing had been a major factor behind increased sales.

There had also been growth in those brands where cheaper brands could be substituted. Food sectors which relied heavily on black con-

MARCIA KLEIN

sumption, like soya-based products, had remained strong, Gordon said. Another area of growth was where there had been competitive pricing, like in margarine.

Gordon said she could not disclose food sectors which had fared particularly badly.

Many of the major food companies said basic protein products had been in oversupply and margins were placed under severe pressure. The drought had necessitated importation of maize which had led to cost increases and consumer resistance.

According to Gordon, the top performers were dry sauces and wrap pack cheeses, where there had been increased marketing. Frozen fish had shown good growth, largely due to increased supply, while pasta benefited from some substitution and a move towards health products.

A study by Ibis showed that from 1988 to 1991, grocery, toiletry and confectionery products grew by an average 12,1% in retail outlets and by

an average 10,7% in smaller stores. But in 1992 the growth rate dropped to below 10%.

Perry and Associates' Mike Perry said conditions in the food sector had worsened in the past few months. In April there was a loss of production due to holidays and political events. The violence meant that suppliers were sometimes unable to deliver.

Markets in decline were subject to cyclical changes, like the economic cycle. But they were also subject to fundamental structural changes in the economy, including the increase of the urban population and the redistribution of income, Perry said.

According to Perry, the return of economic growth would see fast growth in wholesale chains supplying spaza stores and other informal sector outlets. Wholesale chains would increase their market share relative to the grocery retail chains.

Perry said manufacturers' "supplying real value basic foodstuffs that offer quality" — like beer, fruit juices, carbonated soft drinks, bread and pasta — to urbanised mass consumers would also show fast growth.

Ethiopian flights to SA

carry export potential

Blom 19/5/93

ETHIOPIAN Airlines' decision to start a regular service between Addis Ababa and Johannesburg would significantly increase SA's export potential to that country, an airline spokesman said yesterday.

The carrier, one of Africa's oldest and most consistently profitable, will start a twice-weekly service on June 1. A Boeing 757, which can carry 151 passengers and 51m³ of cargo, will operate on the route.

"SA's high level of industrialisation presents opportunities for Ethiopian companies to import many goods from SA instead of from Europe or the East," Ethiopian Airlines regional director for Africa Melakon Yoseph said.

He said he believed that a significant potential existed for business, diplomatic and passenger traffic between the two countries. The carrier opened a cargo division in Johannesburg this week.

Yoseph said the carrier's comprehensive network in Africa would prove extremely useful for SA businessmen and diplomats.

Flights, costing R2 343, will arrive in Johannesburg via Harare on Tuesdays and Saturdays and depart for Addis Ababa via Harare on Wednesdays and Sundays.

SAA spokesman Leon Els said although SAA had obtained landing rights in Addis Ababa, the carrier had no immediate plans to fly to Ethiopia.

Shares on the JSE. CAUTION IN YOUR DEALINGS with the company. The JSE's two-week in-



Hike in CG Smith's profit despite declines

B/DAM 21/5/93

(186)

MARCIA KLEIN

DESPITE volume declines in most of its operating companies and reduced earnings from major contributor C G Smith Foods, C G Smith has turned in a 4% increase in attributable profit to R217m (R208,9m) in the six months ending March.

C G Smith, with interests in food and pharmaceutical group C G Smith Foods, packaging group Nampak and textile company Romatex, maintained its interim dividend of 117c a share.

The food and pharmaceutical interests reduced their earnings by 8% to contribute 54% (61%) of attributable profit. Packaging and paper, reflecting the excellent performance by Nampak, increased its earnings by 22% to contribute 44% (37%) of the total.

Turnover rose by 7% to R9,5bn from R8,9bn. Chairman Robbie Williams said volume declines were reported by most of the operating companies.

Net income before interest and tax rose

marginally to R718,6m from R712,4m. But lower interest costs, resulting from good asset management, saw pre-tax profit rise by 5% to R650,8m from R619,2m

Results were buoyed further by a lower effective tax rate and a "satisfactory performance from associates", and profit after tax rose 8% up at R440,8m from R409,2m.

Williams said the new dual tax system and corresponding deferred tax release resulted in a net increase of R40,4m in taxed profits.

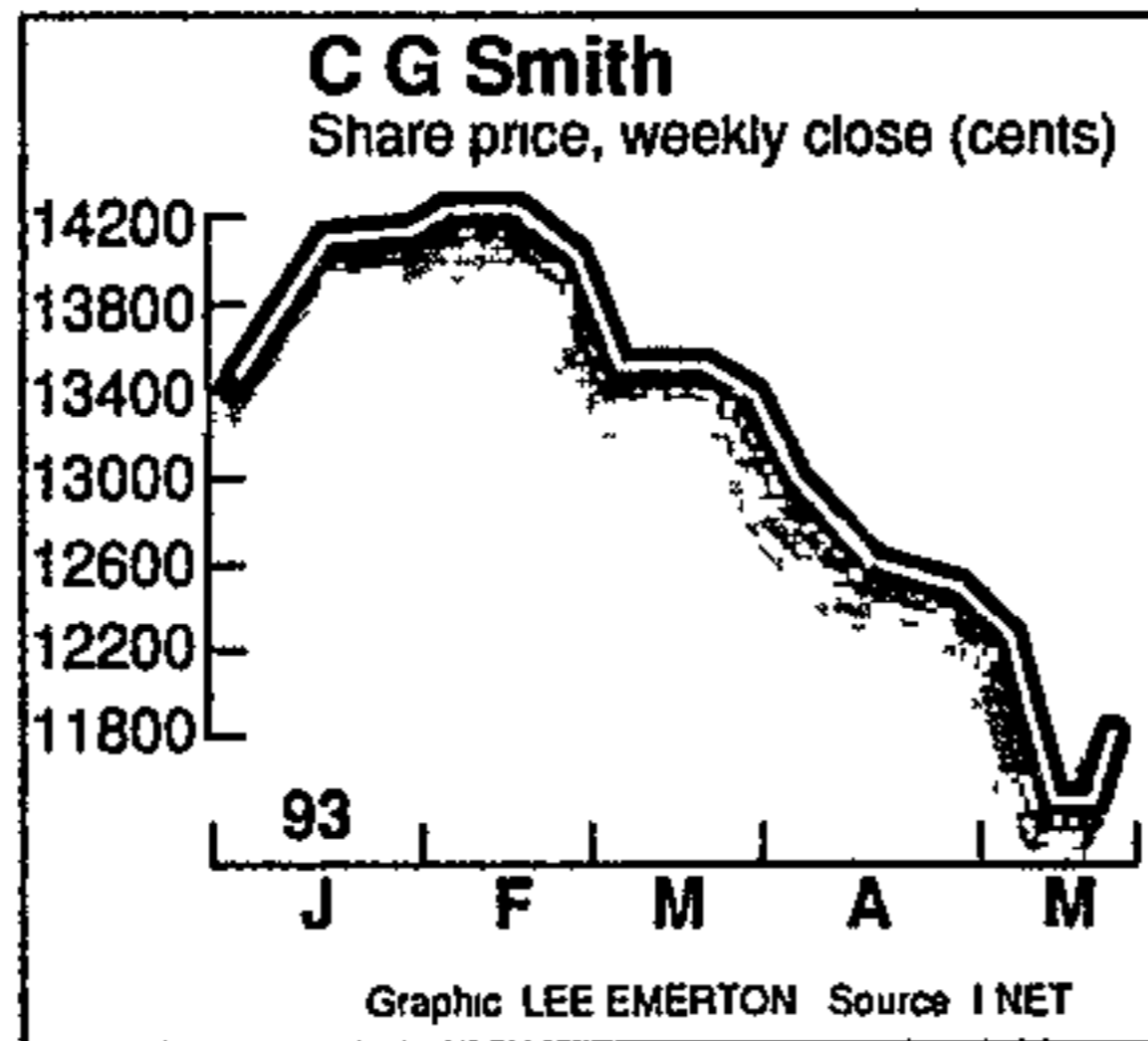
The 4% earnings rise to 461c (444,1c) a share reflects the higher share of minorities due to the reduction in the group's holding in C G Smith Sugar.

Williams said the food and pharmaceutical results reflected lower earnings from Tiger Foods and the group's sugar interests ICS, Adcock Ingram, Logos and Oceana Fishing all improved their performances

Nampak's attributable earnings grew by 23% despite a 1,8% drop in volumes. The results were achieved largely through cost controls, good asset management, lower interest rates and a reduced tax rate.

Romatex produced a 42% increase in profit after tax. Although trading conditions in the textile market were difficult, the R37m disposal of Crossley Carpets, combined with the drop in borrowings, led to a substantial reduction in interest costs.

Williams said full year earnings would show a small improvement over 1992.



Food producer sees earnings decline

WORSE than expected trading conditions saw food, pharmaceuticals and distribution group C G Smith Foods report an 8% drop in earnings to 152,1c (165,3c) a share in the half year to end-March.

Chairman Robbie Williams said the earnings decline was largely due to pressure on volumes and margins, the reduced contribution of C G Smith Sugar and operating losses in the egg and broiler operations.

Group turnover grew by 9% to R6,8bn from R6,3bn, and operating income declined by 2% to R431,2m (R441,7m) on the back of reduced consumer spending, pressure on food margins and the drought.

A lower interest bill and a tax benefit arising from the dual tax sys-

tem enabled the group to show a marginal decline in profit after tax to R253,7m from R256,3m previously.

Profit after associates was in line with the previous year. But minorities received a larger chunk of earnings due to the sale of 30% of the group's shareholding in C G Smith Sugar in the previous year when it listed on the JSE. Attributable earnings dropped by 8% to R143,7m (R156,2m) and the interim dividend decreased to 38c (39c) a share.

Williams said the balance sheet was sound, with cash flow available from operations increasing to R520m (R227m), and a net cash flow of R267m despite investments of R164m

and including the R200m cash benefit from the listing of C G Smith Sugar.

C G Smith Sugar reported a 21% decline in earnings as tonnages fell off. Although US-based operation Monitor Sugar turned in a strong performance, sugar's net contribution to earnings fell by 27%.

Tiger Foods' earnings declined as weak consumer demand caused volumes to drop. Improved results were reported by rice, baking, confectionery animal feed and Spar. But Langeberg, maize and wheat milling and the international vegetable oil operations turned in lower profits.

Pharmaceutical subsidiaries Adcock Ingram and Logos continued to perform well and the Oceana Fishing group showed higher profits

BIDM 21/5/93, 186
MARCIA KLEIN

Fm 21/5/93

Adding to that litany of woes the managers predicted Rainbow's short-term prospects horribly wrong Rainbow turned in an attributable loss of R77m That compares with last year's profit of R48,5m, and everyone was appalled when that result was announced

(186)

Misery in discounts

Morris says the year began with serious overstocking, that was compounded by growing availability of red meats at low prices and by the dumping of imported chickens Despite these factors, some producers increased output That affected selling prices which were heavily discounted Result. great unhappiness

The group cannot escape criticism for its part in Rainbow's escalating misfortunes Earlier, it had been determined on an expanding production programme, which is what Rainbow does best It failed to concentrate adequately on marketing, precisely the area where it needed most effort

CHIPS FLYING

Year to March 31	1992	1993
Turnover (Rm)	694	758
Operating income (Rm) ..	123,8	113,3
Attributable (Rm)	119,2	42,0
Earnings (c)	82,0	28,1
Dividends (c)	32,5	21,5

The HLH group is basically involved in the food chain Its principal subsidiaries are Robertsons and Transvaal Sugar and its major associates Rainbow and HLH Timber. The sugar and timber companies have traditionally returned solid results This year, by contrast, Morris reports that only Robertsons achieved a satisfactory performance

HLH is trading on a p/e of nearly 14 In the light of these results that makes it expensive Now, Morris (and, by extension, HLH's management), has personally assumed direct operational responsibility for Rainbow He says early indications are of a return to profitability

David Gleason

HUNT LEUCHARS & HEPBURN
Fm 21/5/93
Flurries of feathers (186)

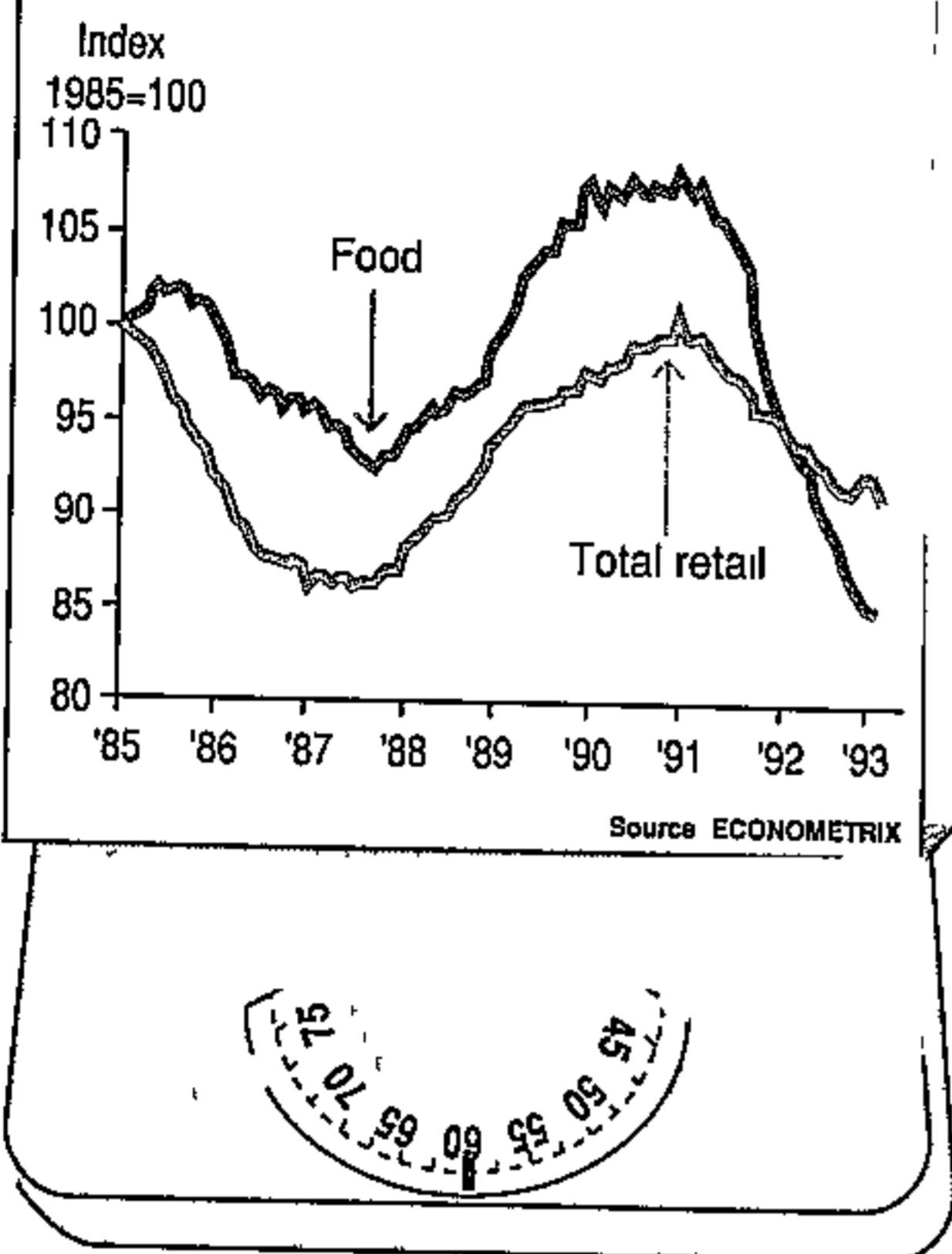
It is difficult to be charitable about the results from Hunt Leuchars & Hepburn (HLH) and its associate Rainbow Chicken Frankly, they are dreadful HLH's net attributable income fell by 65%, describing it as a percentage actually disguises the size of the fall which translates into R77m EPS were down 66% at 28,1c compared with 1992's 82c. No wonder CE Neil Morris says the results are "very disappointing" Shareholders will agree

What emphasises the predicament is that HLH has spent roughly R400m in acquiring Rainbow, its biggest investment and, this year, its worst performer Rainbow is now sitting on a debt pile of R340m and HLH's management owes shareholders a detailed explanation of how this state of affairs has been allowed to develop

Morris offers what have become standard excuses in the current environment, nonetheless valid for all that The economy failed to recover, the drought actually worsened, conditions in the agricultural sector, which is where HLH is significantly positioned, deteriorated

Nation on diet

Retail and food indices



declined, reflecting the 10m more shares in issue following last year's R386m rights issue. The dividend is pegged. The new dual tax structure reduced the tax charge by R22m, including R9,7m deferred tax.

Diversified interests did better. In pharmaceuticals, Adcock Ingram and Logos increased contribution to earnings 40% to R46,3m, and Oceana fishing 88% to R9,4m.

Tiger's capital commitment to its underperforming broiler and eggs business has attracted criticism, which is likely to continue given the reported R20m loss. Williams believes the policy of continuing to invest despite a declining economy will pay off in better times. He's confident the benefits of rationalisation and upgrading programmes to improve quality and efficiencies will reflect in next year's figures.

Some years ago this market was buoyant and exciting. It has fallen on progressively harder times, raising questions about Tiger's continued commitment. Williams says the market's more positive and sees a return to profitability, though not at historical levels.

Difficulties in the processing of poor quality imported maize, lower manufacturing yields and high stock returns as a result of consumer resistance reduced volumes 7%. A similar decline was experienced in canned foods. Tiger's sweet and confectionary interest, Beacon, had an improved six months, which included bedding down new facilities. Distributor Spar continued to gain ground.

Though plagued by operating problems, Williams says the newly acquired foreign vegetable oil extraction plant will prove a major strength. Weaker export prices and reduced local demand hampered Langeberg, whose earnings fell 14,2% to 18,8c a share. Increased capex in the next six months will make it internationally competitive. Domes-

tically, of course, Del Monte may prove a tough competitor as it flexes its muscles.

But potential for branded products to earn more in an improved climate is backed by a healthy balance sheet. A jump in long-term borrowings pushed up total debt 21% to R757m (including R215m for the new Maritzburg milling complex), but strong cash reserves of R133m cut net borrowings. Gearing remains a comfortable 28%.

Williams expects no improvement in 12-month earnings. While food interests may continue under pressure, there is the feeling that Tiger could get more out of its businesses, the Spar franchise in particular.

But Tiger is a long-term investment and though the share seems fully priced, it deserves its blue-chip status.

Marylou Greig

TIGER OATS

Let them eat cake

Just how much food, Tiger Oats's core business, is hurting can be seen in its 11% decline in contribution to attributable earnings to R103,4m. Chairman Robbie Williams says performance was hit not only by reduced disposable income but also by higher raw material costs caused by the drought.

Tiger Oats's commitment to a long-term view of investments in food and increasing its focus on value-added products has given rise in the past to a debate about branded products against staples. This fades into relative insignificance against a 21% decline (in real terms) in food sales since early 1991, three times greater than that of total retail sales.

The recent R9 plunge in the share price to R41 reflected market anxiety that Tiger will show only marginal earnings this year, for the first time in 10 years. Interim figures suggest this may be so. Turnover rose 11%, but lower volumes and losses in some divisions, depreciation and financing costs put pressure on margins, reducing the gain in operating profit to a mere 1%.

Attributable income rose 3% though EPS

FM 21/5/93

BOILED OVER

Six months to	Mar 31 '92	Sep 30 '92	Mar 31 '93
Turnover (Rm)	342,7	399,1	360,5
Pre-int earnings (Rm)	41,8	61,1	37,2
Pre-tax profit (Rm)	35,0	52,5	32,8
Attributable (Rm)	35,0	52,5	30,0
Earnings (c)	21,9	32,8	18,8
Dividends (c)	5,0	11,0	5,0

186

tained By contrast, deciduous canning showed real growth in profits The pineapple division again recorded a loss

Increasing pressure on selling prices is still being experienced in the group's overseas markets and no improvement can be expected locally for the remainder of the financial year, says Brown Indications for the second half of the year are that profits will remain weak

Langeberg was listed in mid-1992 Its forecast results at the time were comfortably exceeded by a sparkling set of figures posted at the year-end Financial 1993 isn't going to be as good as the previous year but, says Brown, it will still be better than 1991 His view, not unexpectedly, is that Langeberg shares remain a sound investment over the longer term On balance, that seems a sound judgment

Gerald Hirshon

LANGEBERG FM 21/5/93 Not very fruity

186

This time round, Langeberg's backstop — export sales bolstered by currency depreciation — didn't provide the support the company has come to rely on Results for the first six months of financial 1993 failed to show an improvement

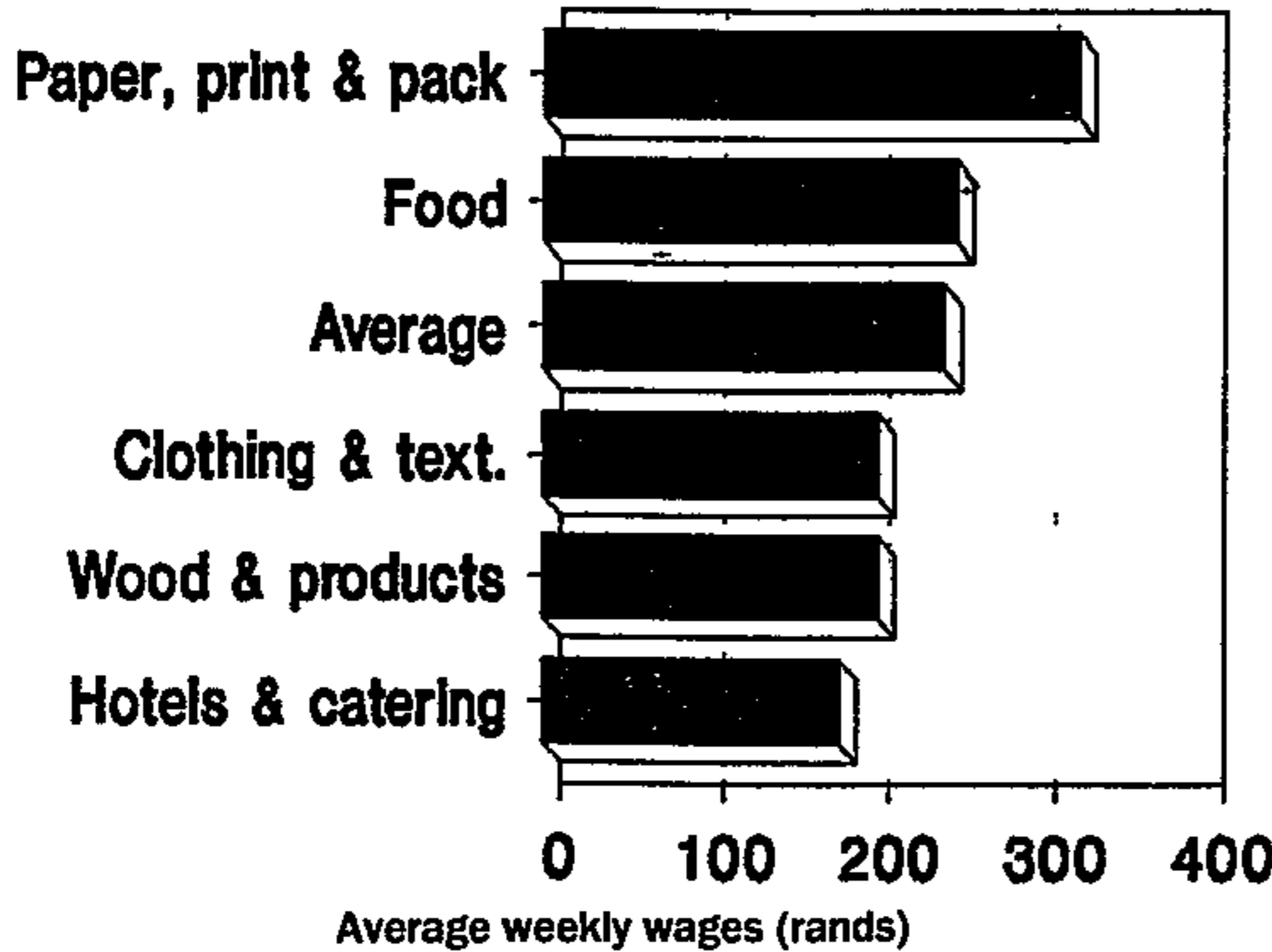
The bumper deciduous crop produced in Europe's summer last year suppressed immediate demand for Langeberg merchandise and overseas deliveries suffered A build-up of stocks resulted at home and the recession has aggravated matters

Langeberg's export earnings experienced a double whammy Pallid overseas demand prompted softer prices and sterling's recent weakness against the rand meant lower rand earnings That means export revenue fell

About 40% of the group's sales are exports normally contracted at fixed prices over a calendar year However, says MD Ray Brown, when an abnormal crop is produced in the home market, preference is given to local products And though contracts with Langeberg remain in force, customers simply request delayed deliveries These result in an increase in stock and affect later production volumes

Brown reports the profit decline in the local market has been even worse Aside from the deleterious effects of the recession, a contributory factor has been the relocation of the All Gold tomato sauce production plants from its two factories in Hoedspruit and Siyabuswa They are being closed and a single plant developed in Messina, now the main tomato-growing area in the Transvaal

The recession and weaker exports meant margins were affected as competitors struggled to retain market share and retailers continued to minimise stock holdings Sales volumes were lower and the previous half-year's operating profits couldn't be main-



Pay rises still topping inflation rate

By Paul Bell *Star 21/5/93*
Labour Correspondent

The fall in inflation has not been accompanied by a decline in wage increases.

According to a survey by the Labour Research Service (LRS), annual wage settlements averaged 13,9 percent between September 1992 and March this year.

Inflation over the same period averaged 10,2 percent — making a net gain for workers of 3,7 percent.

In its survey of 112 companies for its biannual review, the LRS

says 72 percent of respondents awarded increases of 10,3 to 20 percent, while only 20 percent of the sample made awards below the inflation rate. The average wage was R243 per week, or R1 023 per month.

Paper, printing and packaging workers were the highest paid, at R323 per week. Food manufacturing paid next best, at R250.

Worst off are the hotel and catering industry — a sector which, incidentally, is currently affected by industrial action — where, according to the LRS, workers are said to earn an average R180 per week.

CG Smith lifts earnings, repeats payout

By Stephen Cranston *Star 21/5/93*

CG Smith was able to increase earnings per share by four percent to 461c in the six months to March.

The dividend has been maintained at 117c.

This was achieved despite an eight percent decline in the contribution from its main profit source, CG Smith Foods, which in its own results reported earnings per share of 151,2c and an eight percent cut in dividend to 36c.

CG Smith's turnover rose by seven percent to R9,5 billion.

Chairman Robbie Williams says trading conditions were tougher than expected. Operating profit was up just one percent to R719 million.

But a reduction in interest payments allowed pre-tax profit to rise by five percent.

The group was a beneficiary of the new structure which took R40 million off the tax bill.

Weak consumer demand and high raw-material costs reduced earnings at Tiger Foods.

Severe drought conditions encountered by the sugar industry led to a 21 percent fall in the earnings of CG Smith Sugar. Its tonnages were off 16 percent in the 1992/3 season and an estimated 25 percent for the 1993/4 season.

This was partly offset by a strong performance from the group's US-based operation, Monitor Sugar.

ICS did well to achieve a marginal improvement in earnings, despite falling volumes and surpluses in milk, red meat and chicken.

Star performers were Adcock Ingram and Logos Pharmaceuticals, which benefited from the success of new products and continuing focus on cost containment and operating efficiency. Their contribution increased by 40 per-

cent. *Star 21/5/93*

Oceana Fishing profited through a strong performance from the cold storage division and restored profitability in the shipping and clearing operations.

Nampak's sales volumes fell 1,8 percent, but tight cost control, good asset management, lower interest rates and a reduced effective tax rate enabled it to improve attributable earnings by 22 percent.

Profits were maintained by Bevcan, Foodcan and Sacks, while the glass division achieved a modest profit.

Plastics was adversely affected by lower sales in the soft drink industry of PET bottles. The corrugated division was affected by the switch to plastic crates by SA Breweries.

There were improvements in the tissue and printing divisions, but declines from paper manufacturing and merchanting.

The textile market was also

affected by difficult trading conditions, with profits declining in the fabrics and industrials divisions.

There were continued improvements in the carpet division. Island View Storage benefited from higher imports by customers.

The disposal of Crossley Carpets for R37 million and a drop in borrowings led to a substantial reduction in Romatex's interest costs. Its taxed profit improved by 42 percent.

CG Smith's cash flow from operations improved from R374 million to R592 million. Net cash flow after investment in future operations was R227 million (R117 million last year).

Gearing improved from 25,1 percent to 21,9 percent.

Williams does not expect any improvement in trading in the near future, but feels earnings for the full year are likely to show a small improvement.

DIAGONAL STREET

Langeberg puts its faith in cost cuts for revival

SI Times (Russ)

23/5/93

LANGEBERG managing director Ray Brown expects improved productivity and cost cutting to see his group right

He gave sufficient reassurance in his presentation in Johannesburg to members of the Investment Analysts Society last week for the share price to rise 25c to 600c the next day. A glamour stock when it was listed last year and traded at 925c, the price was down at 530c in April.

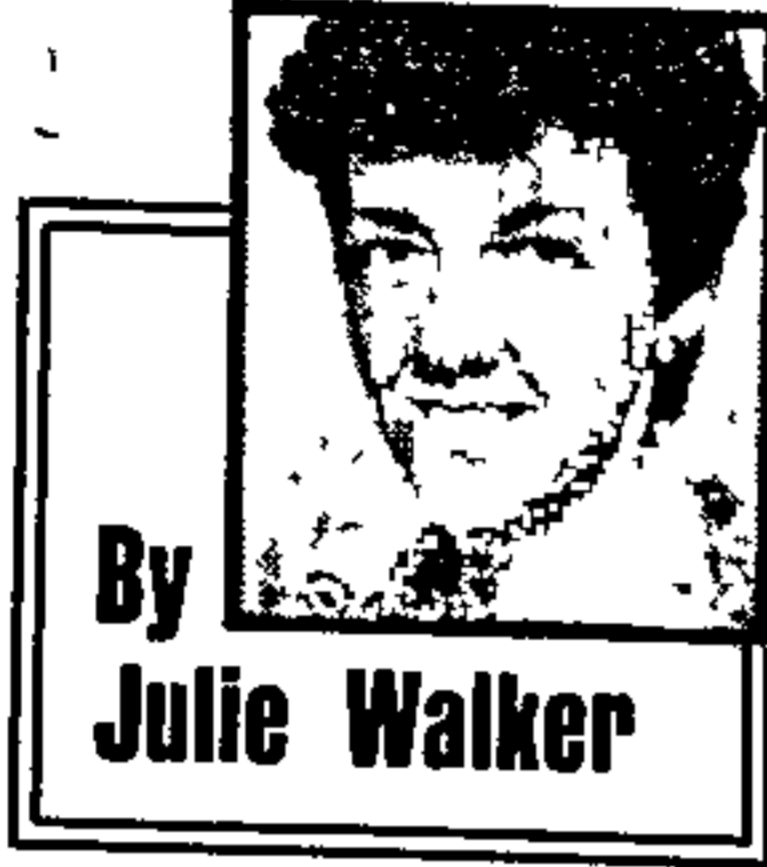
Mr Brown warned investors to expect a fall in profit in the current year for the producer of sauces, jams, salads, canned fruit and vegetables.

He said that three-quarters of Langeberg's 1993 pack — the total crop — had been sold, against the usual 90% by this time in earlier years.

Mr Brown said that for the first time since sanctions were enforced eight years ago, America and Sweden had placed orders with the group. America in particular used to be an important market and the orders ran to seven figures where none had been budgeted for.

Deciduous-fruit exports to the European Economic Community and European Free Trade Area (Efta) nations made up 60% of the group's total and the Far East 29%. Ten years ago virtually nothing was sold to the East.

Langeberg has almost half of SA's 219 000 tons of deciduous fruit production, the other large players being Del Monte Royal's SA Preserving



By Julie Walker

Co (Sapco), Ashton Canning and the growing Rhodes Fruit Farms.

Mr Brown said the past two years had been characterised by Langeberg's measures to improve efficiency in a highly competitive business.

Its 10 factories had been whittled down to seven of equivalent output capacity. Distribution depots had been closed in some areas and the regions served by others.

Mr Brown said the pineapple business was still losing money. The product was exported to the EEC, Efta and South America. The future of this business would be decided between interested parties shortly because Langeberg would not continue to produce at a loss. Pineapple concentrates made a profit, but the business could not be dictated by the merits of a by-product.

Mr Brown highlighted some barriers to entry in Langeberg's business. Establishment costs were high and resources scarce. Land could not suddenly produce more. Strong brands were also im-

portant (Langeberg sells Koo, All Gold, Silverleaf, Naturlite and is licensed by British sauce company HP)

In the six months to March, the group's turnover edged up 5% to R360-million in spite of a 2% fall in volume.

Operating margins came under pressure and income fell 11% to R37.2-million. The interest bill was lower, offset by a tax provision.

Mr Brown said Langeberg's assessed loss would be used up this year. Tax would be paid in accordance with new legislation.

Earnings a share fell 14% to 18.8c, but the interim dividend was held at 5c.

The rise in cost of sales was well held below 5% and Mr Brown spoke of savings to come. The new plant at Messina would probably not need more than 60 staff members where 400 had formerly been necessary.

Creditors had been canvassed for better terms. The industry was not seen as bearing such a high risk now — only a few years ago the terms were seven days from some major input suppliers.

"We need creditors to come to the party too," said Mr Brown. "We carry the cost of their stock for months and even years."

Debtors had been reined in, almost halving to below 40 days over the past five years.

Mr Brown said Langeberg's quality was regarded as excellent by foreign buyers, but there was strong competition, particularly in Europe from Mediterranean producers which not only had



RAY BROWN: Sanctions go, but times are tough

a price advantage on transport costs but on tariff considerations.

A sliding rand would help exports, but cost reduction, quality improvement, niche marketing and brand-building were the thrusts of Langeberg's strategy, he said.

Domestically, the recession was affecting sales, but Langeberg was countering with new products and television advertising aimed at the black market.

Mr Brown said that Langeberg was unlikely to match last year's profits, but in the longer run, it was a great company in a great business. He did not fear that changes in export incentives under a new government would be detrimental to fruit

and vegetables. He believed they would be targeted for increased exports.

The analysts seemed mollified that Langeberg was doing its best in tough times. Their concern shifted to the fortunes of Del Monte Royal's similar business, Sapco.

A Sapco spokesman says that it differs from Langeberg in that it has long-term supply contracts with Del Monte Foods International, its principal customer. Sales are agreed each season according to a "plan" (Del Monte's quotes), evaluated monthly. At May, Sapco's sales are 100% of "plan". Del Monte Food's share price added 50c on Wednesday to 850c after some weakness.

Leppin runs short of vitamin needs

SI Times (Buss)

23/5/93

LEPPIN's future is in doubt, it admits in its interim report tucked away in a Saturday newspaper a week ago

Another R1,1-million loss on turnover of only R3,4-million in the six months to January has almost wiped out shareholders' funds and the group has R2,1-million of net current liabilities. Net asset value is 9c a share (18b)

The last JSE trade was in March at 20c (20c)

The directors of the vitamin and food supplement maker, controlled by the Hanneman family, say the accounts were prepared on the basis that the company was a going concern. This depends on the continued financial support of bankers and creditors

An explosion at the factory hurt turnover and an abnormal item of R914 000 arises from the insurance claim

Leppin lists as contingent liabilities an unlimited suretyship in favour of Standard Bank for Leppin subsidiary GW Leppin (Pty). The suretyship is supported by the subordination of the loan due to Leppin from the subsidiary.

GW Leppin in turn has guaranteed the overdraft facility of £50 000 — about R250 000 — by Barclays Bank to Leppin Sport (UK)

Still more, the previous landlord is claiming R141 000 in respect of alleged breaches of lease agreements.

Leppin needs more than a tonic to put it back on its feet

Barlows maintains dividend despite 5% decline in earnings

Star 25/5/93

By Stephen Cranston

Losses by its Caterpillar franchise in Spain and a declining contribution from food manufacturing subsidiaries were two main reasons for the five percent fall in Barlow Rand's earnings per share to 196c in the six months to March.

But MD Derek Cooper says that because of its strong balance sheet and cash holdings, the group is holding the interim dividend at 54c (222) (186)

The recession, however, forced the group to retrench a further 5 000 people during the period

Turnover was up 10 percent, largely because Finanzauto's (the Spanish franchise) sales were included, but there was little organic sales growth.

Declining food volumes were a major contributor to the five percent fall in operating profit to R1,301 billion, the first such decline since 1990.

The operating margin was down from 8,1 to 6,9 percent.

Interest payments were nine percent down at R279 million because of lower interest rates and reduced borrowings after the receipt of proceeds from the sale of Middelburg Steel & Alloys.

Barlows gained a further R33 million from the reduced company tax rate.

But because some assessed losses had been used up, the effective tax rate fell only marginally from 34,5 to 34,1 percent.

Net working capital was reduced by R19 million, helping to increase cash available from operations from R579 million to R851 million.

Investment in future operations fell from R678 million to R456 million. Capital commitments are down from R1,31 billion to R754 million.

Cooper says a pleasing feature of the results has been the six percent increase in the contribution from industry to R122 million.

This was helped by strong contributions from the telecommunications, electrical engineering and computer sectors.

Steel merchanting and processing, housed in Robor Industrial Holdings, performed better than expected, but still below 1992's results.

Earnings from consumer durables fell by a third in a weak market for white and brown goods.

Federated-Blaikie's loss was much reduced following the clo-



Derek Cooper . . pleasing contribution from industry

sure of facilities and rationalisation.

There were improvements in productivity and market share by Plascon Motor dealerships improved turnover and better asset management led to higher earnings.

The demand for earthmoving equipment was slack. Sales to Angola, which is an important market, dried up with the resumption of civil war, and there was lower demand for parts and service.

The contribution from mineral resources was down 13 percent to R90 million, but Cooper says the restructuring of Rand Mines into stand-alone operating units has proved beneficial.

Improvement at Nampak and Romatex led to a 22 percent increase in the contribution from packaging and textiles to R60 million.

Food and pharmaceuticals saw their contribution down eight percent to R70 million, despite stronger results from Adcock Ingram and Ocean Fishing.

Sugar was badly affected by the worst drought on the Natal south coast for many years.

The contribution from UK subsidiary J Bibby was down 70 percent to R14 million. Finanzauto's loss reflected the problems of the Spanish economy in which earthmoving equipment volumes are down to one third of 1990 levels. But the EC has contributed £6 billion for infrastructural development in Spain, which should boost sales.

Cooper says the decline in earnings is likely to be greater in the second half. But Barlows expects to maintain its final dividend.

Hype aside, OK's state of health still written in red

AFTER the razzmatazz of OK Stores' official relaunch on Monday, management at the retail chain faces the daunting prospect of living up to its promises.

In an impassioned speech to about 1,000 suppliers and OK staff, MD Mervyn Serebro said it was "wake-up time" for the SA retail industry.

The group was "a sleeping giant" and the OK was out to establish itself as "a customer and price-driven mass market discounter".

Take out the hype — the speech was relayed on six huge video screens at a function in Johannesburg — and a brighter, brasher OK, more at ease with itself, nevertheless remains a retail group in the red.

Sales in the year ended March showed no real growth, with paper-thin trading margins leading to sharply lower trading profit, swallowed up by interest charges from servicing multimillion-rand borrowings. At end March debt stood at R703m, marking the cost of holding R700m in stock and consolidating associate finance company Okfin.

Group financial director Geoff Kearney says radical financial restructuring of the group is not an option. "We have no plans to recapitalise the group beyond the R200m loan already provided by SAB," he says. The SAB loan enabled OK to convert a large tranche of its borrowings from short- to long-term.

The Okfin debtors book will not be sold. Kearney says OK will focus on improving operating performance to

B/DAY 26/5/93 (186)
MATTHEW CURTIN

provide the cash-flow with which to address financing problems.

"Stock reductions and better stock-turn can take a huge slice out of our borrowings," he says, noting that debt over and above the debtors book can be reduced most rapidly. The key will be achieving sustainable sales growth after years in which mounting stock and rising costs have outpaced any increases in turnover.

Kearney admits OK's decision to reposition itself as a discount retailer will intensify the squeeze on gross-profit margins. The payoff, he hopes, will come when improved sales volumes enable OK to win better terms from suppliers and when improved revenue reduces the pressure on financing working capital with debt.

The problem with that is that OK is already a mass merchandiser. If its present volumes were too small to squeeze discounts out of suppliers, how great would they have to be? OK will not be chasing greater sales or market share in a vacuum — competitors will not be sitting idly by.

Kearney says that the group, guided by unnamed UK management consultants, has taken a hard look at the success of US and UK discount stores Wal-Mart and Tesco.

He attributes their success to two main factors: Tesco's discounting philosophy of "pile it high, sell it cheap and quick" and Wal-Mart's refined cross-docking system of ensuring goods arrive from suppliers and are

processed through warehouses with minimum time on storage shelves.

Wal-Mart and Tesco have focused on "on-sale" performance, ensuring that the 200 or 300 hundred basic products which shoppers require are on the shelves at all times.

Kearney says the OK has some way to go on these fronts, if only because he believes the SA retail business is less sophisticated than in the US or Europe. This might be more credible if the only comparison was with Checkers. It ignores the fact that Pick 'n Pay regularly reports sound profits.

Yet, the main aim of Monday's launch was to convince suppliers that in return for a promise of greater efficiency from OK management, they were expected "to come to the party" by offering discounted prices for longer periods on their produce if they want OK's business.

One industry source notes that after the no-nonsense wage settlement with the SA Commercial Catering & Allied Workers Union last month the industrial relations atmosphere within the group may be a sign the OK is moving forward.

The crunch will come in a year if OK has not made as much progress as management hopes for. Quite apart from the financial problems, the group will face a workforce, marshalled by Saccawu, whose wage expectations may be out of line with the company's performance.

Further industrial relations acrimony would be a sure sign the OK has not shaken off its malaise.

Brenmill sustains growth

BRENNER Mills (Brenmill) doubled its earnings to 32,8c a share in the year to end-February, its second year of strong growth after a three-year period of declining profits.

In the past year, the maize meal, malt and animal feeds manufacturer's share price has risen by 225c or 409% to its current level of 280c, representing one of the largest share price gains on the JSE.

Turnover figures were not given in its report, but sales grew 29,2% over the previous year. In financial 1992, turnover showed no growth over the previous year. Operating profit rose 85,3% to R13,9m, with an improvement in margins.

Chairman and joint MD Arnold Brenner said the company was based in the northern Transvaal, with its mills spread across the region. This, together with the fact that it was a smaller player, meant it could supply fresh, quality produce and provided good service. Its ability to react immediately to problems led to increased sales.

Effective cash management and

control over working capital resulted in "a significant generation of cash balances". The company received interest of R790 000 after paying R281 000 the previous year. This resulted in an increase in pre-tax profit to R14,7m from R7,2m.

Profit after tax doubled to R7,6m from R3,8m. A final dividend of 10c a share was declared to bring the full-year dividend up 125% to 18c a share.

Commenting on its cash-flush position, Brenner said, "In this economic climate, we are happy to be in this liquid position. But we'll be looking for possible good acquisitions in the not too distant future."

He said the coming year would be difficult. Although white maize was back in circulation and imported maize was a thing of the past, the imported maize had left its mark on the market, particularly in terms of consumer resistance.

There were additional pressures in terms of increases in fuel prices and wages and salaries.

B/DAY 26/5/93 (186)
MARCIA KLEIN

Two more SMA executives quit

LINDA ENSOR

CAPE TOWN — The attrition among leading executives at Syfrets Managed Assets (SMA) continued yesterday with two more people resigning to join the rival Coronation Asset Management (CAM).

Acting head of research Vanessa Carlow and administration manager John Snalam resigned. A source said they were not happy with the situation at SMA.

This brought to eight the number of resignations in the past week, the others being those of SMA MD Leon Campher, Syfrets Growth Fund portfolio manager Tony Gibson, Trustee Fund portfolio manager Matt Brenzel, portfolio manager Thys du Toit, investment research head Hugh Broadhurst and computer expert Nick Walters. All planned to join CAM.

Acting SMA co-ordinator Rob Nichol confirmed the resignations. He said SMA was confident of finding quality replacements, as response from applicants had been enormous.

Crookes Brothers' earnings hurt by drought, competition

By Stephen Cranston

The drought and unexpectedly heavy competition in European markets held Crookes Brothers' earnings per share to a modest four percent improvement to 62,6c in the year to March.

The dividend is an unchanged 21c.

MD Dudley Crookes says the drought had a material effect on agricultural production. Cane production fell by 24 percent to 314 083 tons after adjusting for the sale of the Isonta farm on the South Coast.

Income from exports was down as heavy competition in European markets resulted in citrus prices being pegged at 1992 levels, while apple prices de-

clined.

Group turnover declined by two percent to R43,3 million, and pressure on selling prices led to a 22 percent decline in operating profits to R6,15 million.

Interest payments fell from R770 000 to R380 000 despite the considerable cost of expanding banana operations in the Eastern Transvaal and improving the deciduous fruit farm in the Cape.

Income benefited from the reversal of a R1,592 million deferred tax provision thanks to the policy of providing on the partial method.

Investment income increased by 10 percent to R942 000 and attributable income by four percent to R7,5 million.

GIANT South African chicken producer Rainbow Chickens paid R8-million for struggling competitor Delmas Kuiken in April — only to shut the company down and dump its assets in the veld.

An estimated 750 people from the small eastern Transvaal town of Delmas will be out of work once Rainbow has completed the closure — which has already started. The retrenchments, which will be fully effective by the end of July, will hit Delmas hard.

Is the industry leader pursuing a “scorched earth” policy to prevent any competition arising from Delmas Kuiken? An American firm had put in a R6,5-million offer to take over the company and run it as a going concern.

An ex-employee of Delmas Kuiken, who did not want to be named, explained the US bidder had been put off initially by unrest — but eventually had taken fright at being involved in bidding against another company which had an “inside track”.

The US company had made an offer for Delmas at a creditors’ meeting. According to this employee, an attorney present, acting for the liquidators, asked the creditors to delay their decision because another bidder wanted to make an offer.

The creditors did this and the US company pulled out of the bidding, leaving the other company’s offer the only one available to creditors. That other company turned out to be Rainbow.

Rainbow says it never had any intention of keeping Delmas Kuiken going and only bought the assets (for R5-million) and stock (for R3-million). The market is oversupplied with chickens, it says, so there would be no point in keeping the operation going.

But employees and ex-employees point out Rainbow is busy dumping the equipment it supposedly bought the company for. A *Weekly Mail* photographer this week witnessed scores of chicken feeders being dumped in the veld. They have been stripped from the chicken houses, which are now empty. The question remains what is left that would justify the R5-million paid for the assets?

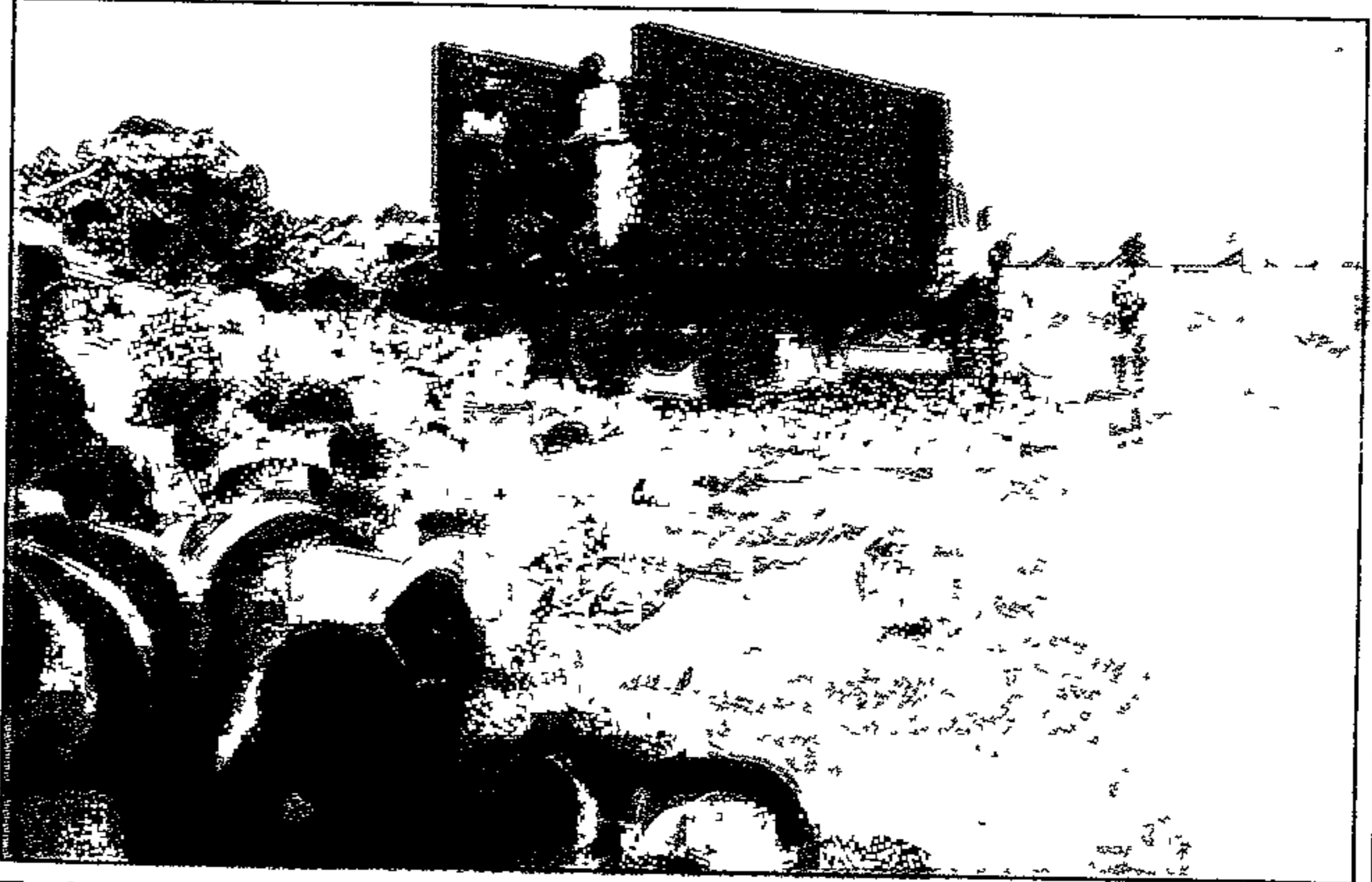
Rainbow, owned by the Methven family and Rembrandt subsidiary Hunt Leuchars & Hepburn (HLH), lost R77-million in the year to end-March 1993 and attributed this in part to industry overproduction.

HLH director Rob Cox said Rainbow had put in an offer for the assets of Delmas Kuiken solely to get movable and immovable assets. He said some of the equipment was imported, such as sophisticated hatching equipment.

Asked why Rainbow had not revealed itself to creditors, Cox said “We wanted to make sure we would get the assets and didn’t run foul of any competition thing. We wanted the opportu-

Delmas cries fowl at Rainbow buyout

Wilmant 28/5 - 3/6/93. (186) ~~28/5/93~~
A small-town chicken producer took on the industry Goliath — and lost. Now Delmas wants to know why Rainbow Chickens bought the company, only to fire its workforce and dump its assets in the veld. By REG RUMNEY



That's not chicken feed .. Workers dump Delmas Kuiken's equipment in the veld. In the background chicken houses stand empty
 Photo LUANNE CADD

nity to check it out before there was a hue and cry.”

Rainbow’s action has incensed workers and the local community. An emotional Delmas

employee, Gert Bezuidenhout, said this week “It’s not only equipment they are dumping. They don’t even have respect for people.” He said equipment worth millions was being dumped.

He added: “We were told we were under provisional liquidation in December last year. We were more secure under provisional liquidation than when Rainbow took over on April 5.”

He complained that Rainbow had not communicated with employees about the closure of the company. “They don’t discuss anything with us.”

Cox, disputing the allegations, said Rainbow understood that a letter to employees from the liquidator, on April 8, telling them of the closure had been intercepted by a manager at Delmas Kuiken.

When Rainbow became aware that employees had not been told it extended the contracts of workers another month, Cox said.

Rainbow is estimated to have under 50 percent of the local broiler market. Delmas Kuiken used to have an estimated two percent.

On the face of it, Rainbow has moved on the company to prevent potential competition in the future. But the Competition Board, which would have preferred to see Delmas taken over and run as a going concern, is powerless to act.

Competition Board chairman Pierre Brooks says because the company was already in provisional liquidation and there was only one offer on the table, from Rainbow, there was little it could do.

He adds that Delmas residents have been told the Competition Board has insisted on the closure, and that this is patently untrue.

The Competition Board was also powerless to act, despite criticism, in 1991 when Rainbow Chickens bought out its main competitor, Bonny Bird, for R224-million.

Cox said the US company had made an offer, of R6,5-million, at an informal meeting of creditors on February. Major creditors rejected the offer, he said.

On March 11 Rainbow made its offer to creditors and the liquidator recommended it be accepted.

Smaller slice

186

Competition in the food industry has intensified as the giants vie for shrinking disposable income. But ICS's efforts were brought to nought as the drought produced surpluses in the dairy, meat and poultry sectors and pressured prices. EPS managed a mere 1% increase to 82c in the six months to March.

Turnover declined 3% to R1,1bn, but operating income took the biggest knock, down 45% to R13,7m. The bottom line was helped by a 39% improvement in the interest bill, the cut in the corporate tax rate which contributed R3,9m and a healthy contribution of R21,6m from associates.

The balance sheet remains strong. Working capital was watched closely, with debtors up 2% and stock up 9%. ICS reduced gearing to a low 10% (14% at September year-end).

Managed operations experienced difficulty because of a decline in volumes and associ-

SQUEEZED BY SURPLUSES			
Six months to	Mar 31 '92	Sep 30 '92	Mar 31 '93
Turnover (Rbn)	1,17	0,97	1,14
Operating income (Rm)	24,8	1,7	13,7
Attributable (Rm)	30,9	25,1	31,2
Earnings (c)	81,1	65,9	82,0
Dividends (c) ..	17	28	17

ated protein surpluses. Oversupply and an increase in the maize price caused a loss in Festive Chicken. Much effort has been directed towards improving the performance of the Clayville dairy and though progress has been made it still operates at a loss.

Meat division results fell, but MD Nick Dennis says this was expected in a newly deregulated environment. Increased competition for hides hit tanning operations.

Just under three-quarters of earnings originated from associate companies, 40%-held Commercial Cold Stores, 46%-held caterer Fedics, and 50%-held Chandling International, Bull Brand and Sea Harvest, once again the biggest contributor to profits.

ICS has announced it is to list Sea Harvest on the JSE in July. The move follows the increase in its stake from 50% to 62% in a R72m investment. ICS and Spanish-owned Pescanova previously each held 50%. Pescanova has sold off a further 28% by a private placing, which has apparently been oversubscribed. ICS financed the increase in its shareholding from cash resources.

ICS's share has been under pressure since December, falling 17% to R13,75, but the rating is still some way behind those of Barlow Rand group sister Tiger Oats and rival Premier.

Marylou Greig

FM 28/5/93

of R277m (1992. R276m)

186

At the C G Smith level, a 7% increase in turnover against a meagre 1% improvement in operating income shows the sort of pressure margins were under. Still, the balance sheet remains strong. Long-term debt increased a third to R867m, but that's down on the year-end's R902m and with a 19% increase in cash holdings to R432,5m, gearing has been reduced to a comfortable 21,9% (1992 25,1%)

Operating breakdown shows Foods to be the biggest retarding influence on the holding company's earnings. Lumped together with pharmaceuticals — represented by Adcock Ingram and Logos, which both put in strong performances, increasing contribution to earnings by 43% — Foods's contribution to earnings dropped by 8% and now accounts for 54% of group earnings (1992 61%)

A further breakdown at the Foods level shows the contribution from sugar and related activities decreasing by 27%, while food, fishing and other investments is down 7%. Oceana Fishing achieved good earnings growth, as did Spar, so the bulk of the decline has come from Tiger's maize milling operations, County Fair Chickens and Golden Lay eggs, and ICS's Festive Chickens

Financial director Chve Vaux says maize milling was hampered by higher costs related to the drought, as well as imported yellow maize. "The lower quality of yellow maize affected yields, and we also picked up some consumer resistance," he says. In addition, mill expansion costs in the previous financial year, particularly extra depreciation and financing costs, influenced the division's performance. The group's broiler and egg interests are victims of the oversupplied industry, with all three companies recording losses

Smith Sugar experienced the worst of the drought, which was more severe on the Natal south coast where three of the company's mills are situated. Vaux says one consequence is that the Illovo sugar mill won't open during the 1993-1994 season

Results are reflected in share prices, CG Smith dropping R2 to R120 since the year-end and Foods down from R47,80 to R44,50 over the same period. Both shares are on demanding yields, and will offer little attraction to investors until there are clear signs of increased consumer demand

Shaun Harris

C G SMITH FM 28/5/93

No yolking matter

186

Sugar, broilers, eggs and maize are behind the rather abrupt interruption to the consistent earnings growth recorded over recent years by diversified consumer goods group and Barlow Rand subsidiary C G Smith. Part of the blame lies with the drought, part with the oversupplied broiler and egg markets, and generally to reduced consumer demand

Holding company C G Smith registered a decline in real terms with earnings advancing only 4%, 81%-subsidiary C G Smith Foods took the brunt of falling demand with an earnings decrease of 8%

Results would have been worse but for the new dual tax structure and corresponding deferred tax benefits. Those added R40,4m to Smith's taxed profit of R441m (1992 R409m), and R28,6m to Foods's taxed profit

Price war cuts cost of food

SI Times (bus)
6/6/93

By CIARAN RYAN

PRICE wars have lowered the cost of food.

New competitors in meat, confectionery and rice have sent prices back to levels of the 1980s, exposing market leaders to charges of profiteering.

Beef meat prices were slashed by as much as 50% this week as supermarkets tried to undercut the new Farm to Family budget outlet in Edenvale.

Supermarkets knocked up to R10 off a kilogram of rump steak to match Farm to Family's R14,95.

Nils Dittmer, chairman of the Organisation of Livestock Producers which owns the franchise, says, "It's remarkable that the opening of a single Farm to Family could have that effect."

Rice prices tumbled after Mars International began promoting Uncle Ben's Market leader Tastic, owned by Tiger Oats, could be bought in some shops for R4,99 a 2kg pack this week compared with R6,99 last year, says Cliff Sampson, marketing director of Royal Beechnut. Tastic disputes this, saying its prices have fallen by an average of 10% to R5,59.

Rice was zero-rated for VAT in March. Mars is represented in SA by Royal Beechnut.

Uncle Ben's has 3% of the R700-million-a-year market, and is aiming for 5%. Tastic has more than half.

Hopes run high for Premier earnings

By Stephen Cranston

The market has strong expectations for Premier results for the year to April.

Analysts expect it will report an increase in earnings per share at least as good as, if not better than, the 14 percent achieved in the first half.

This might be surprising after its archrival Tiger Oats reported a three percent decline in earnings per share in the six months to March.

But Premier has the advantage that it no longer operates in the loss-making chicken and egg businesses, and has relatively little exposure to value-added aspirational products, in which volume sales have fallen by 10 percent in major cases over the last 12 months.

And with its food division it has tended to outperform.

Its edible oil division has an operating margin of 3,5 percent in its last financial year, compared with a 2,6 percent margin in Tiger's edible oil division.

Star 31/5/93
Tiger's margin on milling and baking of 8,1 percent is somewhat better than Premier's 6,7 percent, but the two figures are not comparable as Tiger includes higher-margin operations such as Beacon Sweets, Fattis & Monis and Tastic Rice in this division.

Premier has been able to increase its share of the bread market, where it was already the biggest player, by marketing its Blue Ribbon brand nationally, and there has been a switch to bread products because of consumer resistance to yellow maize.

VAT was taken off white bread in April, which should allow bread sales to grow.

But much the most important contributor to Premier's results has been the unexpectedly fast turnaround at Metro Cash 'n Carry under Carlos dos Santos.

This saw its attributable profit rise from R2,3 million to R24,1 million at the halfway stage and the operating margin is expected to increase further from its then level of 1,2 percent steadily to two percent or more.

186
Metcash not only sweetens the bottom line, but it is a major cash contributor because it has no debtors to fund and low capital expenditure requirements.

Metro itself virtually saturates the country with its outlets, although there is scope for growth in the larger Trade Centre stores.

Premier's pharmaceutical company Prempharm does not yet enjoy the rating or the success of Adcock Ingram, but it made a strong contribution last week when it reported a 33 percent increase earnings per share.

Premier's problematic pharmaceutical wholesaling interests should not be such a headache from now on as they have merged with Medical Cash and Carry Holdings, which has a substantial share of the market.

There will be considerable savings from the rationalisation of the operations.

Eyebrows were raised when Premier moved into the dairy business in February through the purchase of a 28,6 percent holding in Bonnita, as the ICS dairy divi-

sion has proved a burden on that company.

But Ed Hern, Rudolph analyst Syd Vianello says that although Bonnita has 25 percent of the fresh-milk market, it should be seen as a cheese company and cheese provides better margins and is less subject to surpluses.

Premier could be entering the dairy market at a time when it looks like the milk surplus has been reduced and prices should start to rise.

The entertainment interests in Gallo and Teltron have been hit by the decline in consumer spending, but Clicks with its discount prices has been a beneficiary of the consumer's search for value.

Real earnings growth from Premier has been discounted in the share price, in which at R47,50 it sits on a P/E ratio of 18 and offers a dividend yield of 1,8 percent.

This is expensive, but Premier will be a beneficiary of increased earnings in the C and D income groups, through its food division and through Metro

Premier brings home the bacon

Business Staff

GIANT food and medical group Premier has recorded a healthy 16 percent growth in earnings a share with a little help from Finance Minister Derek Keys

Dividend has been increased by the same margin to 94c

Chairman Peter Wrighton said he had to thank Mr Keys for some of the improvement because about eight percent of the earnings growth was attributable to changes in company tax

The effective tax rate fell from 42 to 36 percent

Turnover rose by three percent to R10,15 billion, although turnover from continuing operations increased by 13 percent

The operating margin increased from 4,3 percent to 4,4 percent, enabling operating profit to grow by four percent to R438,9 million

There was a sharp reduction in interest paid from R58 million to R23,6 million, helped by the strong cash generation of Metro

Attributable earnings increased by 23 percent to R233,8 million

The food division's earnings were almost unchanged as result margins being placed under pressure by drought, deteriorating socio-economic and

political conditions and violence

Metro Cash & Carry, Premier Pharmaceuticals and Clicks all exceeded profit expectations

CNA Gallo improved attributable earnings only marginally, despite the downturn in consumer spending. There was a satisfactory improvement from Teltron

Premier continued its active policy of investment and disposals, acquiring a 39 percent interest in Bonnita Holdings, the country's second-largest producer of milk-based products

It increased its shareholding in Premier Pharmaceuticals to 57,5 percent, giving it management and shareholder control previously shared with the Krok brothers

Considering the acquisitions, gearing increased nominally from 10,6 to 14,2 percent

Mr Wrighton said Premier continually changed its shape because he did not want the company to become another General Motors or IBM

The results vindicated the recent strength of the Premier share price. At R49 it is 20 percent up on levels of R40 a year ago, although below the R53 level it reached in January

It has a P/E ratio of 17,3 and a dividend yield of 1,9 percent,

which is expensive, but other industrial companies on similar ratings have not produced results like these

■ FORMER chairman of Premier, Tony Bloom has been asked to resign from the board, having been a director since relinquishing the chairmanship in 1988, prior to emigrating to Britain

Mr Bloom, now chief executive of the London-based laundry and dry cleaning chain Sketchley, said yesterday he had received a letter from chairman Peter Wrighton, asking him to step down to permit a reorganisation of the board

"I was asked to resign. This was not of my volition. I wouldn't like people — especially at Premier — to think that this was another instance of my just walking away

"On the other hand, I made a personal decision to live in London in 1988, and I must accept the consequences of that"

Mr Bloom said he was surprised, however, and called the timing of the request — it coincides with Premier's 80th year in business, much of it strongly associated with the Bloom family — "a bit bizarre"

Mr Wrighton told The Argus the decision to ask Mr Bloom, "a great friend and mentor", to step down had been very difficult

186 ARG 10/6/93

Premier reports 16% earnings rise

186 *Biday 10/16/93*

MARCIA KLEIN

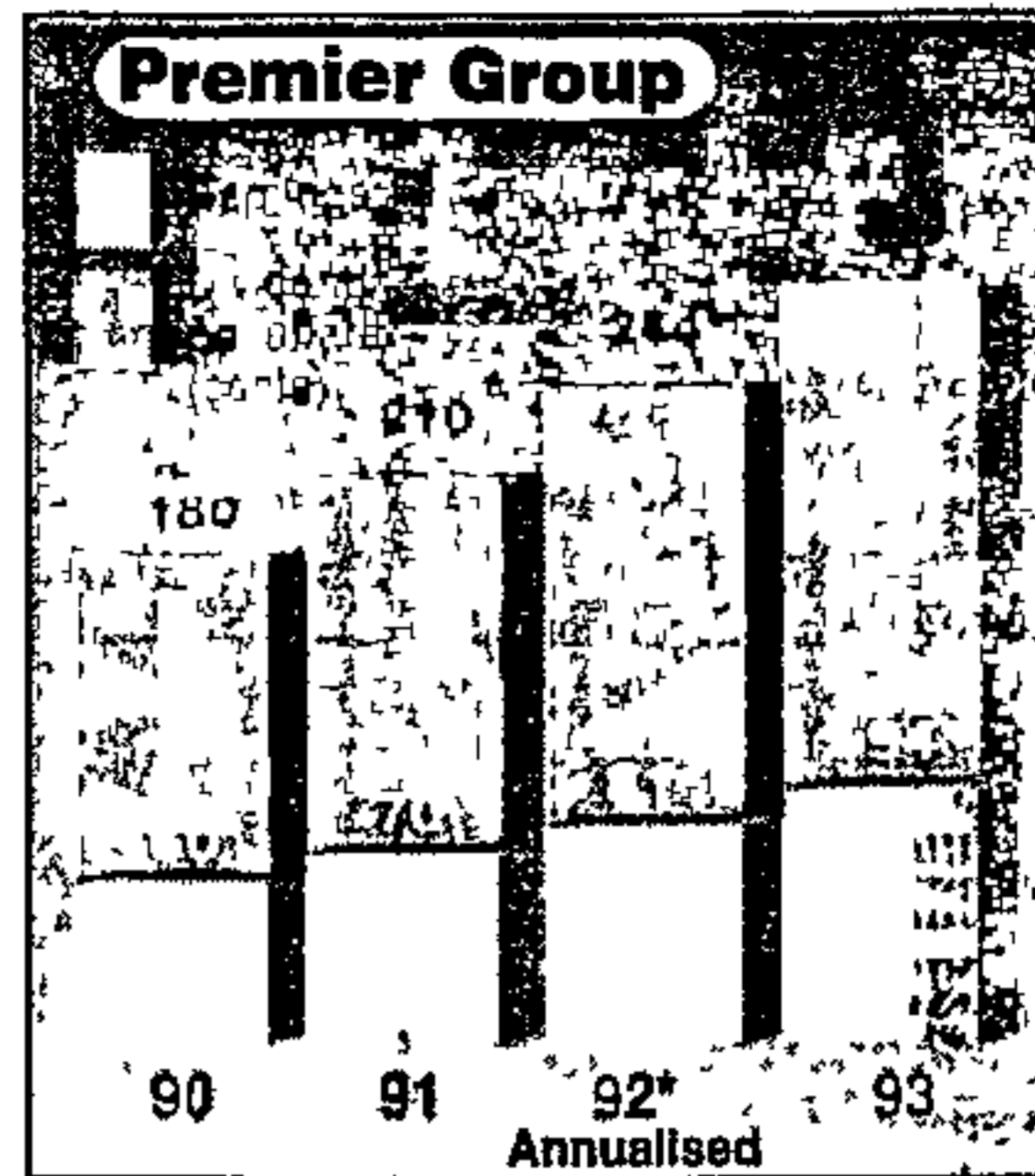
BENEFITS of acquisitions and disposals over the past few years, and lower interest and tax charges, enabled the Premier Group to report a 16% earnings rise to 283c (244c) a share in the year to end-April.

The food, pharmaceutical, wholesale and retail group reported a similar increase in the full-year dividend to 94c (81c) a share after declaring a final dividend of 58c a share.

Yesterday the share continued its recent gains by rising 75c to R51 (close to its January high of R53) on news of the group's results and of chairman and CE Peter Wrighton's target of real earnings growth in the coming financial year.

Wrighton said earnings a share had grown at a compound rate of 23% a year in the past five years, and shareholders' wealth, including the increase in the share price and dividends, had grown at a compound rate of 63% a year.

Because the previous year contained 13 months, comparative figures for that period have been arithmetically reduced by one month. But comparative figures were not restated to reflect disposals or those interests which had been consolidat-



ed for the first time in the current year.

During the year, the group acquired a 39% interest in dairy producer Bonnita for R144m and increased its share and acquired management control of Premier Pharmaceuticals (Prempharm)

It increased its shareholding in Clicks Stores to 48% and marginally increased its share in Metro Cash and Carry (Metcash)

□ To Page 2

Premier

to 68,6%. United Pharmaceutical Distributors (UPD) was formed and the group's majority shareholding in Score Supermarkets was sold to management. Jabula Foods was sold to National Sorghum Breweries, in which Premier has a 10% share.

Group turnover rose by 3% to R10,2bn from R9,8bn, but Wrighton said turnover in comparable operations on an annualised basis was up by 13%.

Trading profit was 4% higher at R438,9m (R420,1m), and would have been about 10% higher if the previous year's figures had been restated. Margins were maintained at last year's lower level after the acquisition of Metcash

A reduction in interest-bearing debt and lower interest rates resulted in a significant reduction in net interest paid and a 15% rise in pre-tax profit to R415,3m (R362,1m). Wrighton said one of the most effective changes in the group's structure over the past few years was interest cover, which had risen to 18,6 times from 7,3 times in 1992 and 4,6% in 1991

Helped by a lower tax rate, after-tax profit reflected a 25% growth to R314,7m (R252m)

After an increase in the share to minorities, because of higher earnings from

Prempharm, Metcash and Clicks, attributable earnings were 23% up at R233,8m (R190m) The lower increase in earnings a share was due to additional shares in issue

The core food division maintained market share and marginally increased earnings, but its share of the group's attributable earnings dropped to 48,2% (58,2%)

The wholesale and pharmaceutical divisions showed significant increases in their contributions. Wrighton said Metcash had exceeded profit expectations and Prempharm, which had improved earnings substantially, was positioned to take advantage of acquisition opportunities Clicks Stores showed good growth, CNA Gallo improved earnings marginally and Teltron — consolidated for the first time — showed a satisfactory improvement in results.

He expected continued growth from Metcash, Prempharm and Clicks The food division would show improved results CNA Gallo was expected to resume earnings growth. UPD and Bonnita would contribute to results for the first time

□ Premier confirmed that former chairman and CE Tony Bloom had been asked to resign as a non-executive director Bloom, who heads UK company Sketchley, resigned from Premier in 1988.

□ From Page 1

Premier posts ⁽¹⁸⁶⁾ ET 10/6/93 16% earnings rise

From MARCIA KLEIN

JOHANNESBURG. — Benefits of acquisitions and disposals over the past few years, and lower interest and tax charges, enabled the Premier Group to report a 16% earnings rise to 283c (244c) a share in the year to end-April. The food, pharmaceutical, wholesale and retail group reported a similar increase in the full-year dividend to 94c (81c) a share after declaring a final dividend of 58c a share.

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earnings were 23% up at R233,8m (R190m). The lower increase in earnings a share was due to additional shares in issue.

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● Premier confirmed that former chairman and CE Tony Bloom had been asked to resign as a non-executive director. Bloom, who heads UK company Sketchley, resigned from Premier in 1988.

'Foreign' purchases sold locally

Millions lost in huge food exports scam

B1 Day 10/6/93

(186)

TIM MARSLAND

MAJOR food manufacturers and government have lost what may amount to hundreds of millions of rands in a scam which abuses the R1,6bn General Export Incentive Scheme (GEIS).

Although industry is aware of the fiddle, there is little it can do and police have a tough time securing convictions because of the difficulty of obtaining proof.

The scheme involves syndicates which buy goods for export — purchasing them free of VAT and with an export discount from manufacturers who will receive a GEIS rebate — and then sell them locally on the black market.

The taxpayer loses through the payment of export incentives — designed to stimulate foreign exchange earnings — to manufacturers who mistakenly believe the orders have been exported. The manufacturers in turn find themselves competing with their own discounted goods locally.

The scheme relies on fraudulent proof of currency transaction and of export or receipt in a foreign country, mostly neighbouring states. Manufacturers say the documentation is either forged, sometimes with the help of officials in other countries, or obtained through bribes.

Not only do the syndicates benefit from the GEIS discount (19% on raw goods that are fully processed before export), they also do not pay VAT on goods for export. The total advantage is about 35%.

Manufacturers say Mozambique has been a major problem with many of the "exports" to that country turning up on the local market. There are apparently also a number of unpoliced exit points along SA's borders which the syndicates can use.

One source said less than 10% of exports were checked by Customs and Excise. SAP commercial branch Capt Danie Kriel confirmed police were investigating a number of these schemes, but declined further comment.

Most of the goods are sold on the black market in Johannesburg, although the problem is believed to be countrywide.

Bakers Biscuits operations director Robin Kitchin said Bakers now only allowed shipments to Mozambique that went by ship and had its agents check the shipment in Mozambique. Bakers had tried marking boxes that were to be exported, but these also arrived on the local market. He said the scam had harmed Bakers' reputation on the local market and damaged its legitimate export business.

Nestlé financial director Jose Mendes said his company had first encountered the problem about two years ago and had printed special labels for its export produce, but these had still found their way onto the local market. Nestlé had handed

□ To Page 2

Exports

evidence to the police, the Trade and Industry Department and Customs and Excise for investigation. "It is taxpayers' money that is being stolen. It is also harming our business because at the end of the day, we are competing against our own products on the local market." (186)

Tongaat-Hulett group MD Cedric Savage said he was aware his company's sugar and edible oil products were used in the scam. The Trade and Industry Department (which administers GEIS) had been approached and was investigating, he said. It was also considering reducing tariff protection on certain goods such as edible oils,

□ From Page 1

which Savage said would help reduce the temptation to commit the fraud.

Beacon Sweets vice-chairman Eddie Berkovitz said his company had encountered similar problems. To limit the damage Beacon now supplied goods only to exporters that it believed were legitimate.

Sources say there is little police can do to stop the fraud. Even if a shipment were placed under surveillance, prosecution could involve only that shipment, and the fine for conviction would be minimal. Customs and Excise is powerless to act since the goods do not leave SA.

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Millions lost through exports racket

Own Correspondent

JOHANNESBURG — Major food manufacturers and the government have lost what may amount to hundreds of millions of rands in a scam that abuses the R1,6-billion General Export Incentive Scheme (GEIS). Although industry is aware of the scam, there is little it can do and police have a tough time getting convictions owing to the difficulty of obtaining proof. The scam involves syndicates that buy

goods for export — free of VAT and with an export discount from manufacturers, who receive a GEIS rebate — and then sell them locally on the black market. The taxpayer loses through the payment of export incentives to manufacturers, who in turn find themselves competing with their own discounted goods on the domestic market. Manufacturers say the documentation is either forged, sometimes with the help of

officials in other countries, or obtained through bribes. The syndicates gain about 35% in GEIS discount and exemption from VAT. Manufacturers say many "exports" to Mozambique turn up on the local market. SAP commercial branch's Captain Danie Kriel confirmed police were investigating a number of these schemes. Bakers Biscuits operations director Mr Robin Kitchin said Bakers now only al-

lowed shipments to Mozambique that went by ship, and employed agents to check shipments on arrival there. Nestle financial director Mr Jose Mendes said his company had tried printing special export labels, but these had still found their way on to the local market. Nestle had handed evidence to the police and departments of Trade and Industry and Customs and Excise. Tougaat-Hallett group managing director

Mr Cedric Savage said he knew the company's products were being abused. Beacon Sweets vice-chairman Mr Eddie Berkovitz said his company now supplied goods only to exporters whom it believed were legitimate. Sources say there is little police can do to stop the fraud, while Customs and Excise is unable to act because the goods do not actually leave South Africa.

186 CT 10/6/93

Delcorp in R27m Chemserve deal

Bil say 11/16/93

THE Del Monte Royal Corporation (Delcorp) has sold half of subsidiary Roychem's businesses to Chemical Services (Chemserve) for R27m cash. This is part of its intended move towards disposing of what was once its core business.

The announcement yesterday follows various cautionaries, and much speculation that since the acquisition of Del Monte Food International, the chemical interests would be sold.

According to the announcement, Delcorp had decided to focus on its food-related interests and resolved to dispose of the chemical and pharmaceutical interests represented in Roychem.

The deal, effective on June 1, saw Roychem dispose of chemical, distribution, agency and analytics businesses Holpro-Lovasz and M & T Chemicals to Chemserve. Holpro-Lovasz was the cornerstone around which the Royal group was built.

Delcorp also warned that negotiations were continuing in respect of the disposals of the remaining businesses, Ferro Industrial Products (which was acquired in 1991 for R38m) and Laser Pharmaceuticals.

The effects of the two disposals on Delcorp would be reported after completion of all the transactions. The purchase consideration was based on the audited NAV of the businesses.

Delcorp said the chemical interests

MARCIA KLEIN

were once the core of the group's operations. But since the massive Del Monte Foods acquisition, the chemical interests were reduced to "an insignificant role in the group's affairs".

Chemserve also said it had acquired holding company AECI's 50% interest in Crest Chemicals to make it a wholly owned subsidiary.

Chemserve would restructure its chemical distribution interests. Holpro-Lovasz and M & T would be renamed Holpro Fine Chemicals and would operate in the food, beverage, medical, pharmaceutical and allied industries.

Crest Chemicals would operate in all fields of industry not serviced by Holpro Fine Chemicals, including the mining, chemical and textile sectors.

Chemserve said that Holpro would substantially broaden its product range and enable Crest to conduct its decanting operations in-house.

The acquisitions would strengthen Chemserve's position in the chemical distribution market in southern Africa, and bring sharper focus and improved service to the market.

The transactions would have a negligible effect on Chemserve's earnings and NAV in the short term.

Premier marches without a Bloom

Times (BUS)

13/6/93

By CHERILYN IRETON

TONY BLOOM parted ways with Premier Group this week in a restructure where board membership requires relevance to the new South Africa.

When the group's results were presented to investment analysts on Wednesday, few did not note the irony of how well Premier has done since Mr Bloom's departure for Britain.

Mr Bloom, whose family had strong links with Premier, had been kept on as a non-executive director since his resignation as executive chairman five years ago. Although he was supposed to develop and expand the group's international business arrangements, his participation dwindled to attending biannual board meetings.

Race

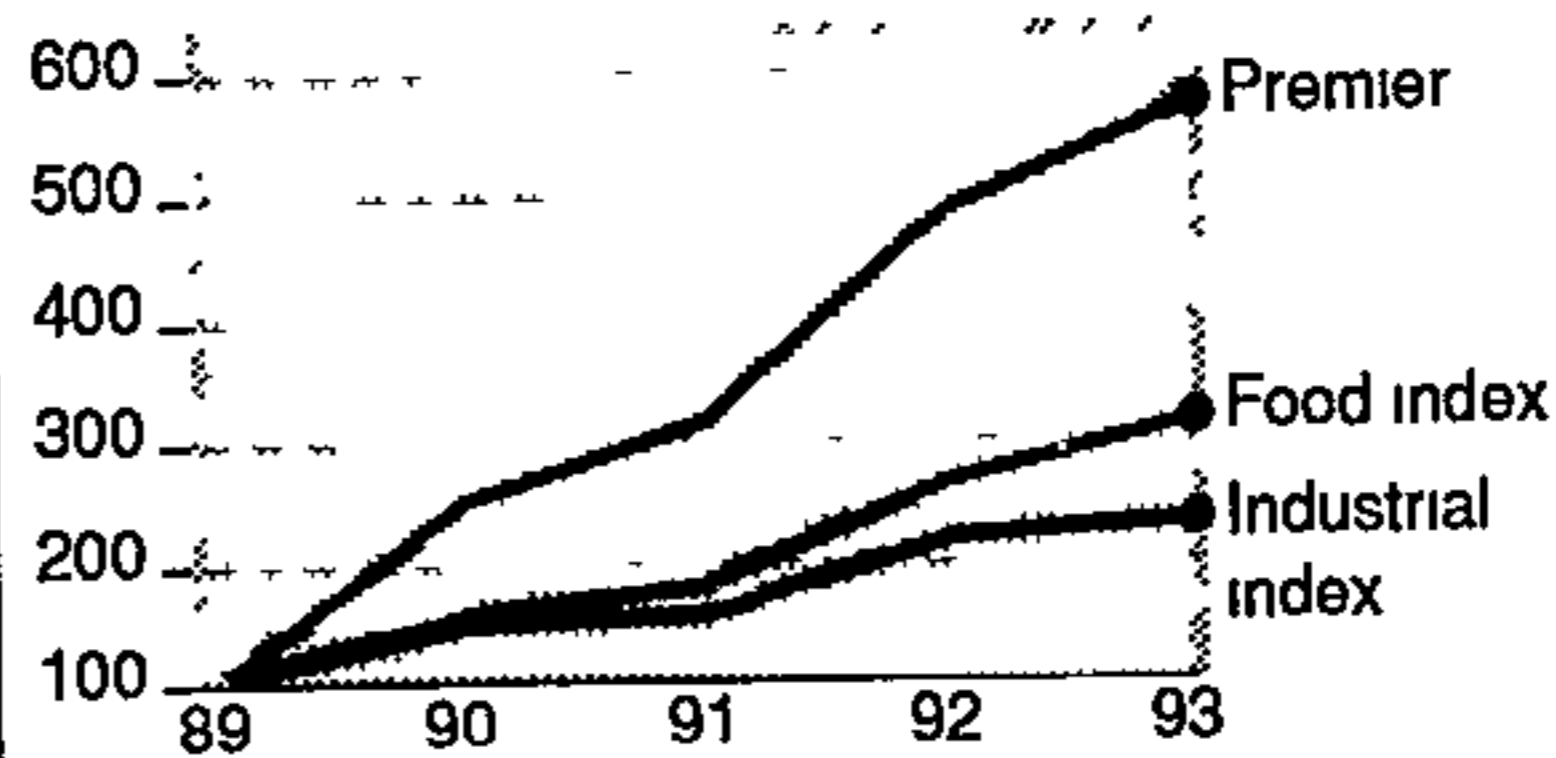
Last year he is believed to have sold his remaining shareholding, ending the Bloom family's investment in Premier.

In presenting the group's figures, chairman Peter Wrighton unwittingly highlighted the strides made since Mr Bloom's departure. Compound annual earnings a share growth over the five years was 23%.

The share price has risen at a faster rate than both the

THE PREMIER GROUP

INDEX OF PREMIER'S AVERAGE SHARE PRICE COMPARED TO AVERAGE JSE INDUSTRIAL AND FOOD INDICES



JSE industrial and food indices. At the March 1988 year-end — when Mr Bloom announced his intention to emigrate — the share price was R4,50 (before Bevcon was stripped out). This week, Premier traded at R51.

Some food analysts say the 16% growth in earnings a share puts Premier convincingly ahead in its traditional race with Tiger Oats for investor affection.

In truth, on historic information there is not much to choose between the two. Premier yields 5,5% on its year's earnings, Tiger at this week's price of R42,50 yields 5,4%. This translates into a price earnings ratio of 18 and 18,4 respectively.

The difference lies in prospects. Premier is aiming for real growth. Tiger, which recently reported a 3% drop in

half-year earnings a share, warns that it may not achieve profit growth this year.

This week's celebrations focused on Premier's 80 years in business, an anniversary marked by turnover passing R10-billion.

Compound sales growth in the 80 years has been 13,75% a year — there was no inflation for the first 60 years.

Premier Group has changed vastly from its early form. Food accounts for under half its profits and pharmaceutical operations this year chipped in R45-million, or a fifth of the attributable profit of R234-million.

Premier is capitalised at R4,2-billion — surpassing the market value before the SA Breweries investment was stripped out into separate company Bevcon.

PREMIER GROUP

186

FM 18/6/93

A case where unbundling worked

Joe Bloom, Premier's legendary chairman, was fond of observing that his education was at the university of Newtown, the site of Premier's old Johannesburg head office. He would have been pleased with the results — the group's 80th — announced by present chairman Peter Wrighton — even if they did emanate from the plush Killarney HQ, the folly of his departing son Tony.

They took the market by surprise. Premier's bottom line is better than expected and this continues a trend that started when Wrighton took the chair in 1989. The improving financial performance partly reflects changes in management but also follows changes in the activities from which the group derives its profits.

Over the five years since the unbundling of the 34% holding in SA Breweries, EPS have grown at a compound annual rate of 23% while shareholders' wealth rose at a compound annual rate of 63%. Market cap, at R4bn, is now more than it was before the unbundling.

Attributable earnings for the year ended April jumped 23% to R234m. That was achieved despite the increase of only 3% in turnover, to R10,2bn, though figures have been distorted by disposals, acquisitions and the consolidation of certain investments in which the group has a significant interest. Turnover in comparable operations on an annualised basis increased 13%.

Highlights of the income statement are the sharp reduction in net interest paid to R24m from R58m despite the 52% increase in borrowings (gearing remains an acceptable 14%), and the reduction in the effective tax rate to 36% from 42%. Wrighton says the strong cash generation of Metro is behind the reduction in interest paid, while the drop in the company tax rate to 40% added eight percentage points to earnings growth.

It's worth commenting on the perceived comparison between Tiger Oats and Premier. The accepted wisdom had long been that Tiger returned a better yield and offered consistently better prospects, no longer. Wrighton has produced results which now compare favourably with those of his major competitor, and Premier's positioning for the next year suggest its short-term prospects are probably better.



Premier's Wrighton strong cash generation

The reasoning behind this is the nature of Premier's diversified portfolio, important particularly in this economic environment where food, its core business, normally lags the general economic cycle by 12-18 months and is a relatively stable, if pedestrian, profit generator.

This is borne out by the food division's almost unchanged earnings of R113m, or 48% of the total. Pharmaceuticals increased its earnings contribution almost 60% to R44,9m, helped by Premier's increase in shareholding to 58%. The wholesale division's R37,2m (R16m) contribution largely reflects the performance of Metro Cash & Carry, which exceeded market expectations. Earnings by retail operations increased to R39m (R31m), the good performance by Clicks Stores more than compensating for the marginal improvement in earnings by CNA Gallo.

Apart from the increased stake in Prempharm, Premier's active policy of investment saw the acquisition of a 39% stake in Bonnita Holdings, second largest producer of milk-based products. It also acquired 40% in United Pharmaceutical Distributors (UPD) in a transaction which involved the disposal, to UPD, of its wholesale pharmaceutical interests, housed in Gresham and PDC. Since year-end Prempharm has announced its acquisition of Leppin, strong in brand products popular among sportsmen.

Of course, no-one gets everything right all the time. Wrighton concedes he regrets the outcome of the action taken to remove the minorities in Hi-Score and Score-Clicks. Rejection of the schemes by the minorities means these two companies now sit in an expensive limbo, and Wrighton says it's unlikely anything can be done to rectify matters for some time.

Though always looking for potential acquisitions, Wrighton says growth is expected

to come largely from expansion by Metcash into international markets. About 17% of Metcash's turnover is now derived from outside SA. This is expected to increase significantly in the next four to five years not only by cash & carry operations, established by strong joint-venture companies, but also through the export of grocery products to Africa, Asia and the Middle East.

This recently developed chameleon-like adaptability explains the sharp rerating of the share. The counter is no longer cheap, however, it is indicative of the confidence the market is displaying in Premier's ability to meet new challenges. The price has risen faster than both the JSE Industrial and Food indices. Now on a P/E of 18,0 and a dividend yield of 1,8%, it should continue to outperform most other companies on a similar rating.

Marylou Greg

BASKET OF GOODIES

Year to April 30	1992†	1993
Turnover (Rbn)	9,8	10,2
Operating income (Rm)	420	439
Attributable (Rm)	190	234
Earnings (c)	244	283
Dividends (c)	81	94

† 13 months annualised

Giant who never forgot being little

CIPRES 2016/43

THE giant Premier Group is pleased to be the official sponsor of the 23rd Soutacoc Annual General Meeting, according to chairman Peter Wrighton

This is understandable Premier has not forgotten its own humble beginnings – very similar to those experienced by black business today

Premier was formed 80 years ago on October 24 1913, and in February 1929 became a listed public company This was through the efforts of a handful of dedicated and talented men.

Premier was the result of the vision of a penniless, illiterate Lithuanian immigrant, Joffe Marks, who started out selling mealie meal porridge to miners on the Rand

He was a charismatic man who had a gift for making friends and learning entrepreneurial skills Hard work and diligence made up the rest and he was able to buy the mill which supplied him, Perry's Mill.

With great foresight the ambitious Marks persuaded a pillar of the English establishment, Dr Alexander Aiken – also a leading auditor – to become chairman of his fledgling company, Premier Milling.

The resultant Premier Group – one of SA's largest food and pharmaceutical producers and distributors – was built, say some, by two Jews and two Scotsmen

They were Joffe Marks, his nephew Harry Jaffe and Scotsmen Dr Alexander Aiken – principal of chartered accountants firm Aiken and Carter – and James "Jock" Elliot

They were different men, but, say company historians, their talents were complementary For instance Aiken's careful financial advice worked well in tandem with Marks' gregarious and aggressive marketing style

Years later Joffe Marks was succeeded by his nephew Harry Jaffe, an astute businessman who was instrumental in organising and unifying the SA milling industry Another newcomer to the Premier stable was Arthur Aiken, son of Dr Aiken The younger Aiken was a sound financial manager who was to become the next chairman

Joe Bloom, nephew of Harry Jaffe, was next in the chair. He came armed with old-fashioned entrepreneurial spirit and an intuitive grasp of every facet of the business This was when the Jaffe family

sold a controlling interest to the UK-based British Foods company

Then into the Premier picture came his son, Tony A superbly educated and highly professional manager, he was a shaker and mover in his own right

Tony Bloom flattened the historic Premier pyramid structure while maintaining tight financial control from the group's Johannesburg head office It is history now that it was the popular Tony Bloom who wrested control of Premier back from the hands of business giants Liberty Life, Johannesburg Consolidated Investments and Anglo American, who took large shareholdings in Premier.

Today, 80 years down the line, Peter Wrighton leads Premier, bringing great humanity combined with financial and organisational skills to the group.

This year the group again posted excellent results. Turnover was up by 13 percent to R10,1-billion.

Said Wrighton: "We are proud to be posting these excellent results during our celebratory 80th birthday year Premier was registered as a public company in 1913 and turnover during that year was £170 639 (R341 280)

R14bn-a-year Premier is ever grateful for a bowl of porridge

S. Times (Bus) 20/6/93

CHAIRMAN Peter Wrighton jokes that Premier Group is returning to the roots put down by founder Joffe Marx, a penniless immigrant who started selling meale meal porridge to mineworkers in Johannesburg 80 years ago

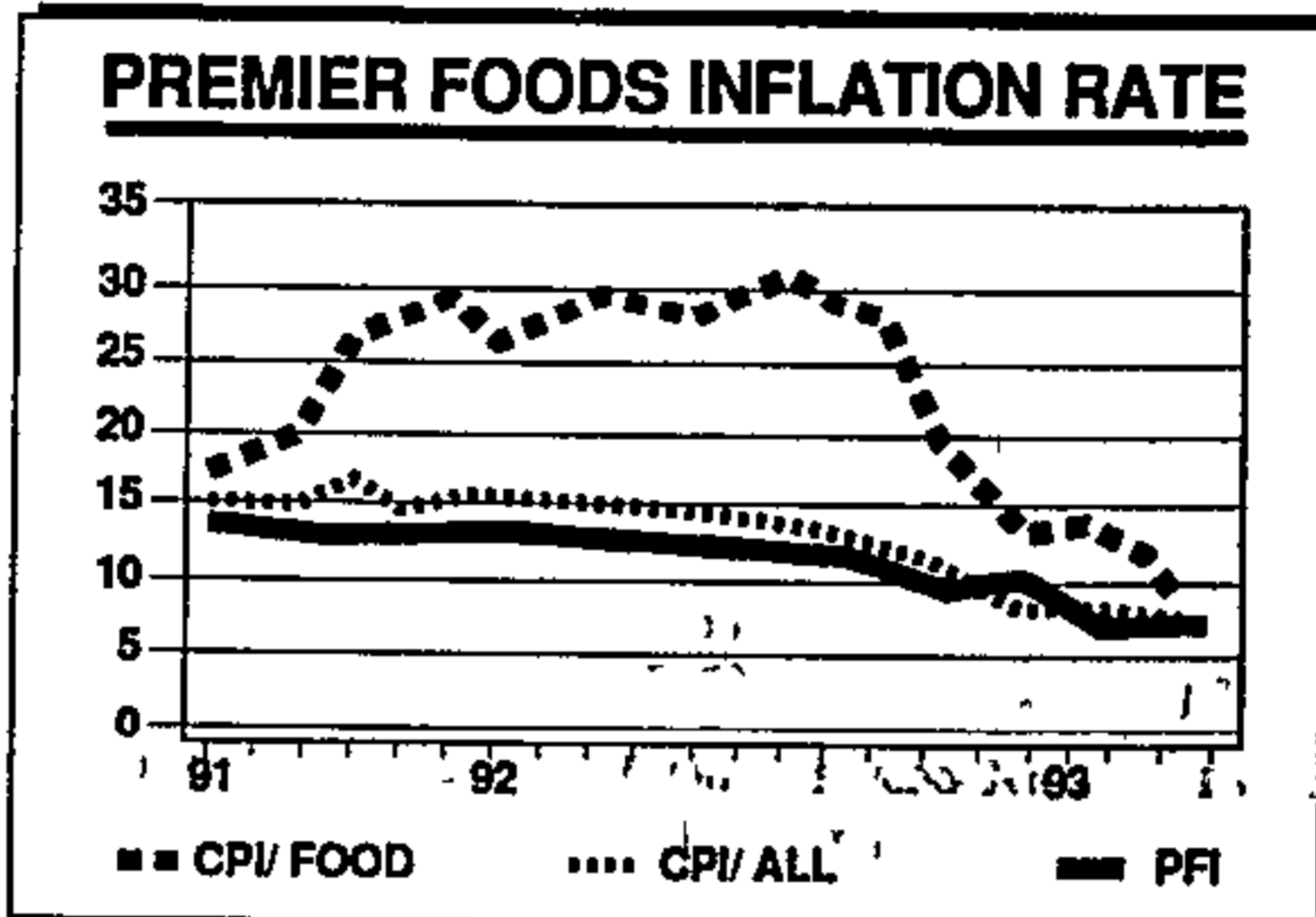
Mr Wrighton says Premier diversified from trading into manufacturing through mills, bakeries, pharmaceuticals and more. But the acquisitions last year of Met-cash and Clicks will strengthen trading again

Mr Wrighton says Premier is focused in four divisions wholesaling (R6-billion turnover), food (R4-billion), pharmaceuticals (R2-billion) and retail, entertainment and leisure (R2-billion)

The group had a successful 12 months to April 1993, during which control of Premier Pharmaceuticals was secured and United Pharmaceutical Distributors (UPD) formed. A 39% stake in Cape dairy group Bonnita is proving more of a good thing than Premier counted on

Premier raised its holdings in Score-Clicks and Hi-Score and sold Score Supermarkets for 10% of a new unlisted company housing Score. Mr Wrighton says the change in corporate tax rate also served Premier well

Premier's taxed profit of R315-million was 25% healthier than the previous



year. Attributable earnings a share were 16% up at 283c, more than accommodating Mr Wrighton's objective of 5% real growth (18b)

In the past five years, compound earnings a share growth has averaged 23%, and in 1993 the return on ordinary shareholders' funds was almost 20%

Premier deputy chief executive Gordon Utian notes much lower inflation of food prices — down to an average of 8.5% — and that margins were under pressure, particularly in oils and fats (a sector few companies seem able to get right)

Market share was maintained in flour, bread and meale meal

Mr Wrighton fielded a question at a presentation in Johannesburg of the group's

results about the potential of a new government to reimpose price control. He was not unduly alarmed by such a prospect, saying that it guaranteed income and the group had managed well under 60 years of price control.

Mr Wrighton said decontrol and deregulation were being implemented worldwide. IMF money would probably be available only to nations which avoided price control

Premier is delighted with Bonnita, whose Lotus du Plessis gave an outline of the dairy group Bonnita started in 1926 as a cheese factory in the southern Cape. It expanded its range to 31 products to become the largest producer of cheese and whey products in the country. It treats 2-million litres of milk a day,

about 22% of the market, and almost all production reaches shops within 24 hours of leaving the plant.

Mr Utian explained the changes in Premier's pharmaceuticals divisions and the formation of UPD, which houses PDC, Salters, ACA, Gresham and First Choice. He conceded it had been difficult to get the pharmaceutical formula right in the past

Unfortunately, George Simmons, manager at UPD subsidiary Medical Cash & Carry, was arrested last week as part of an investigation into theft of medical supplies, taking the edge off what was portrayed as an excellent business by chief executive Norman Knight.

This week Mr Utian said it was too soon to comment on the arrest, that UPD had been going only since April 1 and what had happened before then was outside Premier's control

With turnover expected to be R1.5-billion this year, UPD is twice the size of its nearest competitor

A new stock control system at UPD will reduce the number of distribution depots from 234 to nine

Premier Pharmaceuticals' share price has climbed from 650c last July to a high of R14.25. Premier Group shares hit R55 after these results

Star 22/6/93
Bidvest acquisition likely

By Stephen Cranston

Bidvest chairman Brian Joffe says an announcement which will have a material effect on the share price will be made today. This follows a cautionary statement published yesterday (186)

It is expected that Bidvest will make a further acquisition in one of its core fields of catering, services or packaging materials (186)

Joffe has denied speculation that he is interested in buying Karos Hotels, but possible acquisitions include Foodcorp's

catering subsidiary Catercraft or the purchase of a master franchise of an international fast food operation such as McDonald's

An alternative move might be the disposal of the 50 percent interest in Justine, which does not have an obvious fit with the rest of the group (186)

Although several pyramids such as Gencor Berend, Malhold and M&R Investments will be eliminated soon, it is unlikely that Joffe is considering removing the Bidcorp pyramid because it would jeopardise his control

Table Top *Shear 25/6/93* moves into the Gulf

Foodcorp's Table Top division, has spearheaded the group's latest export initiative with the successful launching of a number of its products in the Arabian Gulf region.

Branded garden peas, mixed vegetables, cut and sliced beans, baby carrots, sweetcorn, corn-on-the-cob, broccoli and potato chips were introduced to the retail, wholesale and catering trade in Abu Dhabi, Bahrain, Dubai, Kuwait and Muscat in Oman.

"Follow-up orders have been good," says the group's executive director for international marketing, Gert Schoonraad. "In fact, retailers in Bahrain were sold out on the first day."

"Our aim is to capture at least a 10 percent share of their frozen vegetable category in the first 12 months and then to grow this over the next three years to 25 percent," said Schoonraad.

Vietnam appoints SA firm *Shear 25/6/93* to plan R75-bn export zone

By Tom Hood

A South African firm of engineers and planners has won a contract to prepare the master plan for a R75 billion development at Hai Phong, the largest harbour in North Vietnam.

The firm, Van Niekerk, Kleyen and Edwards (VKE), claims to be the country's first to undertake consulting work in Vietnam.

It is acting for a giant Hong Kong investment company, Verygood International, which will invest about \$25 billion (R82 billion) in a joint venture with the Vietnamese government to develop an export processing zone.

Other South African companies could also become involved, says Shurwell Kipps, a partner in VKE.

About 540 factories are to be built in steel, prefabricated and shipped to Vietnam and South

African firms could be asked to make them.

"We might also export our bricks there as well," he said.

The Hai Phong development covers about 3 000 hectares. The first phase includes 200 ha of industrial factories and 100 ha of bonded warehousing.

The other 700 ha will contain commercial, business and residential areas, with recreational facilities such as a holiday resort, hotels and a golf course.

Model built

Today the firm completed an architectural model of the project and airfreighted it to Hong Kong.

Kipps said the investment group had been invited by various other governments to develop similar projects.

He and town planners Nico Malan and Alan Simonic returned recently from a visit to Hanoi, Hai Phong and Ho Cho

Minh City (formerly Saigon).

Vietnam was poised for tremendous growth, with Japan and Taiwan also planning huge investments there, said Kipps.

A Chinese contractor was expected to build the development.

The Cape company will supervise the construction, civil engineering and other works.

Kipps said Vietnam was a poor country that had seen no development since the war started in 1966 and the communist government was encouraging capitalism to develop the country so it could compete in the Pacific Rim.

VKE was experienced in this planning work through developing 10 new towns, including Khayelitsha, he added.

"In terms of sheer capital investment, South Africa has had nothing to touch this development."

Food groups merge their operations

MARCIA KLEIN

FOOD groups Foodcorp and ICS Holdings have announced two deals which will see them jointly control their processed meat interests and ICS's frozen foods distribution company The Cold Chain

They announced at the weekend they would merge their chilled prepared meats divisions by disposing of them to a newly formed company with annual sales of R500m. In addition, Foodcorp would acquire a 50% interest in The Cold Chain

The net cash effect of the merger and the acquisition would be a R15m cash payment by Foodcorp to ICS

Foodcorp would sell Enterprise and ICS would sell Renown to a new company called Enterprise Foods. The sale takes effect from today. Shares in the merged operation would be held equally by the two groups, while Foodcorp would have management responsibility.

The decision to merge was because of "strong pressure exerted on chilled prepared meat prices by substitute products such as chicken"

The merger would enable Enterprise Foods to improve productivity and increase capacity utilisation

Foodcorp CE Dirk Jacobs said the major benefit would be cost savings arising from rationalisation, which would improve the new group's ability to absorb rising costs and help it contain its own price increases. Competition from substitute products saw the price of prepared meat increase by less than 8% a year in the past four years.

The Competition Board said it would not investigate the merger.

In the second part of the agreement, ICS would dispose of The Cold Chain to a new company called The Cold Chain Limited, which would be held equally by ICS and Foodcorp, with ICS having management responsibility.

The Cold Chain distributes refrigerated and frozen foods for ICS, Foodcorp and other suppliers. It would also distribute some Enterprise Foods products and Foodcorp's Table Top range.

The transactions would have no material effect on the earnings or net asset value of the two groups.

Star 28/6/93

ICS, Foodcorp tie up

By Stephen Cranston

ICS and Foodcorp have merged their processed meat interests into one company to be called Enterprise Foods

The group will market and distribute the two leading processed meat brands, Enterprise and Renown.

Foodcorp has acquired 50 percent of ICS's distribution arm, The Cold Chain, which already distributes Foodcorp's Table Top products

Foodcorp will pay ICS R15 million for the two deals

ICS MD Nick Dennis says that the deal has strategic benefits for both groups

Foodcorp, with processing plants in Pietersburg and on the Reef, will now have access to ICS plants, located in Natal and Cape Town, with obvious transport cost advantages

"At the same time, there are also savings and improved efficiencies in channeling the processed meat products for distribution through The Cold Chain

"The deal will result in a vibrant and viable national processed meat company," says Dennis. (2/300)

"By combining resources from both groups, we will be able to minimise costs and create opportunities which will benefit both the retailer and consumer."

Foodcorp CEO Dirk Jacobs says "The prepared-meat industry is subject to tremendous cost pressures (186)

"It is a comparatively small sector of the total protein market and, because of intense competition from substitute products, prepared-meat price increases over the past four years have not exceeded eight percent per year, well below the rate at which costs have risen. (2/300)

"Better utilisation of the enlarged group's manufacturing capacity will improve overhead recoveries and efficiency

"In addition, it will have factories strategically sited near all the major markets, and this will slash cross-railing and other costs"

Rick Griffiths takes over at Rainbow

B/Nay 29/6/13

RAINBOW Chicken has appointed Vandenberg Foods MD Rick Griffiths as group MD, effective from September 1 ~~2013~~

Griffiths takes over from former MD John Geoghegan, who was moved some months ago to head Rainbow's production and processing operations. H L & H CE Neil Morris managed the group in the interim.

Rainbow, SA's largest chicken producer, plunged into the red in the year to end-March, reporting an attributable loss of R76,7m from a profit of R48,5m the previous year. The company was affected by oversupply in the industry, low selling prices and high feed costs.

Griffiths, 50, has been with Uni-

MARCIA KLEIN

lever for the past 14 years. He was commercial director of Hudson and Knight and Vandenberg, and MD of SA Warehousing and Vandenberg.

He has also been on the oilseeds board, vice-president of the Durban Regional Chamber of Business and chairman and founder of Thembanani Trust.

In an interview yesterday, Griffiths said although his appointment had happened quickly, he had spent the best part of the past 25 years in food and other industries related to the operations of Rainbow.

Even so, his task would not be easy. H L & H would remain in manage-

ment control in the two months before he assumed his position, but the group would expect Rainbow to be run independently once he had taken over.

Griffiths said he was excited by the opportunities his new post offered. One of the factors which had encouraged him to accept it was that Rainbow was well established with inherent strengths, market domination and control on quality.

The company, he said, had found itself unprepared for the severity of the recession.

The '90s were featuring new ways to do business, particularly in the field of information, and Griffiths said he expected to make a particular input in these areas.

'Hidden' menace for asthmatics

Sp 29/6/93

186

TOUGHER LAWS

Lobbying for stricter food labelling laws has gained new momentum

after a major allergy study, the first of its kind in South Africa, found that many asthmatic children react adversely to sulphur dioxide and that the widely used preservative can induce acute asthmatic attacks.

MARIKA SBOROS reports.

PRESERVATIVES may be a "marvel" of modern food technology, but they are not so marvellous for asthmatic children.

From time to time, children are exposed to one preservative in particular, sulphur dioxide, which can induce a severe asthmatic attack. Some experts say inadequate food labelling is at fault. Others believe inadequate policing of food labelling and a lack of education among consumers are more to blame.

Either way, lobbying for stricter food labelling laws has gained new momentum after a major allergy study found that many asthmatic children reacted adversely to sulphur dioxide and that the widely used preservative could induce acute asthmatic attacks.

The research, the first of its kind in South Africa, was performed at the allergy clinic of the Red Cross Children's Hospital in Cape Town and published in the latest edition of the SA Medical Journal

Higher

The study found that 43 percent of asthmatic children developed a tight chest due to sulphur dioxide, thus led to acute asthma attacks requiring immediate medical treatment in 21 percent of the children. These levels are much higher than similar studies in the United States, where 10 percent of asthmatics were found to react to sulphites

The problem is complicated because sulphites and sulphur dioxide may be hidden in many foods

Dr Paul Potter, president of the Allergy Society of SA (Allsa) and co-author of the research paper, says this "inadequate food labelling practice leaves asthma patients inadvertently exposed to these preservatives"

Sulphites and sulphur dioxide are widely used as preservatives by the food industry by spraying fresh fruit and vegetables in certain supermarkets and salad bars to inhibit browning, to condition flour doughs, for their antimicrobial action in soft drinks, wine and beer, and as preservatives in certain medicines, the researchers say

Education

Education and avoiding foods with sulphites through trial and error are the only ways of preventing the ingestion of this preservative because labelling legislation here is less stringently applied than in other Westernised countries, they say

Dr Harris Steinman, who headed the study, says the fact that many asthmatic children are affected by sulphur dioxide but show no symptoms makes it difficult to detect foods containing these preservatives until large amounts have been ingested.

The effects of sulphur dioxide worsen as more is taken in. Legislation stipulates that sulphites and other preservatives should be listed on the labels of all foodstuffs (except wine) containing these additives, but enforcement of food labelling laws is inadequate, he says



Tastes good... and gives the inner person a nice, comfortable feeling. But some foods containing preservatives can cause trouble for asthmatic children. Picture Karen Sandison

Also, sulphites can creep in when foods previously treated with preservatives are used in food processing

The Allergy Society's call for stricter food labelling practices regarding sulphites and sulphur-containing foods, as well as for other common allergy-causing foodstuffs, such as milk, egg, nuts or nut oil, comes at a crucial time as new food laws are being formulated.

Jeremy Hele, executive director of the Grocery Manufacturers' Association, says present legislation is more than adequate. He "won't argue" with the fact that asthmatics do have a problem

with sulphur dioxide, but says many more people would have trouble with food poisoning if preservatives were not used.

Intolerance

To do so would be to turn food labelling into a prescription for every different condition of food intolerance.

"Take our roads, food labels are governed by sufficient legislation, but are not adequately policed because of inadequate resources," he says. And contrary to popular conceptions, food manufacturers are not bad guys who go around putting

poisons into food and spraying sulphur dioxide all over the place. "On most things, there would not be any point, anyway," says Hele. The preservative functions efficiently only in an acidic medium. Sulphur dioxide is not used on flour dough in South Africa "because manufacturers have found a better preservative — calcium propionate," says Hele. Jane Badham, public relations dietitian for the Association for Dietetics in Southern Africa (Adsa), says preservatives ensure people get food in this country

Longer

Food increasingly has to be more and more mass produced, travel long distances and have a longer shelf life.

Food preservatives pose little problem if they are a small part of a balanced diet. If children have lots of highly coloured and preserved drinks and bright red hot dogs daily, they could run into a problem with preservatives

But their diet would be bad anyway, Badham says. Adsa believes that food labelling for preservatives is adequate, but is pushing for mandatory nutritional labelling. This demand has received favourable response from the authorities involved.

However, new legislation which will be finalised soon will make the labelling of nutritional information only voluntary. "Consumers should encourage manufacturers to put on this voluntary labelling"

Rainbow battling with high input costs

Shear 30/6/93

By Stephen Cranston

American broiler producers have a price advantage of R203 a ton on yellow maize and of R304 a ton in soya oil cake, says Rainbow Farms chairman Neil Morris

Writing in the Rainbow annual report for the year to Marph, Morris says that in order to be internationally competitive as a broiler producer, Rainbow's input costs need to be similar to those of its competitors overseas

One of the contributing factors to Rainbow's R76.7 million attributable loss was the import of 17,500 tons of low cost chickens by retailers

As a first step to reducing input costs it is essential that animal feed ingredient markets



Neil Morris . . . American producers have price advantage

are deregulated, he says

The Maize Board imposed a 24 percent increase in the price

of maize last year and a 6.3 percent increase this year, bringing a 31.9 percent increase over two years which is well above inflation

Rainbow formed an agri-business division to enable it to receive part of its maize and soya bean requirements internally and therefore outside the scope of the Marketing Act.

The investment in agri-business has given the group a significant price advantage over the regulated price and has produced average returns which exceeded the group's cost of capital.

This price advantage justified the building of a R71 million feedmill at Rustenberg which produces 12 000 tons of feed a year and has the capacity to

produce 22 000 tons

This season's crop from the agri-business is expected to supply nine percent of maize and seven percent of soya requirements. Rainbow is researching alternate grain and protein production in order to reduce its reliance on regulated crops.

In the year ahead Rainbow will focus primarily on optimising its sales mix to ensure better margin products are produced. Frozen whole bird production has been decreased and fresh whole birds and fresh and frozen portions will be increased.

A price increase sufficient to cover cost increases should be achieved due to the supply of chicken being in balance with demand. Production was reduced by 11

percent from that at the beginning of the year as part of the Krugersdorp operation was closed and operations in the Eastern Cape were reduced to a single shift.

A total quality programme has been formalised and is designed to enhance consumer satisfaction with products and services. It is also perusing product development with a view to optimising brand performance within existing markets as well as the establishment of new markets.

● Rick Griffiths has been appointed group MD of Rainbow Chicken with effect from September 1. He joins after 14 years at Unilever, where he is MD of Vandenbergh Foods, the country's largest margarine manufacturer.

Higher group earnings forecast for Tiger Oats

Star 11/19/93

By Stephen Cranston

Improvements in the broiler industry and a reduced corporate tax rate, together with continued good earnings growth from the pharmaceutical companies, should ensure that group earnings growth for Tiger Oats will be better than forecast, says Manny Pohl, head of research at stockbrokers Davis Borkum Hare

Pohl predicts that despite a three percent decline in earnings per share to 106c in the six months to March, Tiger will increase its EPS by 7,5 percent to 247c for the full year.

Deregulation of the agricultural industry should make for a further 22 percent increase in earnings per share to 302c in 1994

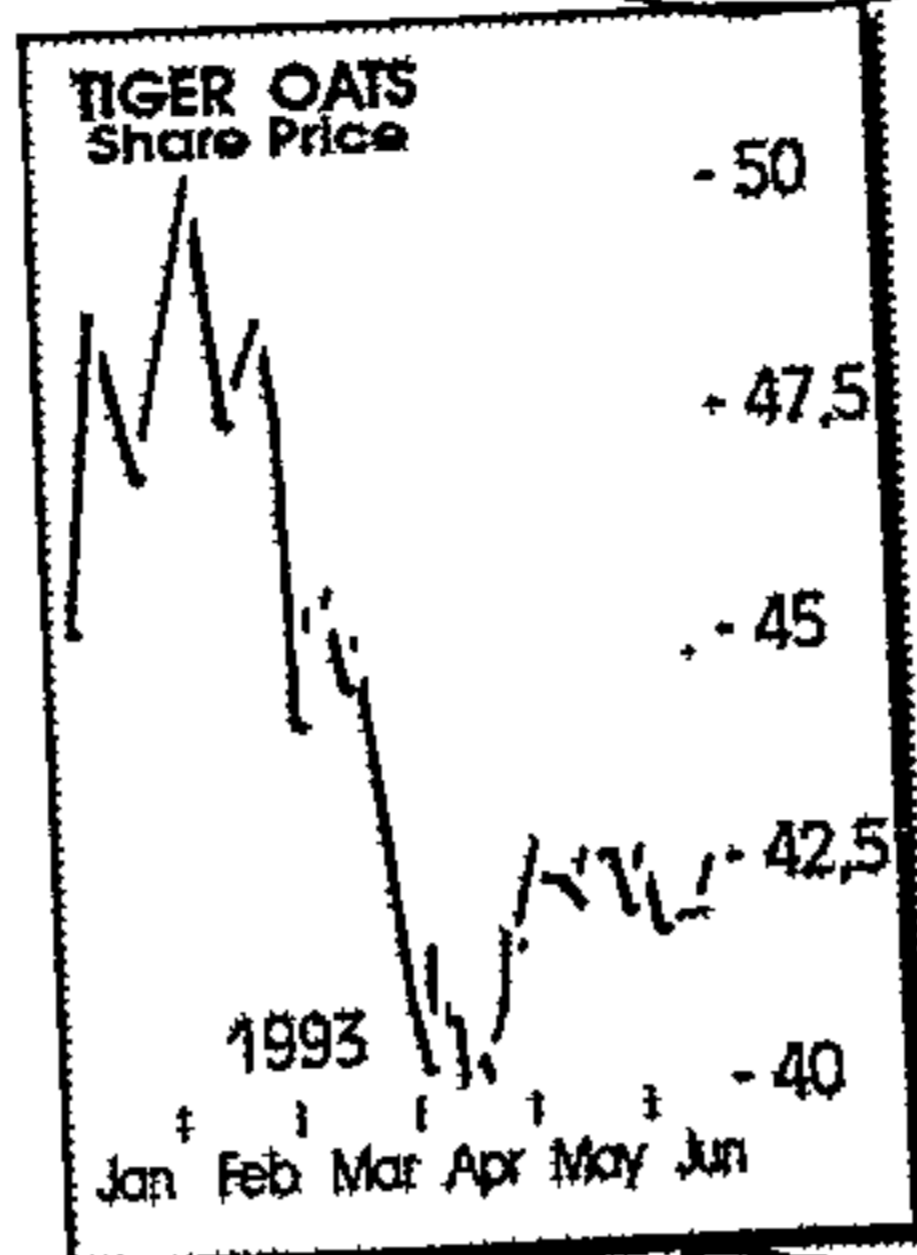
Deregulation should also reduce input costs and improve consumer demand for Tiger's basic foodstuffs and value-added products

The disastrous 1991-92 maize crop forced Tiger to buy imported maize, the extra railage costing it R100 a ton for a total of R60 million

Hanson buy-out

LONDON — The Anglo-American conglomerate Hanson Plc said yesterday it had agreed to buy the United States' largest manufacturer of polyethylene, Quantum Chemical Corp, for \$3,2 billion

The deal involves Hanson taking on Quantum Chemical's approximately \$2,5 billion of debt and distributing 42 million American Depository shares in Hanson to Quantum shareholders. — Sapa-AFP



~~But if Gatt negotiators reach an agreement, the South African agricultural marketing system will have to fall into line~~

(186)

But if Gatt negotiators reach an agreement, the South African agricultural marketing system will have to fall into line

This will see the end of quantitative controls on imports, which will allow consumers to import products if they are willing to pay the tariffs imposed

Consumers in coastal areas will benefit, unless tariffs are extortionately high, as they can import maize at R300 a ton, compared with a local price of R505 a ton.

The baking industry suffered over the past year from the deregulation of the bread price as there was a significant price escalation at retail level, a depressed economy and political unrest and violence.

The surplus of baking capacity in the industry has resulted in intense competition and a pressure on margins.

But over the longer term, the bread market is expected to grow at approximately the population growth rate

Tiger is well placed to meet

this demand at a competitive price with the commissioning of a modern bakery in Maritzburg last year.

A political settlement is expected to reduce the cost of distribution and increase margins

The broiler industry made significant losses in the first half, but the closure of Delmas and Mielie-Kip, production cut-backs and tariffs have ensured that the market is back in equilibrium

There will be further improvements in profitability after the deregulation of maize prices.

Feed accounts for 60 percent of dressed bird costs and maize for 45 percent of total feed costs.

In terms of the recommendations of the Kassier Committee, which are in line with Gatt proposals, maize consumers will be able to negotiate supply contracts with farmers, ensuring control over the price of their major input cost.

In the edible oil division, Tiger's sunflower seed plant in North Dakota was recently refurbished with disastrous results. New equipment did not perform and output from the plant declined substantially

These technical problems have been addressed and the current loss of profit, estimated at around R20 million, should turn into taxed profit of R6 million next year

The US operation will benefit from the recent acquisition of a sunflower seed confectionery operation, in line with Tiger's policy of increasing its exposure to value-added products

Pohl says the Tiger share price has under-performed the market since the end of 1992, but that this trend will be reversed as a result of excellent growth potential

Sharing the pie

(186)

Following closely in the footsteps of Sasol and AECI (*Leaders* June 25), two rivals in the food sector, Foodcorp and ICS, have announced a joint venture. Their chilled prepared meats divisions, Enterprise and Renown, will be sold into a new company called Enterprise Foods.

In addition, Foodcorp will acquire 50% of ICS's distribution arm The Cold Chain for an undisclosed amount. This company, to be called The Cold Chain (Pty), will remain under ICS management.

For Foodcorp, the cost is a net cash payment of R15m to ICS. Foodcorp financial director Neels Kilian says this will be funded from cash generated by operations. There should be negligible effect on gearing, which at end-February was a healthy 32%.

There is obvious benefit to both companies — rationalisation will result in substantial cost savings in an industry subject to tremendous cost pressures. Foodcorp CE Dirk Jacobs says rationalisation will improve the

(186)

enlarged group's ability to absorb rapidly rising costs and therefore help contain its own price increases.

For ICS, the significance of the deal is that it is being seen to be taking stronger action against underperforming assets, and is willing to co-operate in order to ensure its place in an increasingly difficult market.

Enterprise Foods will be the dominant player in processed meats, with annual sales forecast at about R500m. Escort is its closest competitor. There are no plans to change the brand name of Renown products, which have an important market franchise, even though Foodcorp will manage the new company.

ICS and Foodcorp have done deals before. Several years ago, ICS disposed of Harvestime operations to Fedfood. Harvestime was successfully merged with Table Top, but The Cold Chain undertook to distribute the frozen products. Formation of Foodcorp in the merger of Kanhym and Fedfood didn't alter the distribution agreement.

The move makes sense for both companies, from the standpoints of synergy and the intense competition from substitute products. These benefits are so pronounced that perceived culture differences between Barlows and Malbak have taken a back seat.

Marylou Greig

Hunt Leuchars expects strong turnaround

517193

MARCIA KLEIN

FOOD and timber group Hunt Leuchars & Hepburn (HL & H), was expecting significant earnings growth off a low base in the coming year, after disappointing end-March results, chairman Dave Marlow and CE Neil Morris said in the annual review

The group, ultimately controlled by Rembrandt, reported a 65% drop in attributable income to R42m (R119,2m) in the year to end-March, on the back of a significant loss in associate Rainbow Chicken. (18b)

Directors said low consumer demand would continue, but prospects for the economy in general were better than in the previous year. They

expected increased economic activity in the second half of 1993

Robertsons would show real growth, although at a lower rate than in the past. HL & H Timber also expected real growth with the contribution of SilvaCel's woodchip operation. Rainbow was expected to return to profitability. The major cause of the disappointing results was the loss in Rainbow, which represented 38% of the group's total investment.

Robertsons, which increased turnover by 16% and earnings by 13%, was the only group company to achieve a satisfactory performance

Rainbow still had the potential to become a major contributor to earnings, they said. Real volume growth would be achieved through increasing per capita consumption and demographic expansion. It was the only company which could effectively service the entire local market, and it had the infrastructure to take advantage of growth in demand without major capital investment. (18b)

Transvaal Sugar had begun construction of the R480m Komati sugar mill, and production would begin in the new financial year.

SilvaCel's woodchip operation at Richards Bay was commissioned ahead of schedule and within budget.

Delcorp forecasts likely to be met

Biday 5/7/93

MARCIA KLEIN

DEL Monte Royal Corporation's (Delcorp's) maiden results for the six months to end-May indicate the enlarged group is on track to meet earnings forecasts made when the Royal group — aided by Anglo — acquired Del Monte Foods International on December 1 of last year.

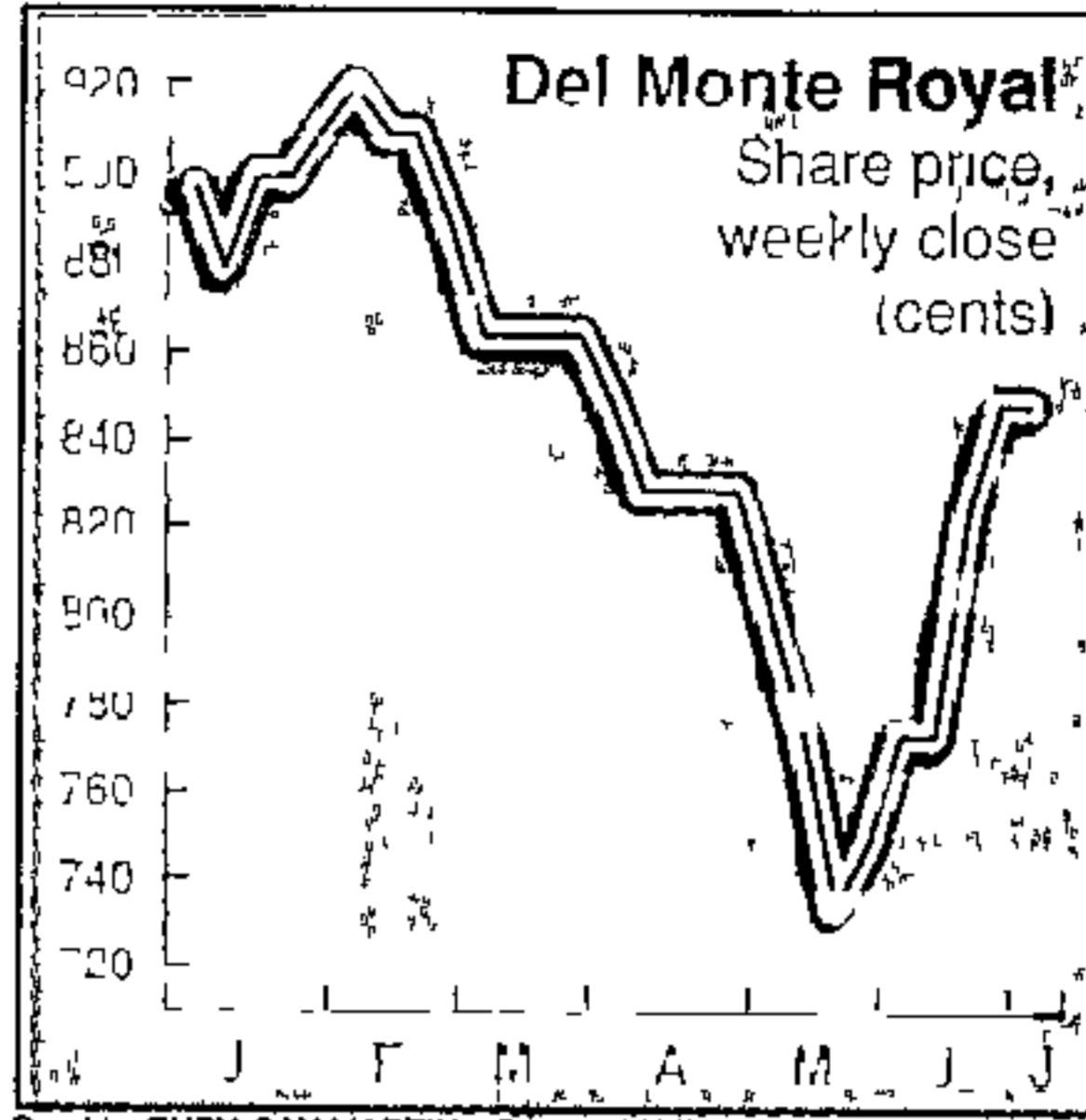
Directors said comparisons with the previous year were meaningless due to fundamental changes in the group in the past year and a change in the year-end from August to November.

Prior year results have not been presented, but earnings for the 15 months to end-November, immediately prior to the Del Monte acquisition, have been.

The group, whose investments consist of a 44,4% shareholding in Del Monte Royal Foods (Delfood) and a 57,8% shareholding in Roychem, reported earnings of 24,5c a share and a dividend of 8,1c a share. It had earlier forecast earnings of 62,5c for the full financial year (202)

Delcorp's results largely reflect those of major contributor Delfood, whose earnings include those of Del Monte Foods International for the first time (186)

Delfood reported earnings of 24,1c a share, representing 40% of the 60,1c forecast for the full year



Graphic RUBY GAY MARTIN Source I NET

It declared an interim dividend of 8c a share, also 40% of the forecast 20c for the year to end-November.

Directors said due to the seasonal nature of Delfood's European operations, between 30% and 40% of earnings were achieved in the first half, and therefore forecasts were within reach. They said markets for the group's products had softened, both in Europe and SA.

Delfood's turnover of R651,3m, below budget, was affected by recessionary con-

□ To Page 2

Delcorp

Biday 5/7/93 □ From Page 1

ditions in Europe, where increased unemployment depressed consumer demand. But Del Monte Foods International's overall share of the market held steady "and improved in those market sectors where it holds leadership positions" (186)

Although turnover was below budget, attributable earnings of R82,2m were in line with budget (202)

This was achieved through maintaining margins and tight control of working capital and expenses, coupled with lower finance charges

Conditions in SA remained difficult due to softening consumer demand in several product categories and disruptions to distribution. Yet some of the group's traditional brands had a strong showing, and Mars products were launched successfully.

The company's balance sheet had changed significantly due to the share placing undertaken to finance the purchase of Del Monte Foods International.

Interest-bearing debt rose to R420,8m at end-May from R95,6m at end-November, largely due to Del Monte Foods International's working capital requirements. Gearing was 17,8% (46,9% in November) and directors said this reflected the peak seasonal working capital requirements at this time of year. Net asset value rose to 691c from 209c at end-November.

Directors said the UK economy was showing signs of recovery, but trading con-

ditions in Delfood's major markets would remain difficult for the rest of the year. However, management was confident Delfood would achieve its forecast earnings of 60,1c a share for the full year.

Chemical and pharmaceutical subsidiary Roychem reported earnings of 8,3c a share and a dividend of 2,9c a share. Delcorp had previously announced that it would focus on its food interests and dispose of the chemical and pharmaceutical interests represented in Roychem.

Holpro-Lovasz and M & T Chemicals were sold to Chemical Services for about R27m, and Laser Pharmaceuticals to the Premier Pharmaceutical Company for about R35m. Negotiations were in progress for the sale of Ferro Industrial Products.

The effect of the disposals could be quantified only on conclusion of the final sale, but should have no material effect on the forecast earnings for the year.

In line with subsidiaries' results, Delcorp reported turnover of R748,8m and attributable earnings of R38,9m.

On the balance sheet, interest-bearing debt rose to R456,1m from R129,9m at end-November, and gearing was at 18,4% from 42% at end-November. Net asset value rose to 699c (284c) a share.

Del Monte Royal Holdings, which has a 50,9% stake in Delcorp as its sole source of income, reported earnings of 24,5c a share and declared a dividend of 8,1c a share.

Shrinking markets hit food group

ALIDE DASNOIS

Business staff

(18) AFCS/17/93

But after-tax income on target

SOFTENING consumer demand in Europe and South Africa hit Del Monte Royal Foods in the six months to May 28

But though turnover is below budget, tight control of spending and the maintenance of margins have held up after-tax income to budgeted levels of R82,4 million over the six months

Directors warn that comparisons with previ-

ous years are meaningless because of the takeover of Del Monte Food International by the Royal group and a change in the year-end

Delcorp's results mainly reflect those of Delfood, which include DMFI's figures for the first time

Delcorp, which has a 44,4 percent holding in Delfood and a 57,8 percent holding in Roy-

chem, posted after-tax earnings of R87 million in the six months, from turnover of R748,8 million

Interest-bearing debt has risen from R129,9 million at the end of November to R456,1 million at the end of May, largely because of DMFI's working capital requirements, which are at a peak at this time of year, the directors say

Earnings a share were 24,5c for the six months and a dividend of 8,1c has been declared

The directors do not expect the disposal of Roychem's businesses, which will only be finalised with the sale of the Ferro Industrial Products, will affect forecast earnings of 62,5c for the full year

DMFI's share of the European market has been steady in spite of recessionary conditions, they say, and has improved in some sectors

In South Africa, positive developments during the period were the strong showing of some traditional brands and the successful launch of Mars products

■ Delfood posted after-tax earnings of R82,4 million from turn-

over of R651 million

The balance sheet has changed since the share placing undertaken to finance the acquisition of DMFI. Ordinary shareholders' funds rose from R203,6 million to R2361 million and interest-bearing debt from R95,6 million to R420,8 million at the end of May

Asset value a share has risen to 691c (209c)

A dividend of 8c was declared for the six months

Robertsons does HLH proud

Star 7/7/93

By Stephen Cranston

Robertsons was the only operation in the Hunt Leuchars & Hepburn (HLH) group to produce satisfactory results in the year to March, says group MD Neil Morris.

HLH's earnings per share slumped by two-thirds, principally because of losses from major associate Rainbow Chicken, but there were unsatisfactory performances from both Transvaal Sugar and HLH Timber.

Robertsons achieved all-time highs in most product categories, but overall volume growth was below that achieved in previous years.

The company attributes its continued market penetration to its strong food brands, such as Robertsons Spices, Rajah Curry Powder and

Knorr, as well as products such as Doom, Airoma, Rattex and Flush Clean

It launched three new products during the year, Napolina Pasta and Sauce, Soups of the World and Airoma pump action, which all had sales significantly higher than expected

Exports grew by 41 percent, with significant growth being achieved in Zambia and Mozambique (186)

Robertsons has been an aggressive acquirer of brands recently, with Bovril and Marmite, Monate and Mango Man atchar and the Flush Clean range being recent examples (25)

The Carmel brand was recently acquired, providing an entry into pickles, spreads and relishes

Robertsons looks well-focused. Sales increased

16 percent despite pressure on consumer spending, which must have hit its basket of relatively luxury items

Transvaal Sugar's (TSB) performance is dependent on the vagaries of the climate. There was a 35 percent reduction in cane production because of the drought, which cut earnings by 45 percent

The end of the drought has come too late to ensure a full recovery in the present season

It has taken the responsibility of marketing and selling its own sugar production under the Selati brand name, which should add to margins in the long term

TSB also grows grapefruit for the export market, which should provide a good source of growth

HLH Timber was hit

by depressed conditions in the mining and construction industries. There was a loss in the group's softwood operation, HLH Timber Processors

Low demand by the building industry, resulting in fierce competition among millers, saw prices falling by up to 50 percent

There was also weak demand for laminated timber products

Further attention is being focused on the value-added export market and to this end Eagle Furniture Industries was acquired and the rest of Bailey's Furniture Manufacturers

The first shipment from the SivaCel chipping plant took place in January. Orders have been placed for the total output in the current financial year

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FM 9/7/93

Del Monte Royal Corporation Limited

("Delcorp")
 (Formerly Royal Corporation Limited)
 (Reg No 84/09968/06)
 (Incorporated in the Republic of South Africa)

186

(Handwritten initials)

GROUP INTERIM REPORT TO SHAREHOLDERS SIX MONTHS ENDED 28 MAY 1993

Abridged Consolidated Income Statements

Abridged Consolidated Balance Sheets

	Unaudited 6 months to 28 May 1993 R000's	Audited 15 months to 30 November 1992 R000's		Unaudited 28 May 1993 R000's	Audited 30 November 1992 R000's
Turnover	748 816	608 735	Capital employed		
Operating income before interest and taxation	130 310	76 412	Shareholders' interest	2 477 104	309 206
Interest paid	21 955	15 033	Ordinary shareholders	1 111 255	194 729
Net income before taxation	108 355	61 739	Outside shareholders	1 365 849	114 477
Taxation	21 342	6 272	Deferred taxation	12 298	12 460
Net income after taxation	87 013	55 107	Net debt funding	456 125	129 933
Outside shareholders' share of net income	47 419	19 019	Non interest bearing liabilities	540 371	158 625
Preference dividend paid by subsidiaries	743	3 814	Total funds employed	3 485 898	610 224
Earnings attributable to ordinary shareholders	38 851	32 274	Employed as follows		
Extraordinary items		(833)	Fixed assets, Trade Marks and Brand Names	2 495 579	325 089
Net income after extraordinary items attributable to ordinary shareholders	38 851	31 441	Investments and other assets	87 212	743
Dividend	12 872	12 187	Current assets	903 107	284 392
Retained income	25 979	19 254	Total assets	3 485 898	610 224
Earnings per ordinary share (cents)	24,5	47,4	Debt to equity %	18,4	42
Dividend per ordinary share (cents)	8,1	17,8			
Shares in issue (000's)	158 913	68,540			

GROUP RESULTS

Earnings of 24,5 cents per share for the period under review were achieved

Given the fundamental changes which have occurred within the Group since the publication of the last interim report the Group's six months results to the end of May 1993 are not comparable and have not been presented

The Company's investments comprise a 44,4% shareholding in Del Monte Royal Foods Limited ("Delfood") and a 57,8% shareholding in Roychem Limited ("Roychem") the results of which are commented upon below

FINANCIAL POSITION

As a result of the share placing undertaken to finance the purchase of Del Monte Foods International Limited ("DMFI"), the Group balance sheet has changed significantly. Fixed assets include the value attributed to brand names and trade marks inclusive of the financial rand premium relating to the purchase of DMFI

Ordinary shareholders funds have increased from R194,7m at 30 November 1992 to R1111,3m at 28 May 1993

The Group's net interest bearing debt has increased from R129,9m at 30 November 1992 to R456,1m at 28 May 1993, primarily as a result of DMFI's working capital requirements. This represents a debt equity ratio of 18,4% (42% at 30 November 1992) and reflects peak seasonal working capital requirements at this time of the year

The net asset value per ordinary share has risen from 284 cents at 30 November 1992 to 699 cents at 28 May 1993

TAXATION

The introduction of STC will not have a material effect on the overall taxation charge as the Group pays the majority of its dividends from foreign earnings. It is anticipated that the Group's effective tax rate (inclusive of STC) will not exceed 20% for the year

DIVIDEND

A dividend of 8,1 cents per share in respect of the six months ended 28 May 1993 has been declared to shareholders registered at the close of business on 30 July 1993 and will be paid on or about 3 September 1993. Non resident shareholders tax at the applicable rate will be deducted from dividends payable to shareholders whose addresses in the register of members are outside the Republic of South Africa

PROSPECTS

Although the UK economy is showing signs of recovery it is likely that trading will remain difficult in all DMFI's markets for the remainder of the year. In South Africa prospects depend on political progress improving business confidence and consumer demand

Despite these difficulties and given no further deterioration in our markets management remain confident that the contribution from Delfood to the Group's earnings will remain at the level previously forecast. As referred to below the final effect of the disposals of Roychem's businesses can only be quantified at the conclusion of the Ferro Industrial Products sale. Nevertheless the directors do not expect that the disposal of Roychem's businesses will have a material effect on previously forecast Group earnings of 62,5 cents per share for this financial year

DEL MONTE ROYAL FOODS LIMITED ("DELFOOD")

The six months to 28 May 1993 incorporate for the first time the results of Del Monte Foods International Limited ("DMFI") which was acquired with effect from 1 December 1992. DMFI is Delfood's principal operating subsidiary

Delfood's turnover is behind budget but the maintenance of margins and tight control of working capital and expenses coupled with lower finance charges have resulted in earnings of R82,2m (24,1 cents per share) which are in line with the budget for the six month period. Owing to the seasonality of the European markets Delfood as presently constituted achieves between thirty and forty percent of its earnings in the first six months of the financial year

Markets for Delfood's products have generally softened during the period under review both in Europe and South Africa. DMFI's turnover was affected by recessionary conditions in Europe where increased unemployment adversely impacted on consumer demand. DMFI's overall share of the market has however held steady and has improved in those sectors of the market where it holds leadership positions

In South Africa trading conditions remained difficult with softening consumer demand in several product categories coupled with disruptions to distribution and manufacturing as a result of stay aways. A positive aspect was the strong showing of some of our traditional brands and the successful launch of Mars products

ROYCHEM LIMITED ("ROYCHEM")

EARNINGS

Earnings of 8,3 cents per share were achieved for the period under review

DISPOSAL OF THE ROYCHEM BUSINESSES

Shareholders attention is drawn to the joint announcement dated 11 June 1993 in which it was announced that the Group had decided to focus on its food related interests and had therefore resolved to dispose of the chemical and pharmaceutical interests represented in Roychem

Furthermore it was announced that agreement had been reached to dispose of the chemical distribution agency and analytics business of Holpro Lovasz and M&T Chemicals to Chemical Services Limited with effect from 1 June 1993 for approximately R27m cash based on the net asset value of the business at 31 May 1993

A further announcement was made on 25 June 1993 that the business of Laser Pharmaceuticals was sold to the Premier Pharmaceutical Company Limited with effect from 28 June 1993 for approximately R35m cash

Negotiations are in progress to dispose of the Ferro Industrial Products business

By order of the board

G S Katzeff - Group secretary

5 July 1993

Registered Office 161 Rivonia Road Morningside, Sandton 2146

Transfer Secretaries Central Registrars Limited 3rd Floor 154 Market Street Johannesburg 2001



Del Monte Royal Foods Limited

(Formerly Royal Foods Limited)

(Reg No 89/00733/06)
(Incorporated in the Republic of South Africa)
("Delfood")

186

FM
9/7/93

GROUP INTERIM REPORT TO SHAREHOLDERS SIX MONTHS ENDED 28 MAY 1993

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Abridged Consolidated Balance Sheets

	Unaudited 6 months to 28 May 1993 R000's	Audited 15 months to 30 November 1992 R000's		Unaudited 28 May 1993 R000's	Audited 30 November 1992 R000's
Turnover	<u>651 287</u>	<u>373 951</u>	Capital employed		
Operating income before interest and taxation	123 763	53 387	Ordinary shareholders' interest	2 361 534	203 597
Interest paid	<u>20 685</u>	<u>13 748</u>	Outside shareholders' interest	7 420	—
Net income before taxation	103 078	39 639	Deferred taxation	11 291	11 453
Taxation	<u>20 615</u>	<u>3 964</u>	Net debt funding	420 810	95 583
Net income after taxation	82 463	35 675	Non interest bearing liabilities	501 353	94 513
Preference dividend paid by subsidiary	<u>263</u>	<u>191</u>	Total funds employed	<u>3 302 408</u>	<u>405 146</u>
Earnings attributable to ordinary shareholders	82 200	35 484	Employed as follows		
Dividend	<u>27 342</u>	<u>11 766</u>	Fixed assets, Trade Marks and Brand Names	2 412 187	228 827
Retained income	<u>54 858</u>	<u>23 718</u>	Investments and other assets	86 482	—
Earnings per share (cents)	24,1	36,4	Current assets	803 739	176 319
Dividend per share (cents)	8,0	12,1	Total assets	<u>3 302 408</u>	<u>405 146</u>
Shares in issue (000's)	341 771	97 429	Debt to equity %	17,8	46,9

RESULTS

The six months to 28 May 1993 incorporate for the first time the results of Del Monte Foods International Limited ("DMFI") which was acquired with effect from 1 December 1992. The Group's year end has changed to 30 November to fall in line with that of DMFI, the Group's principal operating subsidiary.

Group turnover is behind budget but the maintenance of margins and tight control of working capital and expenses, coupled with lower finance charges have resulted in earnings of R82,2m (24,1 cents per share) which are in line with the budget for the six months. Owing to the seasonality of its markets, the Group as presently constituted achieves between thirty and forty percent of its earnings in the first six months of the financial year.

Markets for the Group's products have generally softened during the period both in Europe and South Africa. DMFI's turnover was affected by recessionary conditions in Europe where increased unemployment adversely impacted on consumer demand. DMFI's overall share of the market has however held steady and has improved in those sectors of the market where it holds leadership positions.

In South Africa trading conditions remained difficult because of softening consumer demand in several product categories coupled with disruptions to distribution and manufacturing as a result of stay-aways. A positive aspect was the strong showing of some of our traditional brands and the successful launch of Mars products.

COMPARATIVE FIGURES

Given the fundamental changes which have occurred within the Group since the publication of the last interim report, the Group's six months results to the end of May 1992 are not comparable and have not been presented.

FINANCIAL POSITION

As a result of the share placing undertaken to finance the purchase of DMFI, the Group balance sheet has changed significantly. Fixed assets include the value attributed to brand names and trade marks, inclusive of the financial rand premium, relating to the purchase of DMFI.

Ordinary shareholders' funds have increased from R203,6m at 30 November 1992 to R2361,5m at 28 May 1993.

The Group's net interest bearing debt has increased from R95,6m at 30 November 1992 to R420,8m at 28 May 1993 primarily as a result of DMFI's working capital requirements. This represents a debt equity ratio of 17,8% (46,9% at 30 November 1992) and reflects the peak seasonal working capital requirements at this time of the year.

The net asset value per ordinary share has risen from 209 cents at 30 November 1992 to 691 cents at 28 May 1993.

TAXATION

The introduction of STC will not have a material effect on the overall taxation charge as the Group pays the majority of its dividends from foreign earnings. It is anticipated that the Group's effective tax rate (inclusive of STC) will not exceed 20% for the year.

PROSPECTS

Although the UK economy is showing signs of recovery, it is likely that trading conditions in the Group's major markets will remain difficult for the rest of the year. In South Africa, prospects depend on political progress, improving business confidence and consumer demand.

Despite these difficulties and given no further deterioration in our markets, management remain confident that the Group will achieve its forecast earnings per share of 60,1 cents for this financial year.

DIVIDEND

A dividend of 8,0 cents per share in respect of the six months ended 28 May 1993 has been declared to shareholders registered at the close of business on 30 July 1993 and will be paid on or about 3 September 1993. Non resident shareholders tax at the applicable rate will be deducted from dividends payable to shareholders whose addresses in the register of members are outside the Republic of South Africa.

By order of the board
G S Katzeff - Group secretary
5 July 1993

Registered Office: 161 Rivonia Road, Morningside, Sandton 2146
Transfer Secretaries: Central Registrars Limited, 3rd Floor, 154 Market Street, Johannesburg 2001

bow performs badly, its effect on HLH is pervasive. That's clearly what happened. The 1993 results reflect a situation which has worsened steadily since the purchase of Bonny Bird in March 1991.

Morris, of course, is hoist with Stanley Methven's petard. It is a popular belief that small is beautiful, that private entrepreneurs always run businesses more successfully than corporations. Methven, formerly a whaler, taxi driver and merchant navy seaman who turned into a hard businessman, certainly

RAINBOW

Activities: Integrated chicken producer
Control: Hunt Leuchars & Hepburn 40,3%
Chairman: D Loch Davis, MD N J Morris
Capital structure: 368,5m ords Market capitalisation R1,069bn

Share market: Price 290c 12-month high, 455c, low, 180c Trading volume last quarter, 1,8m shares

Year to March 31	'90	'91	'92	'93
ST debt (Rm)	nil	316	211	382
LT debt (Rm)	nil	144	44	3
Debt equity ratio	nil	0,83	0,31	0,48
Shareholders' interest	0,81	0,45	0,63	0,58
Return on cap (%)	8,8	2,5	5,7	n/a
Turnover (Rm)	635	523	1511	1546
Pre-int profit (Rm)	65,0	30,2	76,3	(39,1)
Pre-int margin (%)	10,2	5,8	5,1	n/a
Earnings (c)	31,3	13,0	13,8	(20,8)
Dividends (c)	10,7	4,3	4,4	nil
Tangible NAV (c)	216	187	216	194

seems to have proved the rule. When he died in Monaco in 1986, he left behind a family endowed with R200m (the cash element of the sale to HLH) and a substantial residual shareholding in Rainbow.

What critics frequently lose sight of is that Methven, inadvertently or by design, found a perfect niche business at precisely the right time. In the Eighties, per capita consumption of chicken grew at an annual compound 9%. Over 10 years, that becomes awesome.

It came to a shuddering halt in 1990 when consumption actually fell. It has not advanced at all since then. Why, then, buy Bonny Bird? Morris says it made good sense in terms of buying substantial assets at fire-sale prices.

That may be so, however, in its wake Rainbow's production capability became huge (turnover jumped nearly R1bn between 1991 and 1992) and — worse — was driven solely by supply. Demand seemed not to be an important factor — and of course, in Methven's day, it wasn't. He didn't sell chickens. His team merely took buying orders.

Gripped by recession, consumers have cut back expenditure, not least in food. And enlarged Rainbow coincidentally found itself contending with Bonny Bird's cost-inefficient operation, compounded by a significant lack of marketing ability. It has battled with that legacy for the past two years.

Morris claims 1993 will be the nadir. An attributable loss of R78,4m is nothing short of disaster and raises the question why HLH took so long to move into the managerial driving seat. "We have equal partners in

this business," says Morris, "and couldn't act unilaterally."

Now Morris has appointed a new MD for the Rainbow group (Rick Griffiths, CE of Unilever's foods subsidiary) and says cost problems have been contained. The marketing team has been strengthened. "For the first time, we actually have accurate, swift market intelligence," Morris says. Rainbow is already back in the black and is confident investors will find 1994 results acceptable.

Problems in 1993 were aggravated by the effects of the drought on HLH's wholly owned subsidiary Transvaal Sugar (TS). "A perennial river actually dried up this summer," says Morris, shaking his head. Cane processed fell to about 1,3 Mt, against mill capacity of 2 Mt, earnings generated by TS fell 45% on turnover of R287m.

Good rains this year, coupled with the construction of the Driekoppies dam on the Lomati and lower Komati rivers, will change that profile. Morris hopes processed cane will rise to about 1,5 Mt with an appreciable effect on profits.

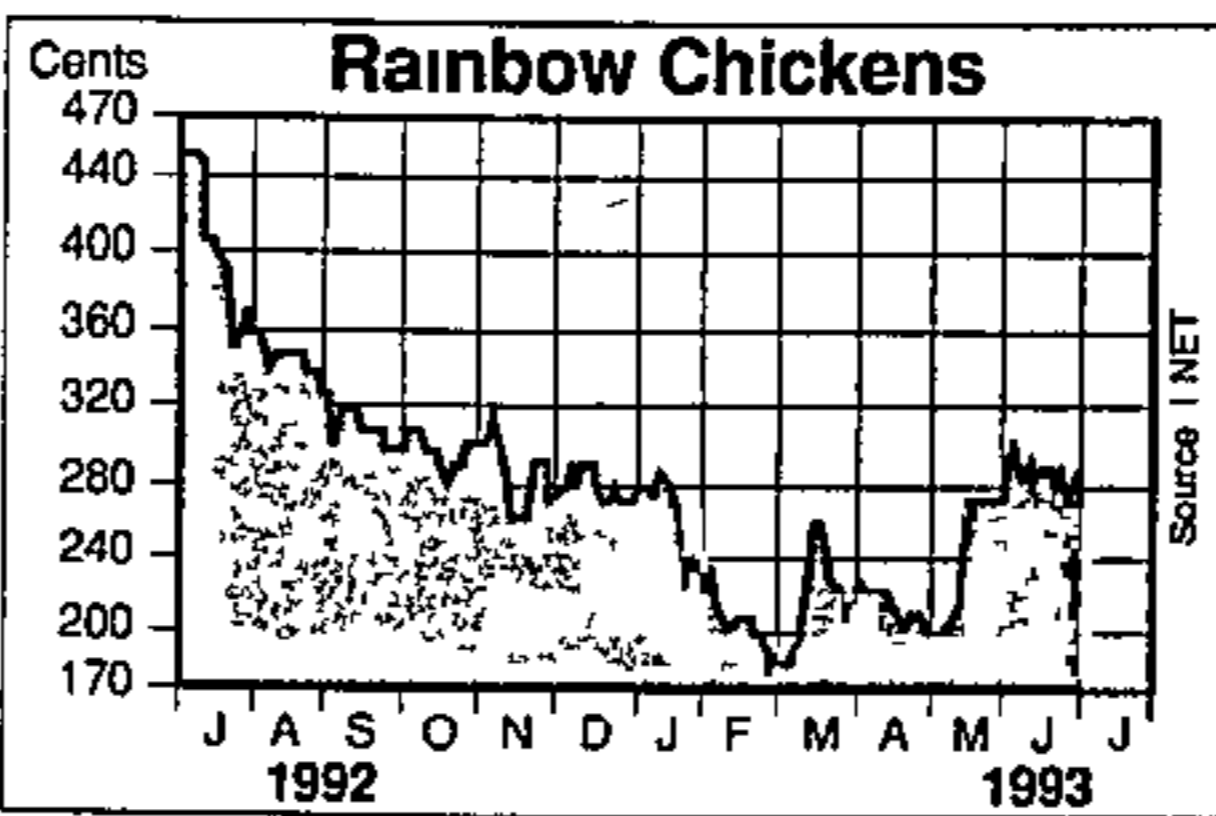
Undeterred by recent experiences, HLH is pinning its faith on sugar. It is constructing a new mill at a projected cost of R480m. Morris says financing has been secured on generous terms and expects the first throughput as early as March.

Of course, the jewel in HLH's crown continues to be Robertsons, whose products find space on many kitchen shelves. They include to eat — Bovril, Marmite, Spices, Knorr and Monate Atchar, to cope with the after-effects — Airoma and Flush Clean, to kill — Rattex and Doom. Trading against the trend, Robertsons increased sales by 16% to R471m and earnings by 13%.

HLH's dividend cut reflects the failure of Rainbow and a lower dividend from HLH Timber, owned jointly with Anglo American. Earnings from timber fell 29%, most of it in a particular sector of softwood operations which HLH has sold, post-balance sheet. That should give welcome relief from exposure to an industry characterised by fierce competition and falling demand.

Investors will ask where this group is going. The answer, already indicated clearly by the JSE where the stock is trading on a ridiculous historic p/e of 42, is steadily up.

Morris is reluctant to commit himself on prospects. Nevertheless, with Rainbow's costs under control and its marketing being resolved, coupled with improved weather prospects for sugar and the shedding of the softwood albatross, HLH actually looks as



though it could shock everyone.

Attributable income this year could top R100m (1993 R42m), translating into EPS of about 70c (28,1c). Directors will want to restore some sanity to the dividend policy, probably returning cover to about 2,5 times, so shareholders shouldn't expect to take away much more than about 28c (21,5c).

In these times of economic woe, it's an unusual pleasure to review two listed companies whose fortunes may just be on the verge of significant revival. *David Gleason*

HLH/RAINBOW Fm 9/7/93

It pays to be intelligent

HLH

Activities: Produces, manufactures and distributes timber and food products

Control: Rembrandt through Huntcor's 76,6%
Chairman: D J Marlow, MD N J Morris

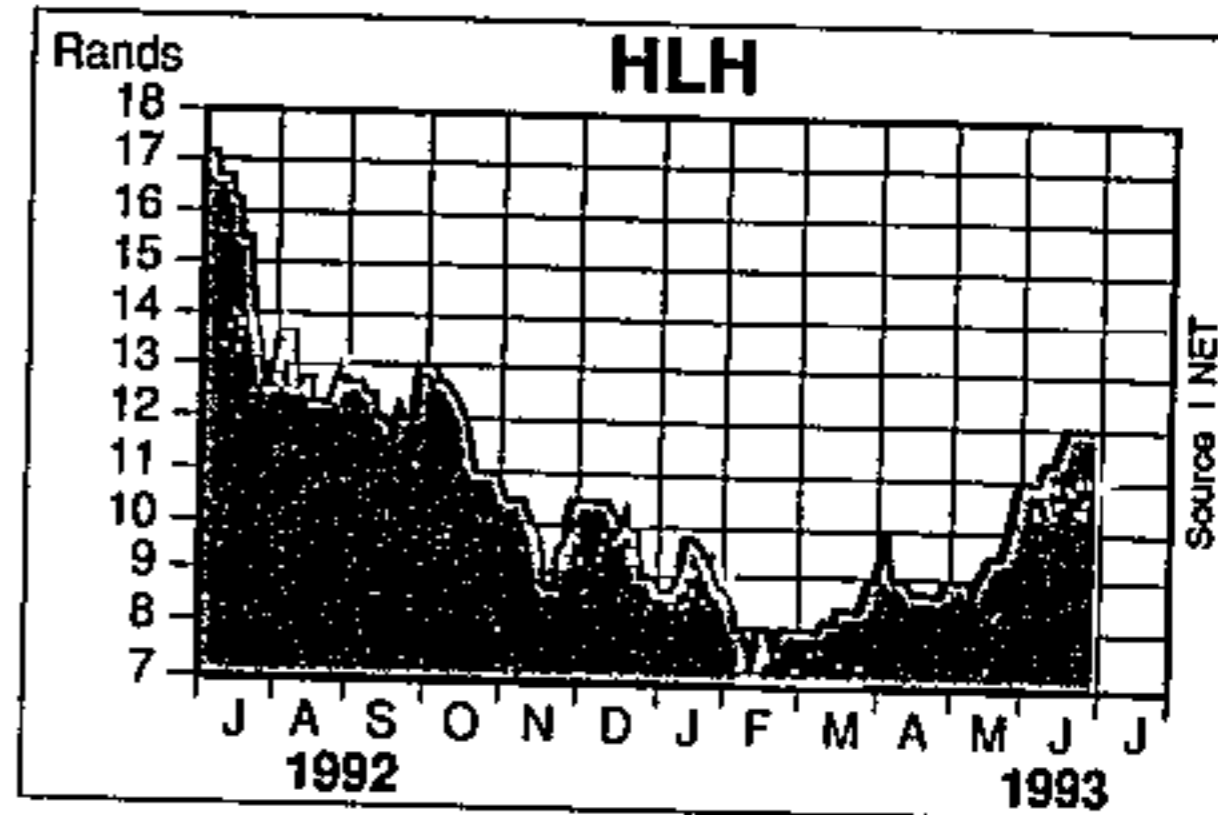
Capital structure: 149,6m ords Market capitalisation R1,8bn

Share market: Price 1200c Yields 1,8% on dividend, 2,3% on earnings, p/e ratio, 42,7, cover, 1,3 12-month high, 1725c, low, 725c. Trading volume last quarter, 1,4m shares

Year to March 31	'90	'91	'92	'93
ST debt (Rm)	26,7	17,3	19,5	27,8
LT debt (Rm)	24,4	84,0	97,7	116,7
Debt equity ratio	0,06	0,11	0,10	0,12
Shareholders' interest	0,82	0,77	0,80	0,79
Int & leasing cover	n/a	6,1	4,7	3,8
Return on cap (%)	12,5	13,1	9,9	10,6
Turnover (Rm)	464	587	694	758
Pre-int profit (Rm)	114,7	141,3	140,5	120,7
Pre-int margin (%)	20,6	20,1	18,2	15,1
Earnings (c)	81,4	91,2	81,5	28,1
Dividends (c)	28,8	32,5	32,5	21,5
Tangible NAV (c)	582	617	731	542

Hunt Leuchars & Hepburn (HLH) CE Neil Morris is a man who — dare we say it? — has had little to crow about for the past 18 months. Root cause of his difficulties is HLH's investment in Rainbow Chicken.

This is so significant — it represents 40% of the total investment base — that if Rain-



Sea Harvest's JSE debut

B/Day 13/7/93

MARCIA KLEIN

ICS subsidiary Sea Harvest made its debut on the JSE yesterday in fairly active trade

The company, which trawls, processes and markets deep sea fish, listed on the food sector of the JSE at an issue price of 600c (18b) (182)

It traded at 625c shortly after listing, and the price reached 645c before retreating to close at 625c

Analysts said the day's trade had gone much as expected. Volumes were quite high, with 375 000 shares changing hands in 47 deals worth more than R2,3m

They said the share had been fairly priced, and the company was listing on prospects of declining earnings. It was nevertheless a sound company, they added, with good management.

The share was listed to enable Spanish company Pescanova to reduce its holding from 38% to a minimum of 10%. Pescanova made 28-million shares at 600c a share amounting to R168m — available to selected financial institutions and other investors

In its prospectus, Sea Harvest forecast that pretax income in the 15 months to its new September year-end would be R88,8m, from R101,4m at end-June 1992.

Foodcorp could be courting Sarah Lee

By Stephen Cranston

There is mounting speculation that Malbak-controlled Foodcorp will soon announce a joint venture agreement with Sarah Lee Corporation, one of the world's largest manufacturers of frozen and chilled foods.

Foodcorp recently bought 50 percent of distribution company The Cold Chain from ICS. Foodcorp already accounts for 40 percent of The Cold Chain's turnover through its Table Top and Enterprise subsidiaries and the purchase took place at the

same time as the merger between Enterprise and Renown.

But the logic of the deal does not stop there. Foodcorp CE Dirk Jacobs says that the fact that Foodcorp has a strong distribution infrastructure to offer will add to its attractions as a joint venture partner for international companies.

Although Sarah Lee is best known for the frozen cakes it sells under its own brand name, it is engaged in the full spectrum of frozen vegetables, fruit and prepared meals as well as processed meat products.

Star 13/7/93
186

~~Star~~

FM 16/7/93

186

TONGAAT-HULETT

Leaner and more efficient

Activities: Makes diverse range of goods, namely sugar, building materials, foods, aluminium, textiles, starch and sweeteners

Control: Amic 22,9%, Anglo American 20,6%

Chairman: C J Saunders, MD C M L Savage

Capital structure: 75m ords Market capitalisation R1,87bn

Share market: Price R25 Yields 2,9% on dividend, 7,3% on earnings, p e ratio, 13,6, cover, 2,6 12-month high, 2 500c, low, 1 450c Trading volume last quarter, 1,2m shares

Year to March 31	'90	'91	'92	'93
ST debt (Rm)	87,5	105	64,1	101
LT debt (Rm)	238	272	216	389
Debt equity ratio	0,20	0,22	0,14	0,07
Shareholders interest	0,61	0,59	0,61	0,60
Int & leasing cover	3,9	2,8	2,7	3,5
Return on cap (%)	14,1	11,1	9,9	8,6
Turnover (Rbn)	3,71	3,80	3,97	3,87
Pre-int profit (Rm)	374	317	284	270
Pre-int margin (%)	10,1	8,4	6,9	6,9
Earnings (c)	236,6	190,6	200,7	238,7
Dividends (c)	79	73	73	73
Tangible NAV (c)	2 133	2 261	2 312	2 510



Tongaath-Hulett's Saunders talking to international companies

It is hard to say that recession can be good for a company, but for the Tongaat-Hulett Group (THG) it's been an important catalyst for change. Management has been forced to take a hard look at underperforming assets, take corrective action where necessary, and concentrate on the main profit centres.

What's emerged is a far leaner and more efficient organisation. It also seems that previous profit-draining holes have been plugged to the extent that, despite pressure on turnover and margins, THG is operating profitably in the tough economic climate. Previous criticism by the *FM* that the group seemed complacent and cumbersome no longer applies — THG looks ready to start realising the potential that's always been there.

Effects of the downturn were most apparent in the textiles and building materials divisions. On top of this, drought knocked the sugar division's operations, which recorded a 13% drop in turnover and took about R19m off its taxed contribution to profit.

Overall, turnover declined by 2,4%, THG's first dip in sales in over 25 years. Yet

despite sustained pressure on margins (see table), it managed to lift pre-tax profit 8,5% to R193m. Earnings figures have been restated since preliminary results were published to show the effects of the new corporate tax structure, which THG has recorded as an abnormal item reflecting the R40,9m clawed back from deferred tax.

Group MD Cedric Savage says the tax credit proved so substantial that it was felt it had to be shown separately above the line — the effect is that while prelims showed EPS declining by 10c, the restated figures show EPS up nearly 4c before the abnormal item and by 38c after the abnormal item.

The improved performance is largely due to the extensive refocusing and restructuring programme of the past two years. Benefits are clearest in reduced operating and administration costs, down 16%, and strong cash generation.

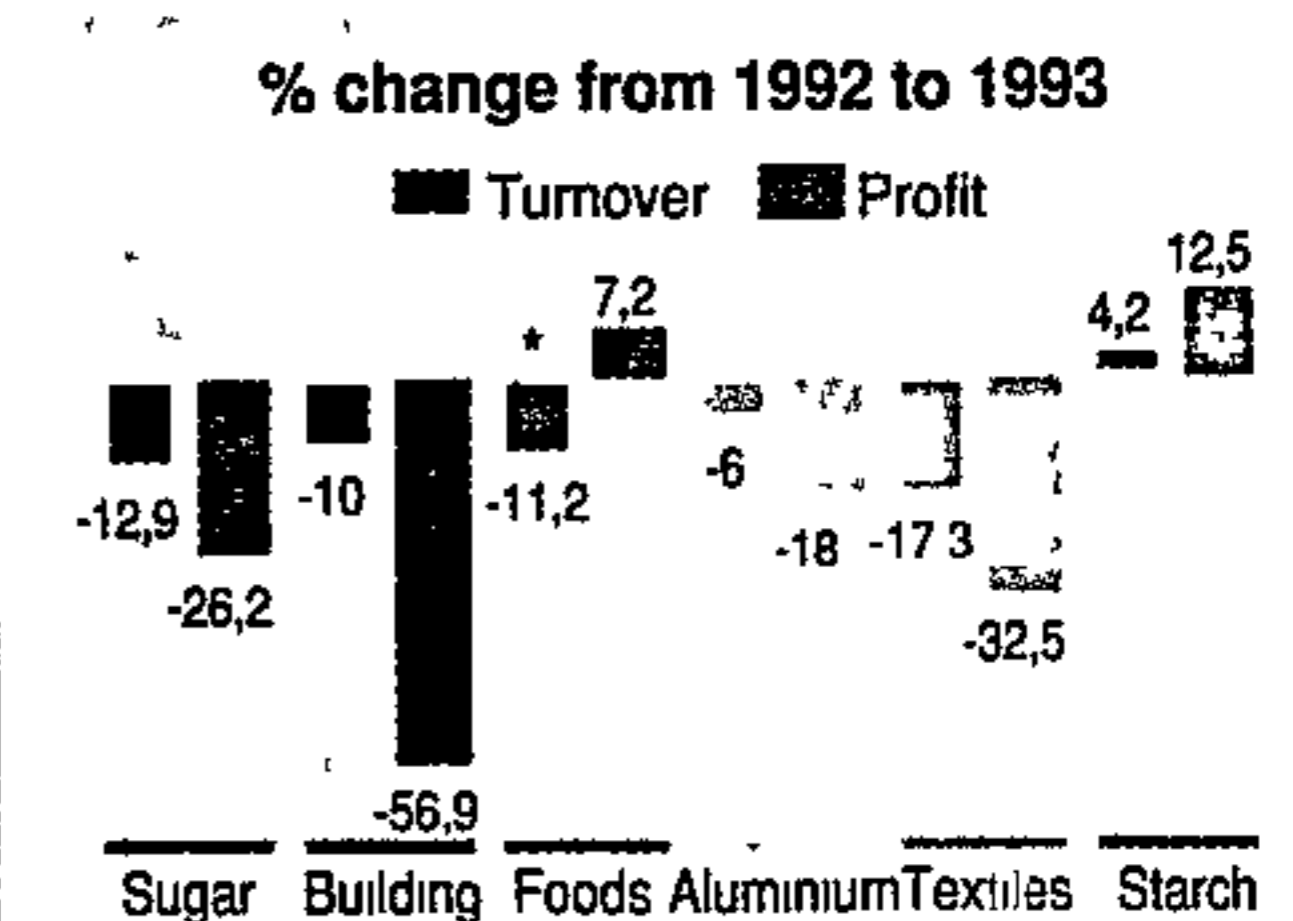
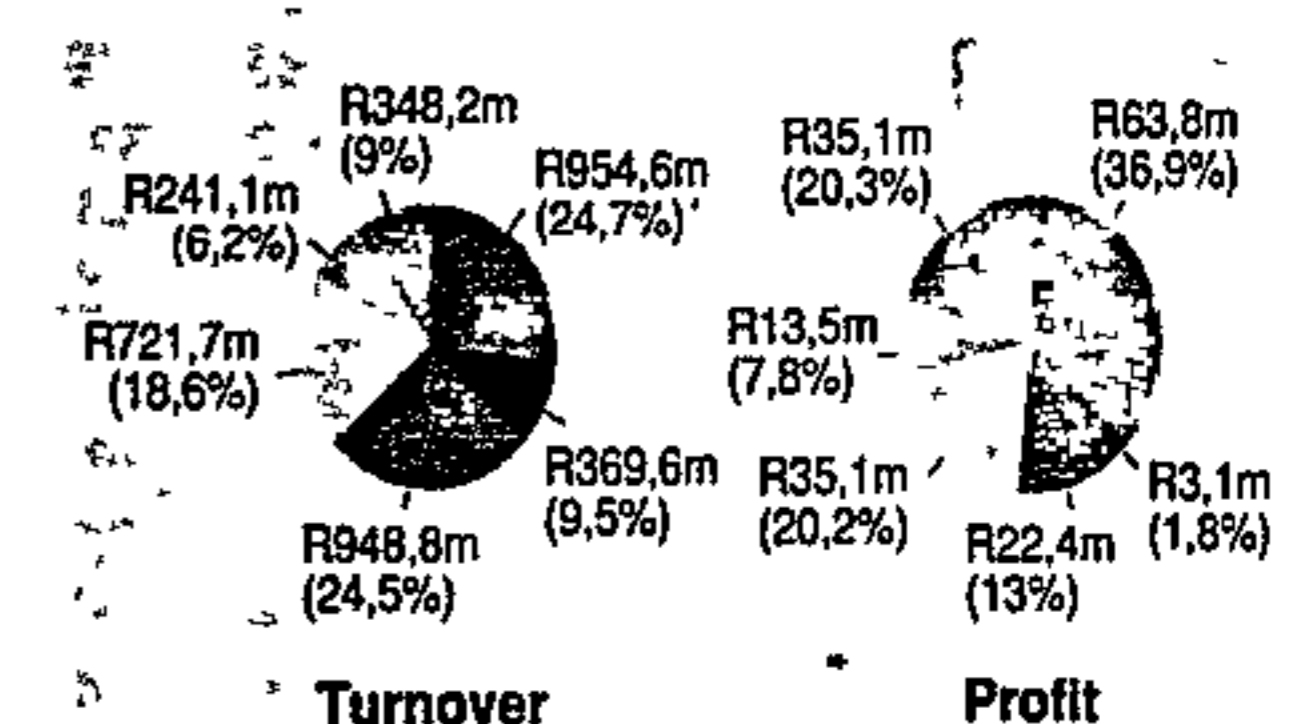
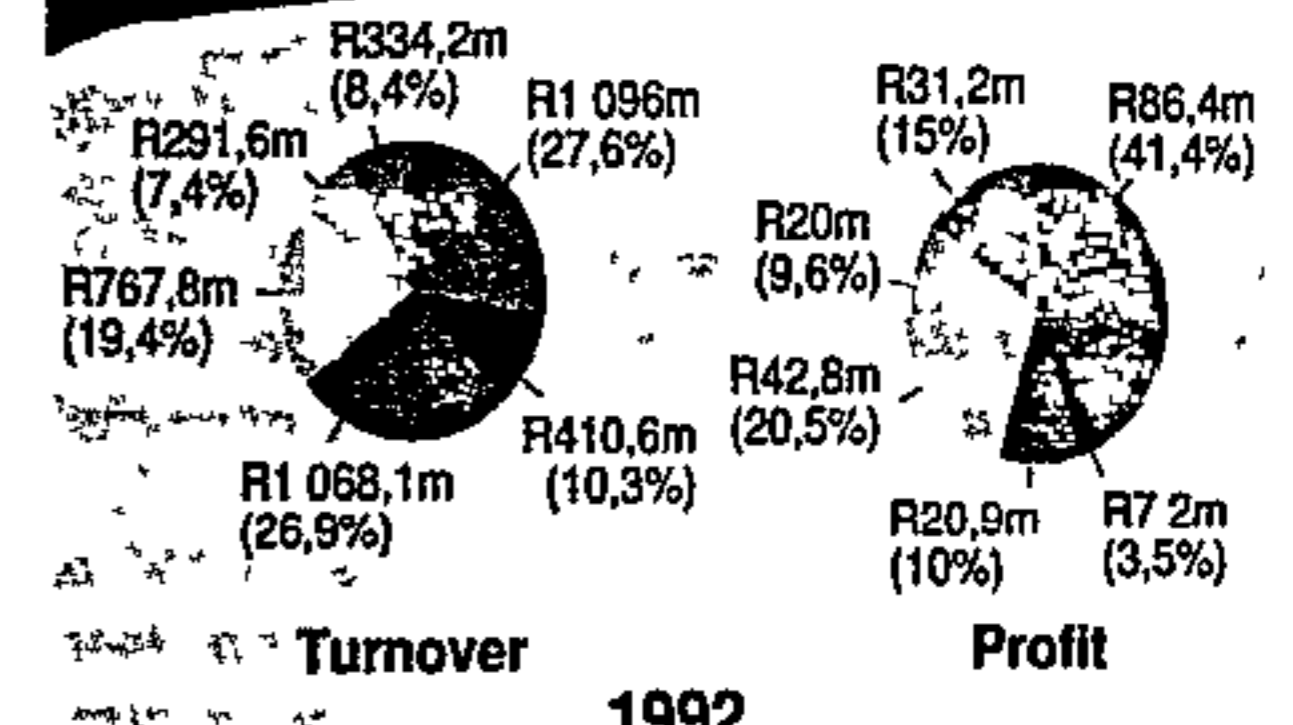
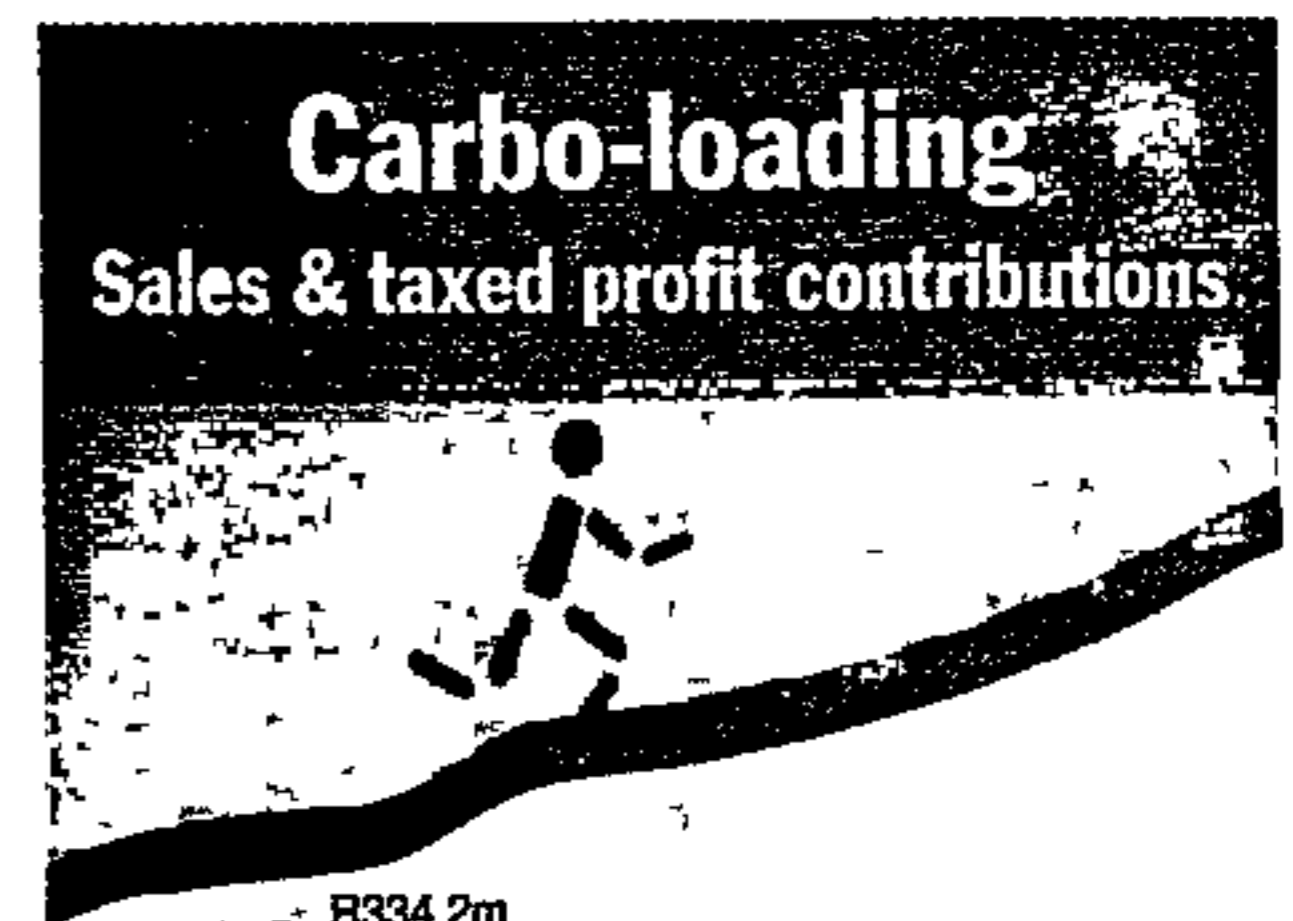
Much of that cash has been used to reduce borrowings, down by R119m, which, in turn, took 27% off the interest bill to R77m. Gearing has been reduced to 6,4%, the lowest in at least five years.

At divisional level, some previously underperforming or loss-making businesses have been turned. Savage uses aluminium as an example of where some "bleeders" have been stopped. After recording a loss in the financial year, he says the division's secondary metals operation is trading profitably and should show earnings growth in the coming year.

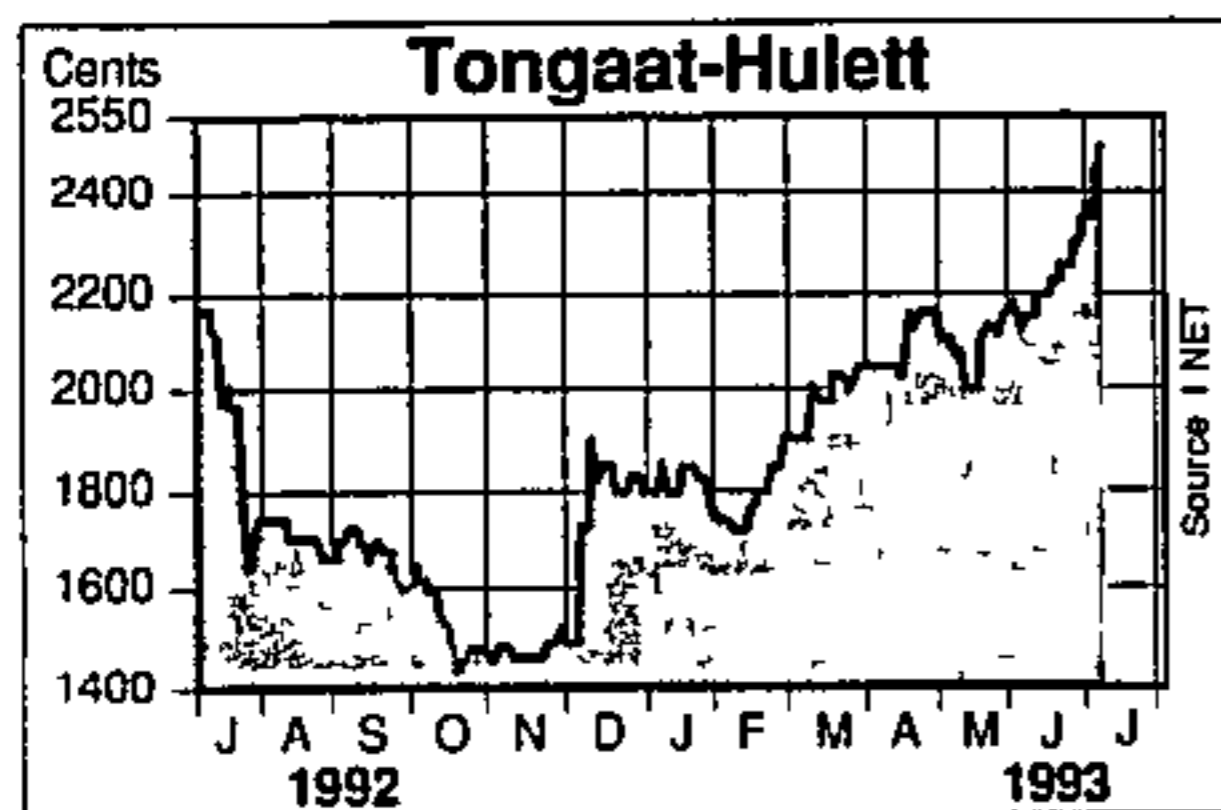
Tongaath Foods Distributors has also been successfully turned from a loss to a profit. "We achieved this by examining the whole

operation, installing a new warehousing facility and information system which has vastly improved stock control and distribution," he says.

Similarly textiles, operating in depressed markets, is nonetheless adding value down the production line to the point where David Whiteheads is looking at increasing exports and has signed a deal with a French printer.



*1992 figure of 11% restated to reflect the removal of Super vision Food Services and W Daly & Son. Source: TONGAAT HULETT



P.T.O.

Cadswep nets sharp rise ^(18c) in earnings ^(18c)

CT 28/7/93

From MARCIA KLEIN

JOHANNESBURG — Soft drink and confectionery group Cadbury Schweppes (Cadswep) lifted its earnings by 21,6% to 74,4c (61,2c) a share in the 24 weeks to June 19

The sharp earnings rise and the 20% higher interim dividend of 18c (15c) a share were achieved off a high base in the previous year and in the face of difficult trading conditions in all of its markets

Despite the buoyant results, the share continued its downward trend yesterday, dropping 250c or 4,7% to R50. The share was at a R60 high in February and a low of R35 this time last year

Cadswep increased its turnover by 16,3% to R344,9m from R296,5m. This was on the back of sales volume growth in most of the major sectors of the group

The higher sales volumes, as well as improved mix and the significant benefits from the reconfiguration of the confectionery division's manufacturing facilities, saw operating profit rise by 20,6% to R31,7m from R26,3m

Financing costs

Financing costs, which rose significantly last year, were reduced by 11,1% to R6m (R6,7m). CE Peter Bester said this reflected lower interest rates and lower borrowings. Capex had declined significantly to R8m from R35m in the previous year and financing costs cover was increased to 5,3 (3,9) times

The balance sheet was presented for the first time at the interim stage. Bester said borrowings had reached a seasonal peak at mid-year

Pre-tax profit was up by 31,5% at R25,7m (R19,5m) and taxed profit was 25,8% higher at R17,9m (R14,3m)

Associate companies — largely ABI — increased their contribution by 16,7% to R8,5m from R7,3m. This brought attributable earnings up 22,7% to R26,4m (R21,5m)

The confectionery factories' rejig had resulted in a lower cost base and improved efficiencies, production and service levels

Bromor, which houses the cordial interests, had achieved volume gains above the previous year — which Bester had then described as "spectacular". The performance was aided by strong marketing action and a steady improvement in efficiencies and service levels

Although SA's carbonated soft drinks market was having a "tough time", Schweppes had improved ahead of the market

Premier reaps benefits from unbundling

By Stephen Cranston

Since the Premier Group unbundled its 34 percent holding in SA Breweries four years ago, earnings per share have grown at a compound rate of 23 percent a year and shareholders' wealth increased by a compound rate of 63 percent.

In his annual report, chairman Peter Wrighton says this can be attributed to a strategic review in 1988 which identified the need to reduce debt, sell under-performing assets, focus the business and decentralise.

Premier's recent success can also be attributed to certain key acquisitions, such as the Metro Group in 1991, an increase in the Clicks Stores investment to 48

percent and the acquisition of management control of Premier Pharmaceuticals.

In the past year, Premier's pharmaceutical wholesalers, formerly a headache, was merged with Medical Cash 'n Carry to form United Pharmaceutical Distributors.

Premier acquired a 39 percent stake in Bonmita Holdings, the second largest producer of milk-based products. Wrighton says the investment provides an opportunity in the wake of the dairy industry's deregulation.

A low point was Epic Oil Mills' loss. It was affected by the drought and faced a fight for market share. The margarine industry has too many players competing for market share and

selling prices are lower than four years ago.

Premier Milling, however, produced satisfactory results. Market share was maintained, though at lower margins, by Blue Ribbon Bakeries. There was consumer resistance stemming from the removal of the bread subsidy and the imposition of VAT.

Wrighton says white bread remains a major part of the staple diet of the poorer section of the population. The zero rating on brown bread could lead to distortions in the pattern of supply and demand.

Maize volumes fell because of the use of imported yellow maize which met consumer resistance. Market share was, however, maintained thanks to the strength

of the two main brands, Iwisa and Impala.

Premier's share price has recently fallen from R55 to R51, which puts it on a p/e ratio of 18.0, almost identical to its arch-rival Tiger Oats and ahead of Foodcorp's 14.2.

Premier has outperformed Tiger in recent results and shown a more proactive approach to its portfolio of interests. Arguably, Tiger will be rewarded for holding on to its underperformers when the chicken and egg industries improve. And it operates in high growth sectors (canned fruits, chocolates and rice) in which Premier has no presence. But Premier's more entrepreneurial management affords it superior potential.

Star 29/1/92

186

Star 29/7/93

Union drive for new SA rights

The SA Commercial Catering and Allied Workers' Union is to launch a campaign to increase its involvement in Cosatu and the transition process to ensure that trade union rights are not given up in the new South Africa. The union reaffirmed its earlier call for Cosatu to discontinue its alliance with the ANC after the establishment of an interim government. — Labour Reporter

(187) (186)

Cadbury Schweppes

Fm 30/7/93
(SOUTH AFRICA) LIMITED

(186)

PROFIT BEFORE TAX UP 31,5%

EARNINGS PER SHARE UP 21,6%

Interim report and dividend declaration for the period ended 19 June 1993

Group income statement

	24 weeks to		% change	53 weeks
	19.6.93	13.6.92		to 21.93
	Unaudited	Unaudited		Audited
	R'000	R'000		R'000
Turnover	344 889	296 548	16,3	723 553
Operating profit	31 656	26 252	20,6	70 474
Financing costs	5 969	6 713	(11,1)	15 261
Profit before taxation	25 687	19 539	31,5	55 213
Taxation	7 744	5 278		12 581
Profit after taxation	17 943	14 261	25,8	42 632
Dividend income and equity accounted earnings	8 502	7 283	16,7	15 370
Attributable to ordinary shareholders	26 445	21 544	22,7	58 002
Dividends	6 411	5 306		23 358
Number of shares in issue (000's)	35 615	35 284		35 396
Weighted average number of shares in issue (000's)	35 514	35 196		35 289
Financing costs cover (times)	5,3	3,9		4,6
Earnings per share (cents) (weighted)	74,4	61,2	21,6	164,4
Dividends per share (cents)	18,0	15,0	20,0	66,0

Group balance sheet

	19.6.93	13.6.92	21.93
	Unaudited	Unaudited	Audited
	R'000	R'000	R'000
Employment of capital:			
Fixed assets	186 442	173 396	185 779
Associated companies	65 339	55 748	56 837
Current assets	228 233	197 909	203 463
Total assets	480 014	427 053	446 079
Current liabilities	207 077	178 666	193 484
- interest bearing	89 584	83 543	49 786
- other	117 493	95 123	143 698
Total liabilities	272 937	248 387	252 595
Capital employed:			
Ordinary shareholders' funds	233 043	192 754	211 870
Long-term liabilities	34 846	51 753	35 954
Deferred taxation	5 048	3 880	4 771
Total capital employed	272 937	248 387	252 595
Market value of investment in listed associated company - Amalgamated Beverage Industries Limited	383 070	327 626	413 312
Interest bearing debt to shareholders' funds	0,53	0,70	0,40
Net asset value per share (cents)	654	546	599

REVIEW OF RESULTS

While trading conditions were tough we are pleased to report that sales volume growth, which was achieved in most of the major sectors of the group, resulted in turnover increasing by 16,3%. Selling price increases on average were again held below the inflation rate.

Operating profit rose by 20,6% as a result of higher sales volumes, improved mix and the significant benefits flowing from the investment in the reconfiguration of the confectionery division's manufacturing facilities implemented last year.

Financing costs are down on last year mainly as a result of lower interest rates. In addition borrowings, which reach a seasonal peak at mid-year, are lower than those of last year.

Associated companies performed satisfactorily to increase their contribution by 16,7%.

PROSPECTS

Management will continue to concentrate on delivering value from the extensive structural changes made in the confectionery division.

While there are indications that the economic recession may have bottomed, trading conditions are likely to be difficult for the remainder of the year and competitive activity will be intense. Provided trading conditions do not deteriorate, earnings growth for the year as a whole should continue to be satisfactory in real terms.

INTERIM DIVIDEND

The directors have declared an interim dividend of 18 cents per share (1992 15 cents), an increase of 20% compared with last year.

On behalf of the Board

A J L Clark (*Chairman*)

P M Bester (*Chief Executive*)

27 July 1993

Summarised group cash flow statement

Fm 30/7/93

186

	19.6.93	13.6.92	2.1.93
	Unaudited		Audited
	R'000	R'000	R'000
Cash generated from operations	38 771	31 842	91 534
Cash used to finance working capital	(43 955)	(35 552)	(2 273)
Operating cash flow	(5 184)	(3 710)	89 261
Interest, taxation and dividends	(24 126)	(26 054)	(44 608)
Cash retained from operations	(29 310)	(29 764)	44 653
Capital expenditure			
- Net replacement of fixed assets	(2 013)	(27 736)	(49 608)
- Expansion	(5 900)	(7 460)	(6 444)
Net cash outflow	(37 223)	(64 960)	(11 399)
Supplementary information			
Capital expenditure	8 524	35 773	56 361
Capital commitments	11 285	20 376	5 050
Contracted	4 708	14 221	3 815
Approved	6 577	6 155	1 235

DECLARATION OF ORDINARY DIVIDEND NO. 47

Notice is hereby given that an interim dividend of 18 cents per share has been declared payable to all members registered in the books of the company at the close of business on 10 September 1993

Dividend cheques will be posted on or about 1 October 1993 or transferred electronically on the same day to the bank accounts of shareholders who have elected that method of payment

In accordance with the South African Income Tax Act (as amended), non-resident shareholders' tax of 15% will be deducted from dividends payable to shareholders whose registered addresses are outside the Republic of South Africa

By order of the Board
A R Holt (Secretary)
Johannesburg

27 July 1993

Cadbury Schweppes (South Africa) Limited

(Incorporated in the Republic of South Africa)
Registration No 04/00415/06

Directors

A J L Clark (Chairman), P M Bester (Chief Executive),
C S Adcock, P E Beyers, J F Buchanan, N D Cadbury (British),
P J Fleming, J M Sunderland (British), D G Wellings (British)
Alternate Directors D Jinks (British), D J Kappler (British)

Registered Office:
Astron Road, Denver Extension 6
Johannesburg 2094
(P O Box 75199, Gardenview 2047)

Transfer Office:
Mercantile Registrars Limited
6th Floor, 94 President Street
Johannesburg 2001
(P O Box 1053, Johannesburg 2000)

HAMILTON RUSSELL VINEYARDS



**South Africa's
Leading
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In the right micro-climate, the Pinot Noir grape produces some of the greatest red wines in the world. Situated in South Africa's coolest viticultural region, Hamilton Russell Vineyards, Africa's most southerly vineyard and cellar, is the ideal micro-climate for this noble variety.

*At a blind tasting organised by Wynboer, of 39 Pinot Noirs by experienced wine tasters, HRV Pinot Noir was judged first in every vintage category entered.

For further information telephone (02831) 23595 or write to PO Box 158 Hermanus 7200 Cape

AFRICA'S MOST SOUTHERLY VINEYARD & CELLAR

65497/PN

CO-OPERATIVES

Heading for a listing?

Government's R3,6bn handout to debt-ridden farmers and co-operatives last year might be the last bit of charity the sector sees for a while. Farmers cannot expect a new government, faced with more pressing spending demands, to be so benevolent.

Little wonder then that the co-operatives are taking stock.

In 1991 SA's 285 primary co-operatives (only farmer members) and central co-operatives had a total turnover of R19,3bn and declared a combined net pretax profit of R448m. According to members, were it not for the high interest bill, net profit margins would have been sweeter. Hence proper capitalisation and reducing debt are major concerns.

The pressures of political and economic reforms and the indebtedness of many co-operatives could force them to restructure.

Earlier this year, the Co-operative Act was amended to allow co-operatives to become limited liability companies, subject to 75% of members being in favour. But, even before the legislative change, several had shown the way towards greater profitability for members.

Apart from directly changing into a registered company, they can also consider entering into joint ventures and partnerships with listed companies. Langeberg is a case in point.

"The Langeberg fruit canning co-operative, which declared a R5m loss in 1984, turned this into a R12m profit by 1986 by changing and upgrading its management style.

"But, by late 1987, it realised that it needed a focus change towards a more profit-orientated policy and additional capital to reduce debt and improve its ratios," Tiger Oats director Jan van den Berg told a conference on agricultural co-operatives in Johannesburg this week.

Langeberg decided it needed to recapitalise by getting a R100m cash injection. But "own funds" should, ideally, make up about 50% of total funding, compared with only 16% at that time.

With members turning over a mere R45m a year, this refinancing looked impossible — without outside help.

"After contacting Tiger Oats as a possible partner, it was decided to place Langeberg's factories in a separate company.

"Tiger would pay R80m cash for a 50% stake in the company (to be listed later), while members would pay a mere R10m for a further 25%, leaving 25% for the co-opera-

FM 30/7/93

tive, which contributed the factories," says Van den Berg (186).

Part of the agreement was that the new company would buy the output of co-operative members, assuring them of an outlet for their produce.

"As at July 22, the listed Langeberg had a market capitalisation of R800m, which means that farmer members, who contributed a mere R10m in 1987, now hold a theoretical share capital value of R200m, while still retaining full control of their co-op."

Meanwhile, between 1984 and 1992 the Langeberg Group increased its operating income from R22m to R103m, reduced its interest bill from R27m to R15m and improved interest cover from 0,8 to 6,7. And, with the ratio of own capital to total assets improving from 6% to 59%, the 1984 book value of Langeberg shares shot up from a mere R12m to R800m.

at attractive p.e multiples, and using the proceeds to reduce debt, more co-ops could follow suit." ■



But an SA Agricultural Union spokesman says that for other co-operatives to follow suit, they should also first establish a profitable track record — as Langeberg did.

Nevertheless, many profitable co-operatives might be sitting on similar leverage potential and all that may be needed to activate it would be to convince members (and management) to follow the listings route either on their own or by bringing in outside capital and expertise.

Other examples of co-operative success stories include Sunripe Fruit (taken over by Imperial), Bonnito (formerly Kaap Suiwel Ko-op), Ceres Fruit Growers (which, like the KWV, decided to remain a co-operative but to enter into profitable deals with the KWV and SA Breweries).

Even the R2,7bn-a-year meat co-operative Vleissentraal, whose Bull Brand joint venture with Imperial Cold Storage has been running for years and is now looking into listing.

Absa merchant banking company financing division GM Danie Vlok says "With the possibility of unlocking wealth for the co-ops and their members by listing suitable assets

South 317 - 4/8/93

South Profile

Ernest Theron

The newly elected president of the Food and Allied Workers' Union remains committed to ideals he developed as a barefoot boy driving wire cars in the Karoo more than two decades ago. He spoke to **WAGHIED MISBACH**



TRUDGING barefoot to a non-racial mission school with friends from township communities was what shaped Ernest Theron's view of humanity. "I never looked at people as different colours," says the newly elected president of the 130 000-member Food and Allied Workers Union (Fawu).

"Even though my uncle whom we lived with was a building contractor and was relatively well to do, all the kids played together driving their little wire cars."

That belief remained entrenched even when his family moved to Cape Town, where he says ethnic differences became more stark and people started looking at him "differently".

Theron comes from a fairly conservative family and he recalls getting a thrashing when his father discovered he had been out joining protests.

As the second eldest in a family of six children he was expected to "know better".

But the belief in non-racialism drove him to join a union, the Baller Makers' Society, in 1973 while working in the metal industry.

And by 1982 when he had joined Epic Oil Mills as a maintenance fitter he was already looking around to join another union.

Inevitably, he signed up with

Fawu a few years later the first to join from the ranks of "skilled" workers. Today, Fawu represents almost 95 percent of the workers, including foremen, supervisors and white workers — due in part to Theron's commitment.

In 1987, while he was still a greenhorn, an unexpected event took place. Theron was appointed national co-ordinator of the 19-7 milling and bakery strike.

Suddenly Theron found himself on a high-speed learning curve. "I was thrown into the deep end. I was forced to learn as fast as I could. Looking back, it became the most important event in my career because I learnt so much."

The two and half day strike was successful, with workers coming out in strength.

In 1989 he was elected vice-chairperson of Fawu's Western Cape Region and finally chairperson a year later. By 1991 he was national treasurer, a position he held until being elected president earlier this month.

The election was not without a major surprise.

Eyebrows were raised when the 38-year-old bear charismatic Cosatu vice-president Chris Dlamini to the presidency.

All Theron would say about Dlamini was that it was a "sensitive subject", but added the four-day event was democratic with no sign of antagonism.

He says the newly-elected office bearers will have extensive discussions on the elections process later this month.

He is also going to recommend a nation-wide tour of Fawu regions so the leadership can get to grips with the workers' problems.

He is also ready to talk about the past problems in the union. Theron said Fawu has effectively dealt with setbacks in the Cape branch, which has been beset by political in-fighting and corruption in recent years.

In 1990 the entire Cape Town branch was suspended, including branch secretary Miles Hartford.

There were persistent rumours that the suspended members belonged to the Marxist Workers Tendency, an socialist grouping in the ANC — a claim denied by Hartford's group.

Then, earlier this year, the entire Cape Town branch was suspended

on charges of fraud. Two were reinstated after lodging appeals, but the rest were dismissed.

"If an organisation did not have internal differences then it would not be a healthy one," argues Theron.

He says he is determined to look towards the future. Next month, the organisation will also have a policy conference to look at meeting the challenges in the food industry.

Among the problems the union faces is the crisis in the fishing industry. Theron hopes that by September the union will host a major fishing conference.

As a build-up, Fawu have started organising rallies along the West Coast, starting with one in Hout Bay this week, says Theron.

Another challenge is trying to organise farmworkers. Fawu is part of the Cosatu initiative to form a co-ordinated policy around farm-

'Gender issues are expected to come up for scrutiny. About half of Fawu's members are women, but they are not represented on the national executive'

workers. Also on the agenda of the August policy meeting will be discussion to form an education department. As the fourth largest Cosatu affiliate, Fawu is under constant pressure to provide adequate training for more than 1000 shop stewards country-wide. He admits this is a "major weakness" in the union.

"It is important to have strong factory floor organisation. Officials should not be involved in this area."

Theron says he is in favour of a joint working relationship with business and government to "restructure and shape" the food industry.

He said Fawu initiated the move to have a Food Forum which includes all the important players.

He says gender issues are also expected to come up for scrutiny. About half of Fawu's members are women, but they are not represented on the national executive.

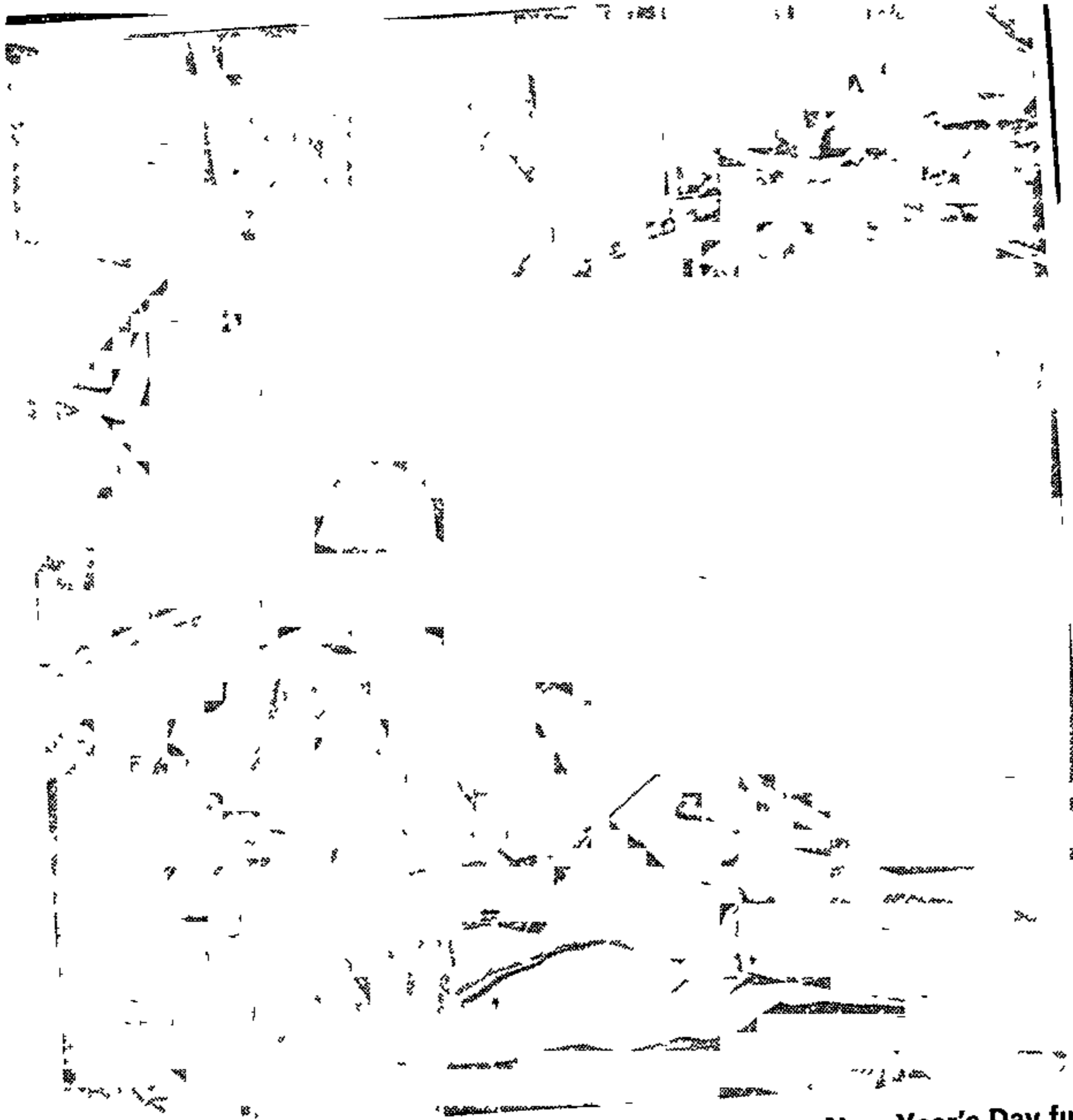
"Our women's forum has failed in the past, so we are looking at restructuring the body."

With elections looming, Fawu has decided to place its weight behind the ANC.

"We have already successfully negotiated with several companies to release workers for voter education. They seem very open to the idea."

The challenges for the union are enormous, but he is prepared. "Slogans don't get the work done. You just have to go out and do it."

186



DEVASTATED ... Duncan Dock Cold Storage after the New Year's Day fire

Local firm popping its way to a profit

SI Times (Buss)
118193

By LEW ELIAS

POPCORN, in its ready-made state, has proved to be one of the biggest growth markets in the United States over the past four years — showing an increase of 89 percent — and it seems set to take off in South Africa (186)

The launch of a range of ready-to-eat and microwave popcorn by Baker Steet Snacks this week seems set to make inroads into the salted snack market

Pick 'n Pay chairman Raymond Ackerman, who opened the Montague Gardens plant, said he had accepted the invitation to officiate without hesitation or knowing much about the product because such a venture in the present political and economic climate was an affirmation that there were people willing to work for growth and to succeed in a new South Africa.

The company was started by former Simba executives Keith Elkin and Bernard Immelman with local entrepreneur Dave Mostert

Limited

The American popcorn market is worth R4,2 billion a year and is a major potential growth area in South Africa where eating popcorn is largely limited to cinemas

As a foodstuff popcorn is healthy, with a content of more than 70 percent carbohydrate, and is also included in the American Denatal Association's list of sugar-free snacks

The factory employs the most up-to-date methods and the packaging, in line with the fun image of salted snacks, is also well designed and entertaining

Baker Street has involved the distribution arm of Tongaat Foods to get its product onto store shelves nationwide

The company launched Jumping Jack in three flavours — white cheddar cheese, buttered or salted

It is also making caramel-coated popcorn under the name Diddle Daddle

Another product is a microwave popcorn in salted and butter flavours under the name Micro Jack

● NEF is ready to fund viable projects

Making a meal of it

Sowetan 5/8/93

By Mzimkulu Malunga

WITH SUMMER KNOCKING at the door, many people will be throwing wild parties in the townships and one man who stands to benefit from this is Mr Siphso Sibeko of Soweto Catering

"Summer is our busiest period because there are lots of functions in the form of weddings, get-togethers, even Christmas parties," he says

Having a professional caterer at weddings and other parties has become a status symbol and Sibeko is one of those who have the last laugh

"People are busy and they want somebody to handle their cooking," he says

Later this month Soweto Catering will prepare meals for more than 2 000 people who are expected to attend the *Sowetan's* mass choir festival to be held at the Standard Bank Arena

Apart from individuals in the townships, most of Soweto Catering's clients are white companies

"Though they still have fears as to whether a black caterer can deliver on time due to the violence in the townships, once they are satisfied with your service they always come back," he says

However, most black business organisations appear to have doubts about the company's capabilities

In addition to *Sowetan*, Sibeko's company caters for electricity giant Eskom. The company also hires out kitchen

■ **A LA CARTE** Crack caterer craves

corporate customers:

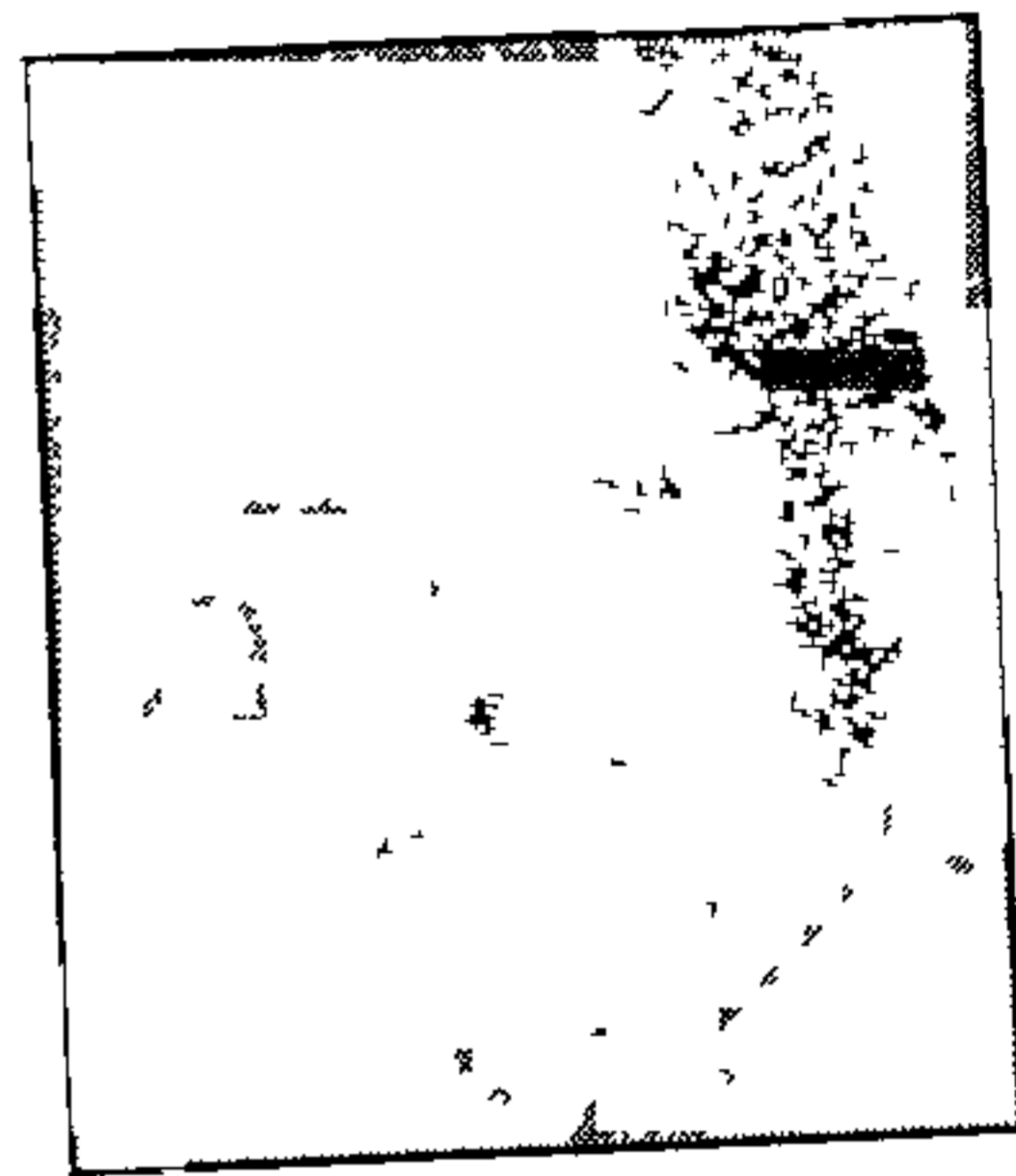
 **Sanlam** ¹⁸⁶ ~~170~~ 75

utensils and tents for parties, funerals and other functions

Soweto Catering employs five people full time and has another five part-timers who are called on when the pressure mounts. There are qualified chefs in the company's employ

Sibeko says he plans to approach companies to run their canteens just as companies like Fedics do

Siphso Sibeko qualifies for the *Sowetan-Sanlam* Entrepreneur of the Month competition. At the end of the year monthly winners will compete against each other and the victor will become *Sowetan-Sanlam* candidate to the SBDC's entrepreneur of the year competition



Siphso Sibeko plans to compete in the big league.

Peace accord signatories to acquire 'more teeth'

BizDay 6/8/93

DURBAN — The national peace accord was planning to acquire more "teeth" to act against political parties and individuals who breached it, peace secretariat chairman Antonie Gildenhuys said yesterday.

At a conference on peace and human rights he conceded the peace accord had its shortcomings. However, its structures were effective in many instances. The Wits/Vaal peace committee had prevented the current conflict on the East Rand spreading to Soweto and other areas.

Gildenhuys said a subcommittee appointed to look into ways to give the accord more legal strength would report back to the national peace committee next week. It was proposed that the code of conduct be "criminalised" so that those who

Political Staff

breached it could be prosecuted. Since the national peace accord was signed in November 1991, 11 regional peace committees and 120 local structures had been established.

Gildenhuys said leaders of warring factions and the police had agreed to return to their constituencies to "preach peace", Sapa reports.

Daily meetings would be held at the East Rand joint operations centre to assess ways to prevent further bloodletting.

"Communities must be prepared to use the accord, but not for political points. They must not hijack the accord for political purposes."

Community co-operation with security forces was as important as the

SAP's obligation to consult and work with residents and leaders in areas affected by violence, he said.

Speaking at the conference, Transkei military leader Gen Bantu Holomisa warned that SA could get a new government before April 1994 as a split in the NP caucus loomed.

The rise to prominence of Afrikaner Volksfront leader Gen Constand Viljoen could be calculated to prepare for a separation in the government. A contingency plan should be established to prepare for this.

Peace facilitator Prince Madlala told delegates Natal communities affected by violence were calling for international observers to return home because they were not helping end political warfare. The UN should empower observers to do more than just observe, he said.

Election violence feared

BizDay 6/8/93

CAPE TOWN — About 14% of black South Africans surveyed recently said they would probably not vote in the April elections for fear of violence, the Goldstone commission heard yesterday.

Addressing a hearing on ways of preventing violence and intimidation in the elections, Prof Laurie Schlemmer of the Human Sciences Research Council also said 2% of respondents claimed they were committed to violence during and after the election period.

Schlemmer said this translated to a large percentage of the total electorate.

The survey of 8 400 respondents was carried out recently in areas not normally polled such as squatter camps, resettlement areas, deep rural areas and the self-governing states.

It appeared there was a definite correlation between people's fear of violence during the election campaign and polling process, and their disinclination to vote.

Three out of every 10 people saw the prospect of violence as the most severe problem surrounding an election.

Only about 35% believed the security forces were either willing or able to pro-

tect people during the election process.

A third approved of breaking up meetings of opposing parties in areas where those parties were not popular.

Schlemmer said the survey asked people who they would like to see at the polling booths. Surprisingly, he said, the SA Police rated on a par with other organisations such as the SA Defence Force, a joint peacekeeping force, Home Affairs officials and UN observers.

Only 54% were sure their vote would be secret while a minority showed uncertainty about what voting was.

About 97% of ANC supporters expected the movement to win an election.

Less realistic were the eight out of 10 Inkatha supporters who expected their party to win, and the four out of 10 PAC supporters who were convinced of victory, Schlemmer said.

One could assume there would be some rude shocks and possibly severe reaction after the election results were announced.

Schlemmer said only about 12% indicated they wanted polling to take place over one day. They thought five-and-a-half days were required. — Sapa.

Unionist to join board

BizDay 6/8/93 THEO RAWANA

NATIONAL Sorghum Breweries said yesterday it would take a trade union member on to its board of directors.

In a move designed to reinforce a forum the company had established with the Food and Allied Workers' Union (Fawu) following a wage agreement, Fawu and the Food Beverage Workers' Union would elect a member to serve on the company's board.

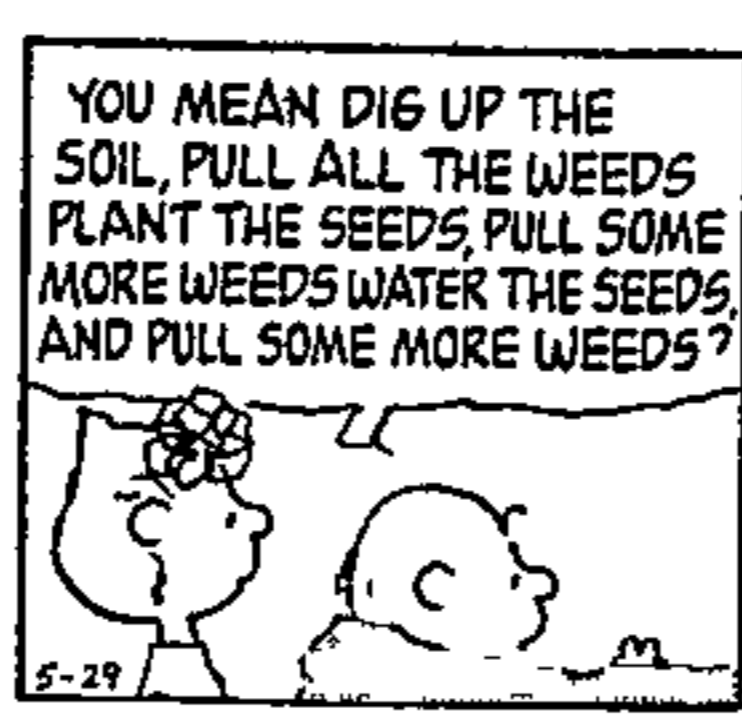
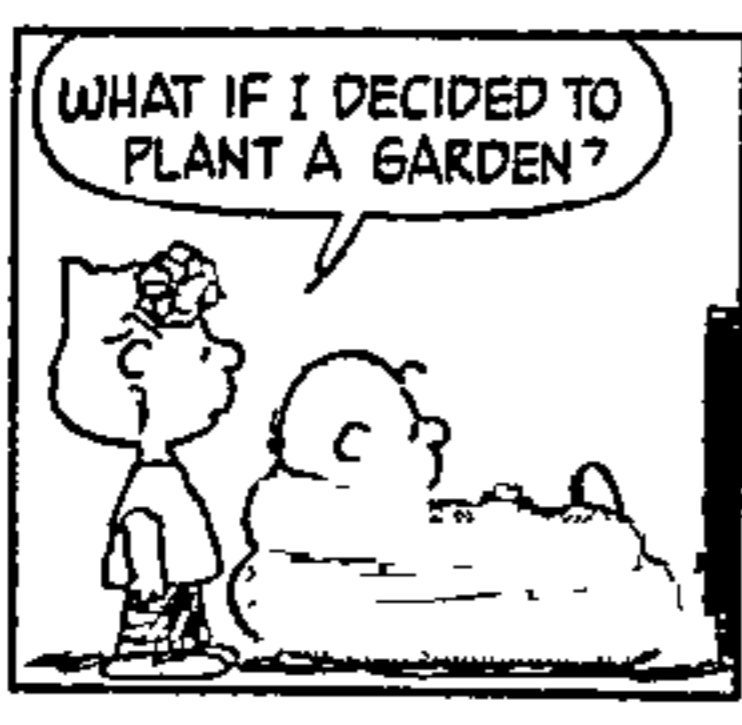
The agreement followed a strike by about 2 000 Fawu members to back wage demands (18b).

Breweries CE Mohale Mahanye said the brewer had allocated R5m for bursaries for training and development. It would not go through with retrenchments that would have affected 800 workers and closed some breweries.

Fawu assistant general secretary Ernest Buthelezi said the board appointment would be seen as "window-dressing" if people were simply catapulted from the floor to the directorate. The company should first involve workers in managing plants.

PEANUTS

By Charles Schulz



Survey highlights black voters' fears

CAPE TOWN — About 14 percent of black South Africans surveyed recently said they would probably not vote in the April elections for fear of violence, the Goldstone Commission heard yesterday.

Addressing a hearing on ways to prevent violence and intimidation during the elections, Professor Laurie Schlemmer of the Human Sciences Research Council also said 2 percent of the respondents claimed they were committed to violence during and after the election period.

This translated to an "awfully large" percentage of the total electorate who had a destabilising, revolutionary attitude, said Schlemmer.

The survey of 8 400 respondents was carried out recently in areas not normally polled,

such as squatter camps, resettlement areas, deep rural areas and the self-governing states.

Three out of every 10 people saw the prospect of violence as the most severe problem surrounding an election.

A third of those surveyed approved of breaking up meetings of opposing parties in areas where these parties were not popular, which indicated a "fairly tough, cynical attitude" to the rights of parties to mobilise support, he added.

Only 54 percent were sure that their vote would be secret — a figure which made this survey group only a little less paranoid than their urban counterparts, who were also surveyed by the HSRC recently.

About 97 percent of ANC supporters expected the movement to win an election, which was

fairly realistic in the circumstances, Schlemmer said.

● The Star's Political Correspondent Chris Whitfield reports that the weekend is shaping up as critical to hopes of an imminent return by the Inkatha Freedom Party and KwaZulu government to negotiations.

However, the IFP's Dr Ben Ngubane — who led a delegation which met with the Government for discussions on the issue yesterday — last night cautioned against suggesting that the party would return to the talks at the World Trade Centre within days.

"There has been some progress (in talks with the Government and ANC) but everyone expects a rush now. The issues we are discussing are so fundamental they cannot be resolved overnight," Ngubane said in Durban — Sapa

Robin John

By Robin John
Star Africa

HARARE southern journalists of Africa independent his home

Born Spicer's career in the Rhodesia Durin served in

Spicer papers of its sister the group Africa information News Service

His first editor of land

He was 1964 for ism and recipient Commor

He has two sons

Dispute over bid to lay off 200

By Abdul Milazi
Labour Reporter

When Eric Magwaza (46) was promoted to stores manager at the Epic Oil Mills Johannesburg factory a year ago, he knew he could give his family a better life and a better education on an increased monthly salary of R4 000.

Now Magwaza is one of the Epic Oils workers who face losing their

jobs, after the company this week announced its intention to retrench some 200 people today.

About 300 workers at the factory downed tools on Wednesday after management allegedly refused to negotiate the retrenchments with their union.

However, Epic Oils managing director Trevor Wilkinson said his company had negotiated with the Food and Allied Workers' Union (Fawu),

which represents the majority of the workers, but the two parties could not reach an agreement on how the retrenchments should be implemented.

Wilkinson said the company had decided to go ahead with its decision "to get some reaction from the union", which he said had failed to come up with alternative proposals after nine months of negotiations.

Fawu regional organi-

ser Ernest Buthezi has disputed this and said the company was unilaterally implementing the retrenchments. He said that when the union came up with alternative proposals, management issued counter-proposals, making it impossible for the parties to reach an agreement (186)

The workers have vowed not to return to work until management agrees to negotiate with the union "in good faith"

International

AUCTIONEERS 618-3460 1 2 3

IN 1991 Tetra Pak acquired the international interests of Alfa-Laval AB, the Swedish manufacturer of processing equipment for food

Alfa-Laval, formed early in the century, developed the first milking machines and separators for dairies

The acquisition came as no surprise Tetra Pak and Alfa Laval, both Swedish companies in the food business, had co-operated for more than 40 years with common installations in 100 markets Alfa-Laval supplied the food-processing equipment and Tetra Pak the filling and distribution machinery

In 1993, the two companies formed a new group, Tetra Laval, with four operating companies Tetra Laval Food, Tetra Pak, Alfa Laval and Alfa Laval Agri, employing 16 000 worldwide

Tetra Laval Food will focus on processing and packaging systems for viscous and solid-food products

Important

Tetra Pak assumes responsibility for liquid-food processing and packaging Alfa Laval will continue to focus on specialised areas, such as separators, flow equipment, heat exchangers and computer-based control and monitoring systems for the food business.

Alfa Laval Agri supplies equipment and services to dairies

The three most important markets for the enlarged SA group are dairy products, fruit juices and sorghum beer

"The merger has benefits for both companies," says Johann Schoeman, process services manager for Tetra Pak (SA)

"It gives the new pro-

Many benefits flow from Alfa merger

STimes (Buss)

818193

Business Times corporate survey

TETRA PAK, South Africa's leading packaging company, rejoined its Swedish parent as a wholly owned subsidiary in June

CIARAN RYAN reports on the move and on Tetra Pak's takeover of Alfa Laval.

cessing division much wider access to Tetra Pak's customer base, particularly in the high-temperature processing market.

"The benefits for Tetra Pak are that it can now offer complete processing and packaging solutions to the food industry"

The merger sets up a formidable force in food ser-

vice and equipment and several staff members from Alfa Laval have joined Tetra Pak

The two companies are renowned for the high quality of their machinery and service excellence

Like Tetra Pak, Alfa Laval in SA was cut off from the parent company by sanctions The SA operation changed its name to

ALSA Engineering after an employee buy-out and was forced to manufacture here.

To continue operating it also had to obtain equipment from sister companies outside Scandinavia and to import second-hand and refurbished Alfa Laval machines



The flow of technology and information from the parent company was suspended when the Swedish trade ban was imposed in 1987

Mr Schoeman says "With sanctions out of the way, we have access to the latest technology and equipment and we are well positioned for growth"

Tetra Laval			
<p>Tetra Pak Develops, manufactures and markets liquid food processing and packaging systems.</p> <p>Fields of Operation Packaging and Distribution Systems Liquid Food Processing Equipment - Dairy - Beverage - Juices - Drinks - Aseptic</p> <p>No of employees (worldwide). 16 000</p>	<p>Tetra Laval Food Focuses on processing and packaging systems for viscous and solid food products</p> <p>Fields of Operation Ice cream Convenience Food Prepared Food Packaging systems for particulates, e.g. Pet Food Tetra Box Fats and Oils</p> <p>No of employees 2 000</p>	<p>Alfa Laval Specialised key products such as separators, flow equipment, heat exchangers and computer based control and monitoring systems</p> <p>Fields of Operation Automation Dosing and Analysing Flow equipment Separation Thermal equipment</p> <p>No of employees 13 000</p>	<p>Alfa Laval Agri Focuses primarily on equipment and full range services for dairy farmers</p> <p>Fields of Operation Products and systems for milk production Stalling equipment including herd management and automatic feeding systems Accessories and service for dairy farmers</p> <p>No of employees 3 000</p>
Graphic: FIONA KRISCH Source: TETRA PAK			

TETRA PAK

Long-life food alters the lives of millions

St Times (Bus) 8/8/93
(186) (188)

THE average South African drinks 30 litres of milk a year, well below the figure for most developed countries.

Low milk consumption in SA is partially blamed on its short shelf life and the lack of refrigeration in poor areas.

But the development of aseptic packaging by Tetra Pak — nominated in 1989 as the most significant food science innovation in 50 years by the American Institute for Food Technologists — is changing that.

Liquid foods with a normal shelf life of a few days can now be stored for six months or more, thanks to this revolution in food packaging.

Aseptic packaging has changed the lives of millions of South Africans, bringing a new range of perishable foods to those without refrigeration or access to fresh food.

Coat

Long-life, or ultra-pasteurised, milk is now one of the fastest-growing food items in South Africa.

The milk is flash heated to 140 degrees Celsius for up to four seconds, sufficient to kill most bacteria, and then packaged in Tetra Brik Aseptic cartons comprising several layers of material.

Two inner layers of polyethylene protect the product's flavour and prevent seepage to the packaging material.

A thin layer of aluminium foil protects the product from light and air.

The design is then printed on duplex paper which is coated with an outer layer of polyethylene which protects the carton from water damage.

The carton is designed to protect the product from taste or quality deterioration.

Filling takes place in sterilised conditions. The packaging is sealed to prevent micro-organisms from entering



PAUL BLACKBEARD: Pioneer has nearly all of SA's ultra pasteurised milk market

during transport or storage. Tetra Pak marketing manager Paul Blackbeard, a former Springbok swimmer, says the company has nearly all of the ultra-pasteurised milk market, which it pioneered.

Sales have doubled in four years to 80-million litres, compared with short-life pasteurised milk sales of 600-million litres a year. Ultra-pasteurised sales

are expected to exceed 500-million litres by 2000, nearly 50% of the total milk market. But this is still well below ultra pasteurised milk's penetration in Europe. In some countries it accounts for 90%

of milk sales. The introduction of ultra-pasteurised milk in aseptic containers in Spain resulted in consumption a head rising from 30l to 120l a year. Pasteurised milk lost some of its share, but the total market grew.

Part of this success came about by repositioning ultra-pasteurised as an alternative to pasteurised milk.

Mr Blackbeard says "Initially, ultra pasteurised milk was considered a product for the rural market. There was a view that it was not as tasty or nutritious as fresh milk."

"We have repositioned ultra-pasteurised milk as a product for urban as well as rural markets."

Research showed that most consumers believed pasteurised milk was more nutritious and better tasting than the ultra-pasteurised version — until they were asked to sample ultra-pasteurised milk without being told what it was.

After using the product for one week, 600 households were asked to rate the taste of the product.

A total of 90% said it was "good" or "very good indeed." After being told that the product was ultra-pasteurised milk and that it could be bought in bulk and stored, 96% said it was "good" or "very good indeed."

Flash

Until then, ultra pasteurised milk had been sold in a distinctive gable-top carton. Tetra Pak persuaded customers to use pasteurised designs for ultra-pasteurised milk — eliminating the visual distinction between the two cartons — and market the two together.

The result was a sharp increase in ultra-pasteurised milk sales.

Tetra Pak's aseptic technology department, headed by Mike Bolstridge, assists customers in reformulating products to remove preservatives from food.

"We do not want the word preservatives appearing on our packages," says Mr Bolstridge.

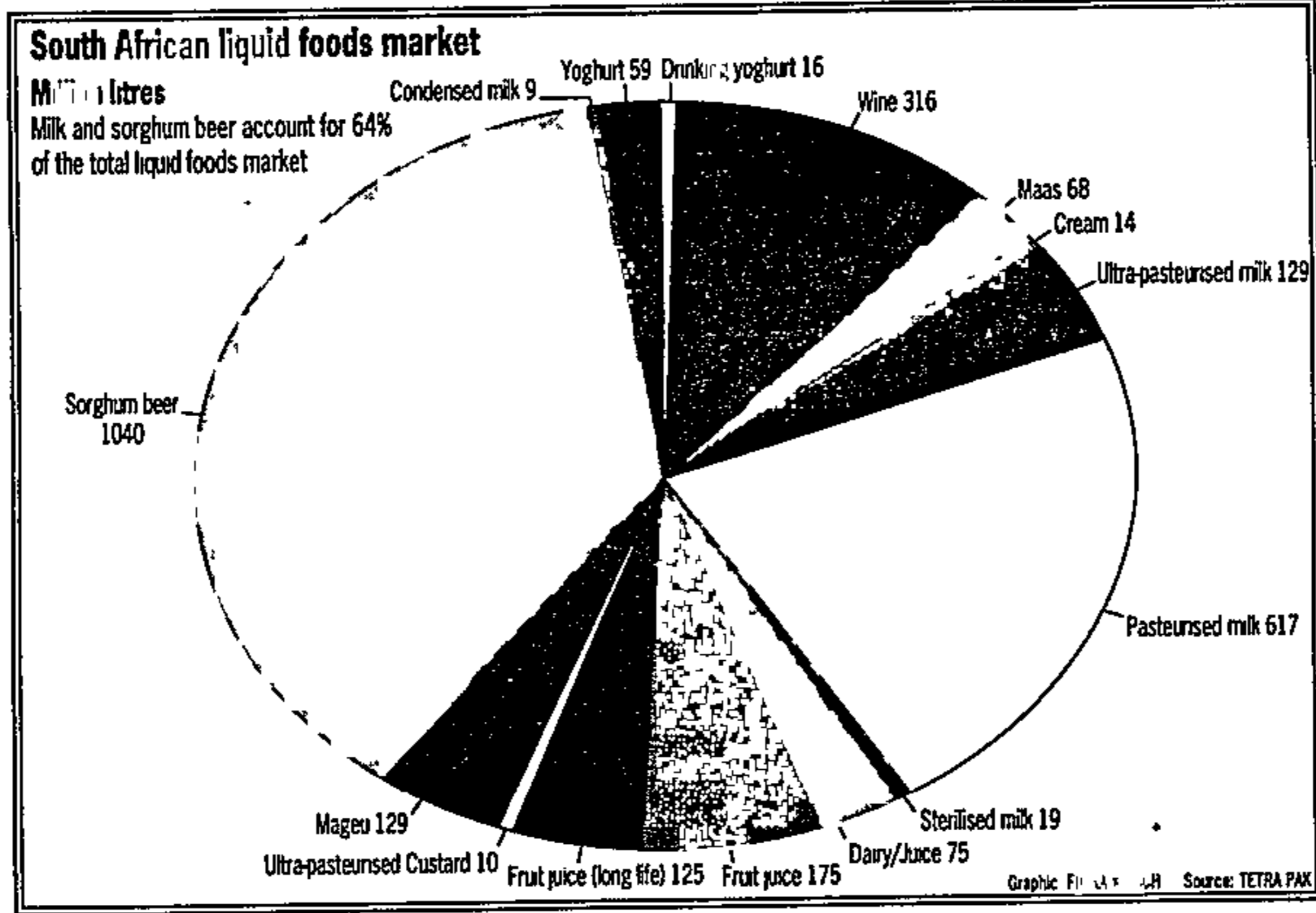
"Preservatives detract from the taste. In any event, you do not need preservatives with aseptic packaging."

Aseptic packaging is being applied to a range of new liquid foods, from fruit juices to custards and yogurts. Aseptic cartons account for nearly 35% of the 266-million litres of fruit juice sold annually.

In total, this packaging format accounts for 60% of all cartons sold by Tetra Pak in SA.

Aseptic packaging also overcomes the problem of seasonal fluctuations in the availability of perishable foods, opening new markets for suppliers.

"It opens up a whole new avenue of growth for the food industry," says Mr Blackbeard. "Ultra-pasteurised milk can compete against powders, blends and coffee creamers — not only pasteurised milk."



Dairy Maid feels the heat

S Times (Buss)

By CHERILYN IRETON

THINGS are hotting up in South Africa's R880-million-a-year ice-cream market

Ola and Clover, the ice-cream divisions of Unilever South Africa's Vandenberg Foods and NCD, are to merge ahead of an assault on market leader Dairy Maid

Unilever will have the majority holding in new company Ola South Africa

Dairy Maid controls more than 50% of the 68-million-litre-a-year market. Clover has an estimated 20% 15/8/93

Ice cream is one of the few sectors of the food market to show real growth in the recession. Figures from research firm IBIS indicate growth of about 10% in the past year

But South Africans don't eat as much ice cream as other nations with similar climates. Each person eats an estimated 1,7l a year — one of the lowest rates in the developed world. Australians each eat an average of 17l a year

Unilever says results of the recent Ola

launch in Natal were so encouraging that it decided to make a large investment and extend its presence to the rest of South Africa

Unilever Group is the world's largest ice-cream manufacturer with particular strength in Europe through the domination of the profitable impulse market. This market includes bars and ice cream on a stick

Unilever will bring its international brands and technology to the venture. Clover will add its brands, manufacturing facilities and distribution network

Manufacture of successful international brands, such as Magnum, Winner and Calippo, will begin shortly

All manufacture will be carried out at the NCD site in Queensburgh, Natal

Clover milk and other related products are not part of the deal

■ BUSINESS FOCUS

He can't write, but he's . . .

BAKING FOR THE NATION

BY ELIAS MALULEKE

BAKER Isaac Madisa cannot read or write, but he is not ashamed of himself and proudly declared "I feel like a well-educated man because I give jobs to people and feed nations."

"You can say I have a BA Degree in Human Care and Nutrition," said the owner of MI Bakery in Arabie Dam, near Marble Hall in Lebowa

The 44-year-old father of two young sons grew up working on a farm in Demilton and missed schooling throughout his youth

But he now employs a white manager and more than 25 black workers in his flourishing bakery which produces more than 7 500 loaves a day.

Although he started from nothing in 1989 save for a small building and a loan from the Small Business Development Corporation, he now has assets of R750 000, including four huge delivery

trucks

Madisa is not your average "MD" who shouts instructions from behind a huge mahogany desk. He is a hands-on supervisor who believes in leading the operation from the shop floor

"I have been a baker all my life and I love the smell of fresh bread coming from the oven," he said

Odd jobs

Madisa escaped possible death when a mysterious illness wiped out his family. Five of his brothers, three sisters and their father died from the illness. Madisa escaped with a semi-paralysed leg.

He believes an evil spell was cast on the family

Madisa left the farm and found work at a bakery in Pretoria where he did odd jobs

He earned R5 for a six-day week and claims that his white boss assaulted him

sometimes.

He changed work on numerous occasions and by the time he decided to start his own bakery, he had worked for more than 30 bakeries in Pretoria and Johannesburg

"I was ill-treated wherever I worked because I could not read or write. I could not even speak Afrikaans and English

"My bosses and colleagues belittled me because of this. But I was learning the job and did not worry much about the bad treatment.

"I changed jobs to gain experience. I wanted to be versatile, to be able to bake anything and succeed," he said

He saved enough from his meagre income and started to build his bakery while he was still employed. He completed the building over a four-year period.

When the building was completed in 1989 he approached a development cor-

poration for a loan to buy a dough mixer, a cutter and a small oven.

"I worked with my wife and children when we first opened because we could not afford to pay salaries. We delivered to local shops in a small car.

"The business picked up and we bought a small van and hired a driver. But I had a problem with my books and hired a black man to do the job."

He claimed he stopped using black bookkeepers in his business because some went around the village and spoke about how much money he was making

"I felt betrayed because it was a dangerous practice. My books are my secret, and I decided to work with whites," he said

Madisa said the business had grown tremendously and was still expanding

He has installed new and bigger ovens and now intends to extend the building and challenge the industry's big guns



WEALTH FROM WITTHIN . . . Thami Majozi heads up a determined and creative effort to create wealth in poverty stricken Orange Farm.

Unilever, NCD to merge ice cream divs

UNILEVER SA's Vandenbergh Foods (VDBF) and NCD have announced a merger of their Ola and Clover ice cream divisions. Clover milk and other related products will not be included in the merger.

Unilever will hold the majority shareholding in the new company, to be called Ola SA (Pty) Ltd. The new company is to invest strongly over a period of 10 years into the local market.

Unilever will bring to the new venture its international brands and technology which, combined with NCD's Clover ice cream brands, manufacturing facilities and distribution network, will result in the new company becoming a dominant player in the local ice cream market.

Extensive research showed the SA market to have enormous growth potential.

Transnet sets 11,5% coupon

JOHANNESBURG — Transnet said its planned new medium-dated capital market loan stock, the T016, would be issued at a coupon rate of 11,5%.

The bond, which will be launched on August 17, matures on February 15, 1999 and is expected to raise about R7,5bn Interest is payable every February 15 and August 15.

Transnet's deputy treasurer Hercu Bldem said applications for the bond could be made to First-corp Merchant Bank before noon today — Sapa

Unifruco, Sikisa in new company link-up

THE international marketing company of the deciduous fruit industry in South Africa, Unifruco Ltd and a Johannesburg-based company, Sikisa Trading Corporation, are to cooperate in the procurement, shipping and overseas distribution of subtropical products.

According to a joint statement by the two companies, Sikisa approached Unifruco some time ago as they wished to expand their port and over-

seas distribution network.

At the same time Unifruco, having experienced significant growth in the volume of subtropical fruit handled over the past two years, was seeking to expand its inland support services.

To achieve the aims of both companies a new company, Fruit Exporters of Southern Africa (Pty) — Frusal — has been formed, which is equally owned by Unifruco Ltd and H B Cammeratt, present owner of Sikisa

JSE acturaries indices

INDEX	PREV	MOVE	EARN YLD	DIV YLD
OVERALL	3990	29	6.5	2.9
MINING PROD	3241	69	6.0	3.2
COAL	2732	0	18.1	5.4
DIAMONDS	16175	45	6.4	2.7
ALL GOLD	1747	80	5.2	3.4
RAND/OTHERS	619	38	8.6	4.2
EVANDER	1383	30	7.9	3.2
KERKSDORP	4880	172	3.9	3.6
OFS	974	35	4.4	3.9
WEST WITS	2611	149	5.7	2.9
METALS&MIN	1971	4	5.1	3.4
COPPER	756	6-	8.8	9.6
MANGANESE	2813	0	6.3	3.5
PLATINUM	4825	14	4.1	2.4
TIN	23	0	0.0	0.0
OTHER METALS	23	2	12.0	2.5
MINING FIN	4602	69	6.5	2.8
MIN HOUSES	4856	57	7.5	2.8
FIN/INDLIST	1408	31	4.2	2.8
	5352	7	6.6	2.8

Moves

DAILY TOP	10 UP	10 DOWN
DECVO	40	25+
VLAKS	10	2+
PROGRES	100	20+
FREDDV	425	75+
BENONI	60	10+
URCHART POND	120	20+
DOORNS	375	60+
LYDEX	70	10+
VILLAGE	185	25+
SOUTHGO	110	13+
FARCAP	30	10
SOP/LATS	75	25-
GRESHAM	100	30
PERSBEL	650	150-
IGI	450	50-
MEDHOLD	45	5-
KNJ	50	5-
GEFCO	55	5-
ARIES	120	10



Star 1918/193

Union seeks higher wages

The South African Commercial, Catering and Allied Workers Union has declared a wage dispute with the Metcash group. The union, which claims to represent about 60 per cent of Metcash's approximately 10 000 employees, is demanding an increase of 30 per cent across the board, which is 20 percent, which is the greater.

Correspondent

(126)

Strong sales limit SFW (186) Aug 19/8/93 earnings dip

Business Staff

STRONG second half sales — particularly in the last quarter — helped Stellenbosch Farmers' Winery (SFW) limit its earnings decline to 4 percent in the year to end June

Attributable earnings came in at R39,5 million, from which a reduced 12c (previously 12,5c) a share dividend was paid for the full year

Group turnover, reflecting the improved sales, climbed 13 percent to just over R1 billion in the period under review

However, margins took a battering, leaving operating profit down 8 percent to R99,8 million

■ Struggling textile group Unispin has acquired Bertrand with effect from January 1, according to a financial notice published today

Shareholders approved the acquisition at a general meeting yesterday

Bidvest sees earnings rise 38% to R37m

S | Times (Buss)
2218 | 93
186

By JULIE WALKER

BIDVEST chairman Brian Joffe and director George Demetriades make the understatement of the year in comments on performance to June 1993 "The group reports most satisfactory results notwithstanding the state of the economy."

Other directors use the term if they manage to stay in the black.

Bidvest lifted taxed earnings by 38% to R37,3-million after minorities

Undiluted earnings a share jumped by a third to 552c. This figure was not puffed by tax windfalls. Reversal of the provision for deferred tax in previous years has not been brought into the income statement.

Bidvest is ungeared and has nearly R200-million in the bank. Goodwill has been written off, excluding patents and trademarks which have been independently valued at greater than book price.

The results do not include any contribution from Safcor, the freighting and forwarding company bought with effect from July 1.

Bidvest provides a pro forma income statement to show what the effect would have been had Safcor been included for the year.

Turnover would have almost trebled to nearly R2-billion, taxed income would have been up by three-quarters at R68,5-million and undiluted earnings a share would have been a quarter higher at 683c.

All Bidvest's divisions did well. There was a big improvement in groceries and in Steiner Crown performed to budget and Afcom had an excellent year.

Mr Joffe says Safcor was a fantastic deal. Bidvest issued two lots of paper to fund the R260-million acquisition, ending with Safcor assets and money in the cash shell.

Bidvest has raised its total dividend by a quarter to 210c, putting the shares on a historic dividend yield of 2,6% at the current price of R80.



BIDVEST'S BRIAN JOFFE

Castors put the skids under Kipton's fine track record. Earnings a share slipped from 39c to 2,4c in the year to June and the dividend was passed. Turnover was little changed at R122-million.

Joint chairman Nigel Matthews says SA Castors was bought for too much before Supreme's liquidation. "If we had known about that, we would have waited and bought it much cheaper."

Its stock was of poor quality and integration with Kipton's castor business did not go well. It is being sorted out and the group's focus will shift to the security and safety operations which did well. Sandton Sentry was a star and Stuarts Security has been acquired. Austen Safes was sound, but the industrial division suffered because of the poor economy.

Kipton's cash flow was reasonable and R5-million of borrowings repaid. Chairmen Nigel and Robin Matthews expect an improvement in earnings and in gearing in the current year. The share is priced at 150c.

Buoyant Bidvest is now cash flush and debt free

Bidvest 23/8/93

MARCIA KLEIN

THE Bidvest Group has produced a 34% earnings rise to 552c (412c) a share in the year to end-June off an already high base established in the previous year

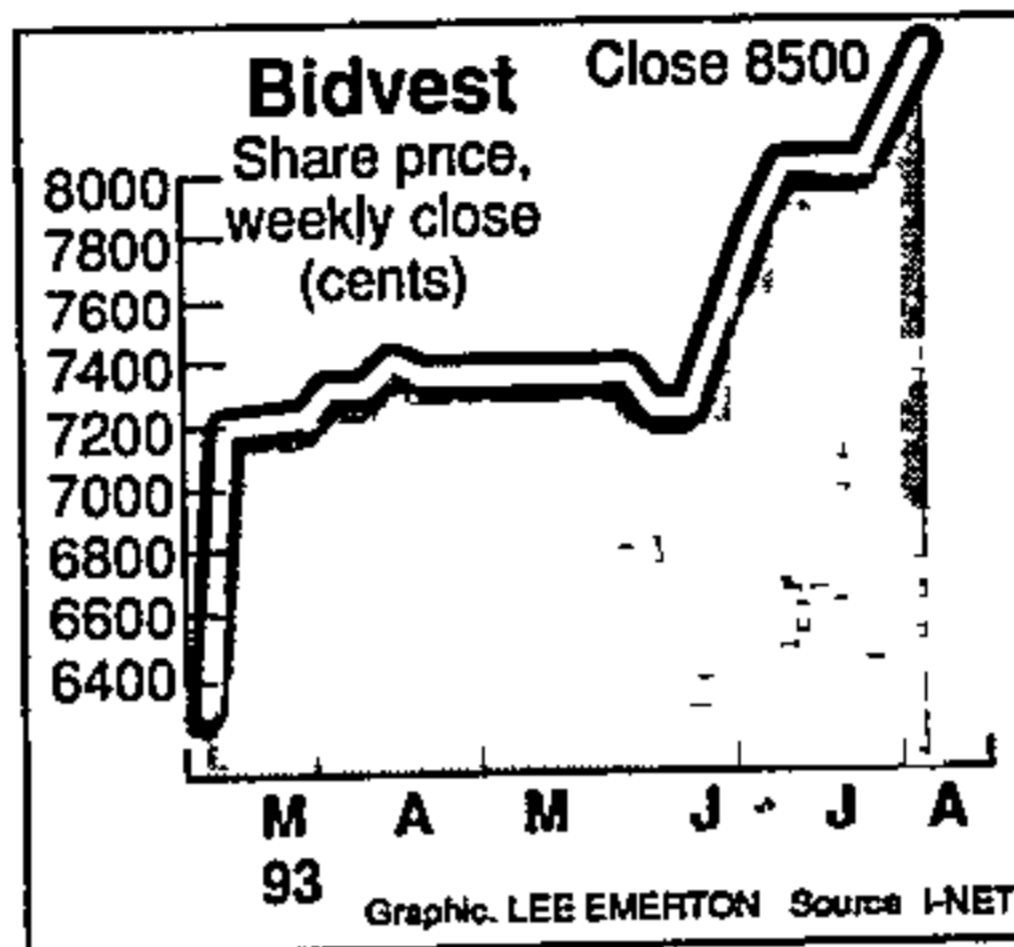
The services, packaging, catering supplies and food group recently acquired freight-clearing, forwarding distribution and warehousing group SA Freight Corporation (Safcor) in a R263m deal which almost doubled its size

It also acquired the minority interests in subsidiaries Crown Food Holdings and Afcom, which were both delisted, and effectively raised R139m cash through the issue of shares and debentures

Director George Demetriades said earnings were achieved off a high base and despite flagging demand and intense competition in most of the markets which Bidvest served. The market place had remained tough, and the increase was achieved through effective asset management and tight cost controls, and through motivating people in the group

The income statement does not include any of the transactions other than the acquisition of minority interests in Crown and Afcom

Results, assuming all the transactions took place on July 1 1992 and that surplus funds were invested, show group turnover would have more than doubled to almost R2bn, while attributable income would



have risen 150% to R68,5m.

Audited results show turnover rose 30,1% to R775,2m. But pressure on margins saw operating income grow 17,3% to R70,5m (186)

Net finance charges rose marginally to R21m (R20,3m), and pre-tax income was 24,4% up at R49,5m. Finance charges would be drastically reduced in the coming year thanks to Bidvest's strong liquidity position, chairman Brian Joffe said.

Lower taxation saw attributable income rise 38% to R37,3m. A final dividend of 112c a share was declared, bringing the full-year dividend to 210c (164c) a share

Joffe said despite substantial growth in the past year, long-term liabilities were reduced to nil from nearly R97m a year ago, and the group had about R190m cash on hand.

Demetriades said despite the effect of a month-long strike, paper and packaging group Afcom had done

well and was cash positive. Towel, clothing and linen rental company Steiner's results were well up on the previous year's, and it had generated a significant amount of cash

Crown Foods had met its budgets, while food distributor Cater Plus also had a good year. Margins across the group were under pressure, particularly in the food businesses

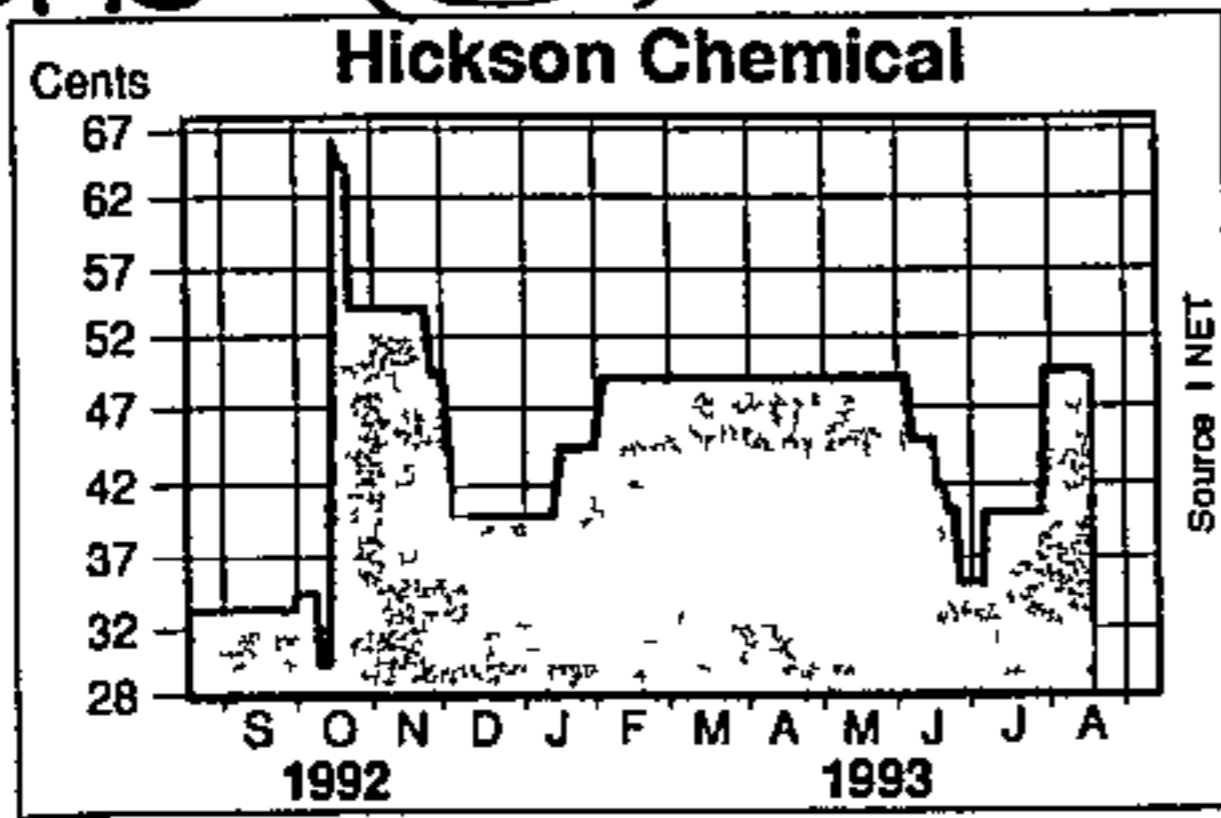
Demetriades said Bidvest was now divided into distinct areas of focus: the services division, Afcom (including Steiner and Safcor), and the catering and foods division.

The Safcor acquisition would see the group's turnover and attributable income double, and its market capitalisation take "a quantum leap". Demetriades said Safcor generated cash and had an outstanding management team, and Bidvest was satisfied with the acquisition. Bidvest expected "a meaningful increase in profits this year in Safcor". He added that trademarks had been independently valued in excess of what the group paid for them

Bidvest was now debt free with significant cash resources, and it had the capacity to make other major acquisitions

Joffe said the group was expected to perform strongly in the coming year, "given the collective contributions of Safcor and the group's other operating divisions, which are expected to maintain their sound performance"

8/93



dent Cash generation has improved markedly over the past year

After the price gained 10c to stand at 50c this week, the p e is 7,7, still the lowest in the chemical, oils and plastics sector This share is well worth watching

Kate Rushton

BRENNER MILLS
 Fm 27/8/93
Change for the better

Activities: Makes maize meal, malt and animal feeds

Control: Brenner family 81,5%

Chairman & MD: A Brenner

Capital structure: 23,3m ords Market capitalisation R60,6m

Share market: Price 260c Yields 6,9% on dividend, 12,6% on earnings, p e ratio, 7,9, cover, 1,8 12-month high, 310c, low, 75c

Trading volume last quarter, 390 000 shares

Year to February 28	'90	'91	'92	'93
ST debt (Rm)	1,7	4,1	nil	nil
Debt equity ratio	0,06	0,16	n/a	n/a
Shareholders interest	0,72	0,67	0,71	0,68
Int & leasing cover	9,3	5,3	26,5	n/a
Return on cap (%)	14,1	10,5	19,2	30,9
Turnover (% increase)	18,7	11,2	nil	29,2
Pre-int profit (Rm)	4,9	4,0	7,5	13,9
Earnings (c)	9,9	7,2	16,4	32,8
Dividends (c)	5,0	3,8	8,0	18,0
Tangible NAV (c)	107	109	118	131

By and large, milling companies are uninteresting, save, that is, for Transvaal-based miller Brenner Mills (Brenmill) The 325% rise in the share price during the year has been one of the larger gains on the market over the period

The price surge was in response to a turnaround in the company's fortunes In the year to February, Brenmill doubled its EPS to 32,8c, on a 29% increase in turnover (actual figure not disclosed) Operating profit jumped an impressive 85% to R13,9m, significantly boosting margins This is the second successive year of earnings growth and it reverses the trend of years of poor performances from the maize meal, malt and animal feed maker

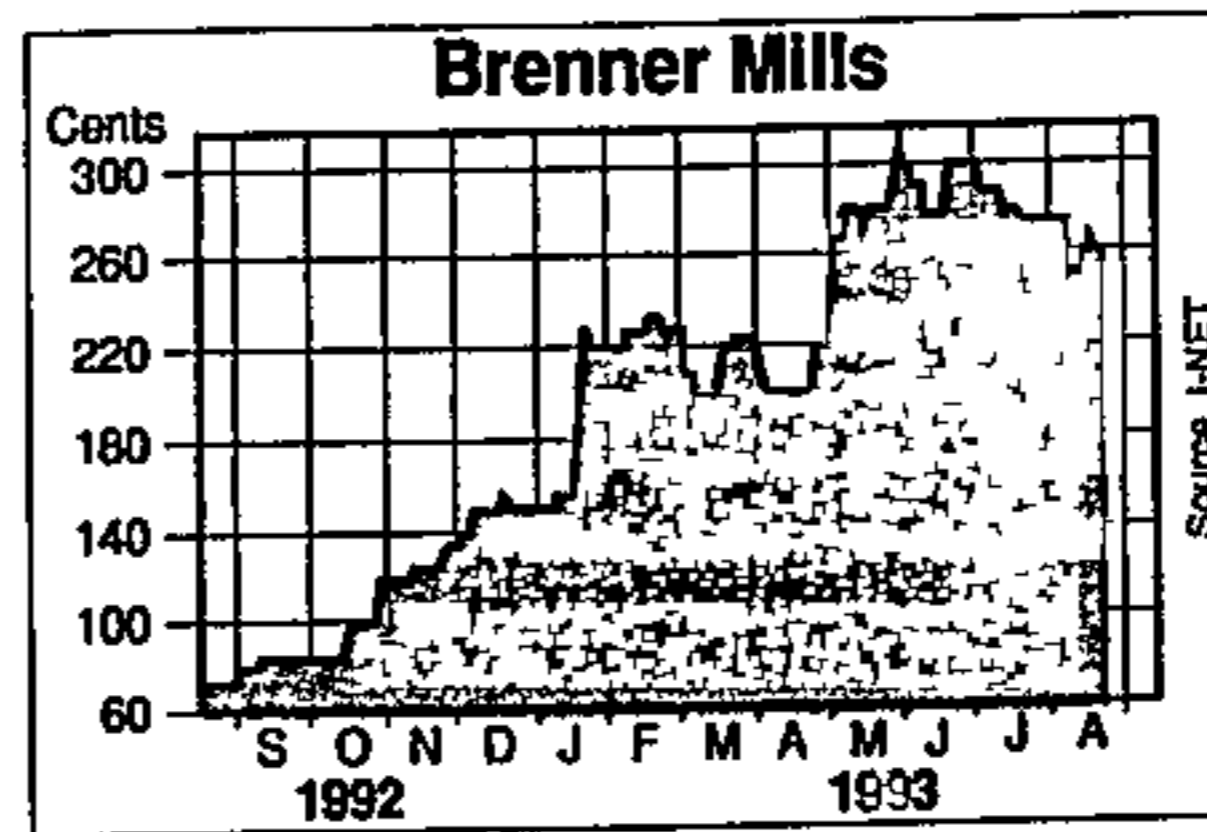
Chairman Arnold Brenner says that, as one of the smaller players in the industry, Brenmill can be more flexible and respond quicker to the changing demands of the industry Effective cash management and control over working capital resulted in cash generated by operating activities rising to R16,4m (1992 R14,4m), though the increase was largely absorbed by a higher tax charge

At year-end, the group held no debt and cash of R13,1m (R6,2m) Net interest of R790 000 was received during the year, an about-face from the R281 000 paid in financial 1992

Given the local economic climate, Brenner says he's happy the group is cash flush, though he concedes synergistic acquisitions are constantly being sought A plant modernisation programme has been started to improve productivity Capex of R1m is planned

Brenner would not be drawn on capacity usage levels of the mills, saying the improved maize crop would have a positive effect on the industry in general He believes that though white maize is back in circulation and imported maize is now a thing of the past, the drought, coupled with the need to import yellow maize which is not readily accepted locally, has left its mark on the market, particularly in terms of consumer resistance

Unwilling to comment on the performance so far this year, Brenner would only say the group is holding its own and management is happy with its market share "If we reach similar margins again this financial year, we will be thrilled," he says Attention is being paid to the improvement of existing products and associated services



Any further rerating of the share will depend on Brenner's ability to maintain earnings growth With interim results due out in the next few months, investors may wish to wait before committing new funds

Marylou Greig

ARTHUR KAPLAN
 Fm 27/8/93
Breathing underwater

After a year of consolidation, Arthur Kaplan Jewellery Holdings (AKJ) emerged from financial 1993 with a stronger balance sheet and a 10,5% increase in EPS Kaplan's business is retailing high-value, non-essential, goods considering the depth and length of the recession, getting through 1993 as well as it did is no small achievement. Chairman and MD Arthur Kaplan says waiting for the economic upturn has been unrewarding. "Instead, we've simply learnt to get on with it — that means learning to breathe underwater"

Kaplan says the company's strength was achieved largely by intensive asset management — reductions in gross stocks, improved

Catering Union to fight court move

Sowetan 3/18/93

By Ike Motsapi

THE South African Commercial Catering and Allied Workers Union will defend a Supreme Court application by five members to dissolve the union (186)

Mr Bones Skulu, who has been cited as a seventh respondent, said yesterday that Saccawu would defend the action in the Rand Supreme Court on September 21

The action is being brought by Mr Stuart Nhlapo, Mr Stanley Gomba, Mr Clement Shezi, Mr John Maluleka and Mr Thomas Mokwevho

The respondents are Saccawu officials Mr Duma Nkosi, Ms Edna Sethema, Mr Jan Khaile, Ms Alma Rontsolase, Mr Papi Kganare and Mr Bones Skulu and auditors Douglas and Velcich and the Industrial Registrar

The applicants have cited maladministration of the union in court papers as the reason for lodging the application

They said "The possibility of large scale misappropriation of funds is naturally of great concern to members. The union is required to protect the interests of its mem-

“The possibility of large scale misappropriation of funds is naturally of great concern to members”

bers who contribute to funds by way of their monthly membership subscriptions

"The use of the funds of the union and expenses incurred by it, whether legitimate or otherwise, is naturally of concern to members who contribute to such funds by way of their subscriptions

"The national executive committee of Saccawu has not taken any or any adequate steps to address the financial chaos and turmoil within the union

"The lack of financial administration and control is so serious that the union is unable to operate in accordance with its own constitution," the five said in papers before the court

Meanwhile, the membership of the union was due to meet last night to consider steps of stopping the union from using "our money" when defending the court action

I&J takes knock, but holds dividend

Biday 11/9/93

LINDA ENSOR

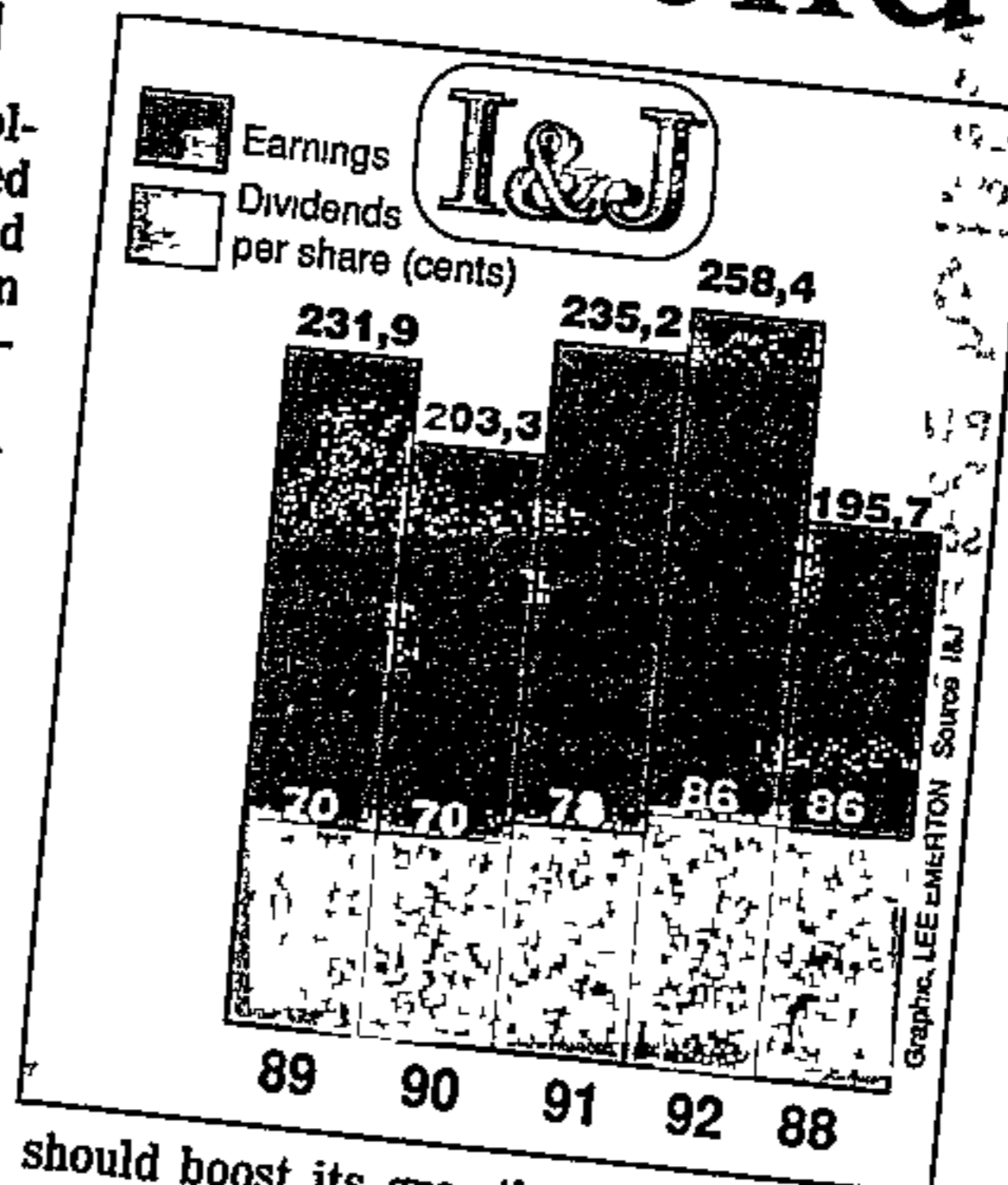
CAPE TOWN — Lower selling prices, volume declines and increased costs knocked the results of Anglovaal frozen fish and food subsidiary Irvin & Johnson (I & J) in the year to end-June, with earnings plummeting 24% to 195,7c (258,4c) a share.

However, the total dividend was maintained at 86c (186)

The difficulties were apparent in the 1% rise in turnover to R1,65bn (R1,64bn) and the slide in operating margin to 5,1% (6,6%), which led to a 22% fall in operating profit to R84,2m (R107,4m)

"Prices in both local and international markets were under increasing pressure, leading to price and volume declines in seafoods and chicken. A volume growth of 2,8% was achieved, but it yielded an increase of only 0,7% in value," chairman Jan Robbertze said.

The group's SA hake quota was cut 2,9% (1 603 tons), but yields in the Namibian fishing operation improved further. Quotas were expected to increase again next year. Robbertze said I & J had signed an agreement at end-June to introduce partners into its Namibian operation, a step which



should boost its growth. Efficiency improvements were achieved by the prepared food division, but drought increased the cost of potatoes. The retail market for frozen foods dropped 3,5% in real terms and the food service markets 5%, with the hospitality

To Page 2

I & J knocked

Biday 11/9/93

From Page 1

sector being hardest hit. But market share gains in both sectors offset these declines to some extent (186)

Also contributing to the poor performance was the sharp R73,4m rise in long-term borrowings which resulted in interest-bearing debt climbing to R95,6m (R24,3m) and the interest bill shooting up 56%. Robbertze said additional long-term funding was necessary to fund capital investments, which were necessary to ensure future growth.

Investment income fell 29% to R8,2m (R11,6m), but the lower tax rate of 24,6% (31,7%) helped stem the profit decline.

Capex amounted to R90,5m (R65,7m),

most of it spent on two freezer vessels and a new potato chip plant at Delmas. As at end-June further capex of R43,8m had been authorised, of which R11,8m had not been contractually committed yet.

Investments worth R9m and goodwill valued at R1m were written off as extraordinary items, but a net extraordinary profit of R2,4m was made on the release of R7,7m from deferred tax due to the change in the tax rate.

The sale of the Carmel business which produced pickled cucumbers and other bottled products took effect after the 1993 financial year-end.

Irvin & Johnson FISHING 186 CTI/9/93 earnings plunge 24%

By MAGGIE ROWLEY
Deputy Business Editor

DEPRESSED consumer spending both locally and abroad, coupled with increased finance charges saw earnings of Cape fishing company and frozen foods manufacturer Irvin & Johnson plunge 24% in the year to end June.

Prices and volumes remained under increasing pressure in most categories with marked declines in seafoods and chicken.

A volume growth of 2,8% yielded an increase of only 0,7% in value, at R1,6bn.

"This is something we have seldom seen in South Africa," financial director John Morrison said last night.

Pressure on margins and increasing costs depressed operating profit by 22% to R84,2m while income from investments was also down at R8,2m, 29% lower than the previous year.

A 56% hike in interest paid to R16,7m due to a substantial increase in interest bearing debt to R95,6m (R24,3m) was partially offset by lower taxation of R18,6m (R34,2m) resulting in a 24% decrease in earnings to R56,3m equal to 195,7c a share. However the dividend remains unchanged at 86c a share, at a reduced cover of 2,3 times.

According to the directors, capital expenditure during the year which included the purchase of two freezer vessels and the new potato chip plant at Delmas in the Eastern Transvaal scheduled to go into operation in November, totalled more than R90m.

A further R43,8m in capital expenditure was approved during the year, R11,7m of which remained to be committed.

To fund the required investment capital to "ensure future growth", longterm borrowings were increased substantially to R76,2m from R14,8m the previous year.

Decreased quota

The depressed performance of the Seafoods division was compounded by a decreased hake quota being awarded to the company in 1993 following a decision by the Quota Board to abolish the 80/20 principle whereby traditionally established members of the industry share in 80% of any quota increase.

However, the directors say that continued effective management of the hake resource in the Namibian fishing grounds had resulted in further improvements in the yields achieved in this fishery.

"The dramatic recovery of this resource has continued and further increases in quota are anticipated in 1994."

An agreement was signed on June 30 this

year giving effect to the introduction of Namibian partners into the group's fishing interests in that country which was expected to play a significant role in the expansion and growth, on a sound basis, of the Namibian fishing industry.

Morrison said the Namibian fishing industry also stood to benefit by the Walvis Bay concessions going to that country.

Considerable efficiency improvements were achieved by the prepared foods division. The sale of the Carmel business was concluded during the year and would be effective in the first quarter of the current year.

Hardhit by the recession, the retail market for frozen foods locally dropped by 3,5% in real terms while food service markets declined by 5% in real terms with the hospitality sector most affected. However the company succeeded in increasing its market share in both segments which partially offset market declines, according to the directors.

Morrison said that not taken into account in earnings was a R9m write off for goodwill relating to an offshore company which was acquired some years back which was only managing to break even.

While trading conditions were expected to remain tough, the group was looking to improved earnings growth in the second half of the current year.

Foodcorp set to meet earnings forecast

10/9/92

186

BY STEPHEN CRANSTON

Foodcorp is expected to come out on target with earnings of 200c to 220c a share for the year to August, probably achieving 210c

This will a 14 percent increase for Foodcorp, which is outperforming the food operators of the Premier group, whose earnings were virtually unchanged in the year to April, and of Tiger Foods, which was down 11 percent.

Both Foodcorp's main rivals have their bottom lines sweetened by high-growth, high-margin pharmaceutical subsidiaries

The absence of a drug component is one of the reasons that Foodcorp's P/E ratio of 13.2 is below Premier's 19.9 and Tiger's 16.7

Another concern is the ponderance of value-added

food in its parcel

Its staple food businesses, Ruto Mills and Sunbake, are confined to the Transvaal and account for less than a quarter of operating profit

In contrast, almost all Premier Foods' revenue now derives from staples

Sunbake, however, has established its position in the wrapped-bread market in the PWV.

Staples have benefited from buying down and are well-placed to take advantage of population growth, which will predominantly take place in the lower income groups.

During a time of economic growth Foodcorp's brand portfolio, which includes Simba, Table Top and Enterprise, would look promising, but volumes are currently contracting.

Simba, the glamour com-



Dirk Jacobs ... decisive management style.

pany in the old Fedfood, has recently seen its high-profit growth stilted by high potato prices

Its rival, Willards, opened a factory in Parow, near Cape Town, last year, which has affected its market share

The agri-business is scarcely encouraging — profits were down R14 million at the halfway stage — but Kanhym continues to downsize its feedlots

Since the end of drought it has been able to supply much of its feed from its own supplies

In any case, red meat has not suffered losses comparable to those of poultry, and Foodcorp had already discontinued its poultry business.

Foodcorp CE Dirk Jacobs has earned high marks from the market for his decisive management style and ruthless cost-cutting

He showed his mettle immediately after moving into Fedfood when 30 head office

staff were retrenched

He closed the Harvestime factory in Port Elizabeth in the previous financial year and now all the frozen vegetable processing takes place in George This will enhance Table Top's profitability.

In the coming year there will be benefits from the merger of Enterprise with ICS's Renown into by far the country's largest meat processor

And considerable efforts have been put into exports, with Hammi Leather carving out a niche as an exporter of leather to motor car manufacturers Group products were recently launched in the Middle East under the Table Top banner

If Foodcorp does produce the expected results, the share price should increase from its present R27 level

COMPANIES

Premier ups its stake in Bonnita

CAPE TOWN — Premier has extended its hold on the dairy industry by acquiring an additional 11% stake in Bonnita Holdings — the second largest SA dairy — for R48m.

The acquisition of the 24-million shares at R2 each from Cape Dairy Co-operative (CDC) brings Premier's stake in Bonnita Holdings to just over 50%, making it the holding company. *Bilay*

Premier bought 28,6% of Bonnita Holdings for R100m in February and its stake rose to 39% after it made a further cash offer to holders of convertible debentures.

Proposals have been made to list Bonnita Holdings by September next year. The company supplies 23% of SA's milk consumption and has forecast a turnover of R750m in the year to end-April 1994.

These decisions were taken at the CDC AGMs at Bonnievale, Moorreesburg and Port Elizabeth last week. It was agreed

LINDA ENSOR

that CDC would distribute both the R48m (after the deduction of liabilities) and 67-million of its shares in Bonnita Holdings to its 1 100 members, financial director Stuart Maxwell said yesterday. Members would receive about R20m in cash. *(186)*

Making the announcement, Louis du Plessis, MD of the operational company, Bonnita (Pty) Ltd, said the current economic circumstances and the financial situation of producers made it an opportune time for CDC to sell and distribute its shares. *14/9/93*

Maxwell said a drawback of the current situation was that the value of a co-operative's shares did not escalate in line with the value of its underlying assets. Staff and CDC members in their own right would hold 11% of Bonnita Holdings shares.

Del Monte set to meet forecasts, but shares fall

B/Bay 21/9/93

186

MARCIA KLEIN

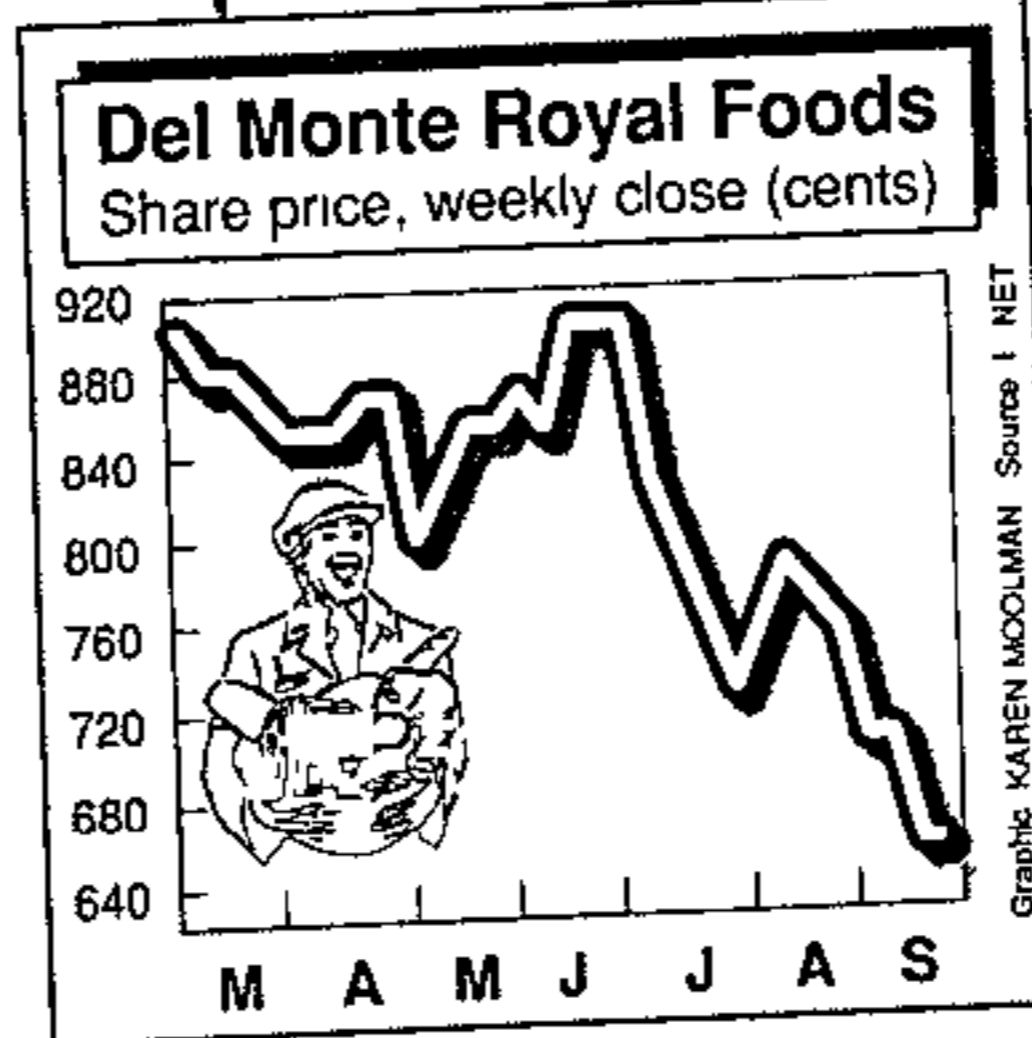
SHARES in the Del Monte Royal group have been testing new lows despite indications that the group is on target to meet its forecasts for the year to end-November

Shares in Royal rose significantly last year in the build-up to the massive acquisition by Royal and Anglo of Del Monte Foods International (DMFI), which led to the creation of the new Del Monte Royal group

But yesterday, major operating company Del Monte Royal Foods (Delfood) closed at a 650c low, after touching R10 at this time last year. Holding company Del Monte Royal Corporation (Delcorp) also closed at a low of 650c after reaching 950c in October last year. Delhold closed at 750c, off a low of 700c and a high of 950c

Del Monte directors confirmed yesterday that the group remained on track to meet its forecasts, and said the depressed share prices were attributable to a variety of factors. The shares were softening in line with general market trends, there was a large overhang of shares on the market and trading conditions remained tough

CE Vivian Imerman said that de-



spite the recent weakness in the share price, shareholders who had invested 100c in 1987 had seen their investment grow to about 700c

DMFI president and CE Enrico Sola said the recession had affected the market in Europe. Markets had declined by about 12%, and consumption was dropping

"We probably find it a little easier than companies that do not have the franchise of the Del Monte brands. Without that, the only tool that a company has is price," Sola said

Although volumes were clearly under pressure, he said DMFI was able to maintain gross margins, which came down slightly

Although it had lost some volume,

the group had maintained market share. In Italy, its major market, it had a major market share and was among the brand leaders in most categories of its products. DMFI was also strong in Britain, the Benelux countries, Switzerland and Germany

The price premium of DMFI's products was about 25% higher than private labels, which was not that high compared with other products

Sola said private labels were about 50% of the market in some European countries. Over the next five to 10 years, he expected that supermarkets would have a leading brand, maybe a second brand and then a supermarket brand and an economy brand

"We are the brand leader in most of our markets, and are thinking of making a strategic entry as a supplier of house brands to retailers," Sola said. Overall, this would never be more than 10% of the group's business, Imerman said

Imerman added that there had been less of an effect on the 35%-held Philippines business, which was doing well. The business had turnover of \$180m

The group had strengthened its SA operations, which are Royal Beech-Nut and the SA Preserving Company (Sapco)

Malbak export drive to the East

LINDA ENSOR

BANGKOK — Malbak subsidiary Foodcorp has embarked on an export drive in the Middle and Far East, to raise the contribution of exports to total turnover from the current 5% to 10% over the next few years. *B/D*

This planned export growth of, in particular, frozen vegetables would offset to some extent the stagnant growth domestically, Foodcorp international marketing director, Gert Schoonraad said yesterday. *21/9/93*

Schoonraad, who is a member of a Sacob-led delegation of businessmen visiting Thailand, said it was Foodcorp's long-term objective to become an international player spreading its exposure to the business cycle over several countries and benefiting from the rand-hedge advantage of such trade. *(186) (4/93)*

Foodcorp, which exports products worth about R150m annually, entered the Middle East market in July this year when it successfully exported more than 100 tons of frozen vegetables under the Table Top brand name to the United Arab Emirates.

Exports to Saudi Arabia were due to start in January next year.

Schoonraad disclosed that Foodcorp planned to start exporting frozen vegetables to Japan next year. With its population of about 130-million people, Japan was the priority Far Eastern country for Foodcorp, Schoonraad said, adding it was also investigating opportunities in Hong Kong, Singapore and Thailand.

Premier to open Metcash stores in Russia and Israel

B/Day 27/9/93

MARCIA KLEIN

THE Premier group had said recently it was targeting real growth in the current financial year but was finding trading conditions very difficult, CE Peter Wrighton said last week.

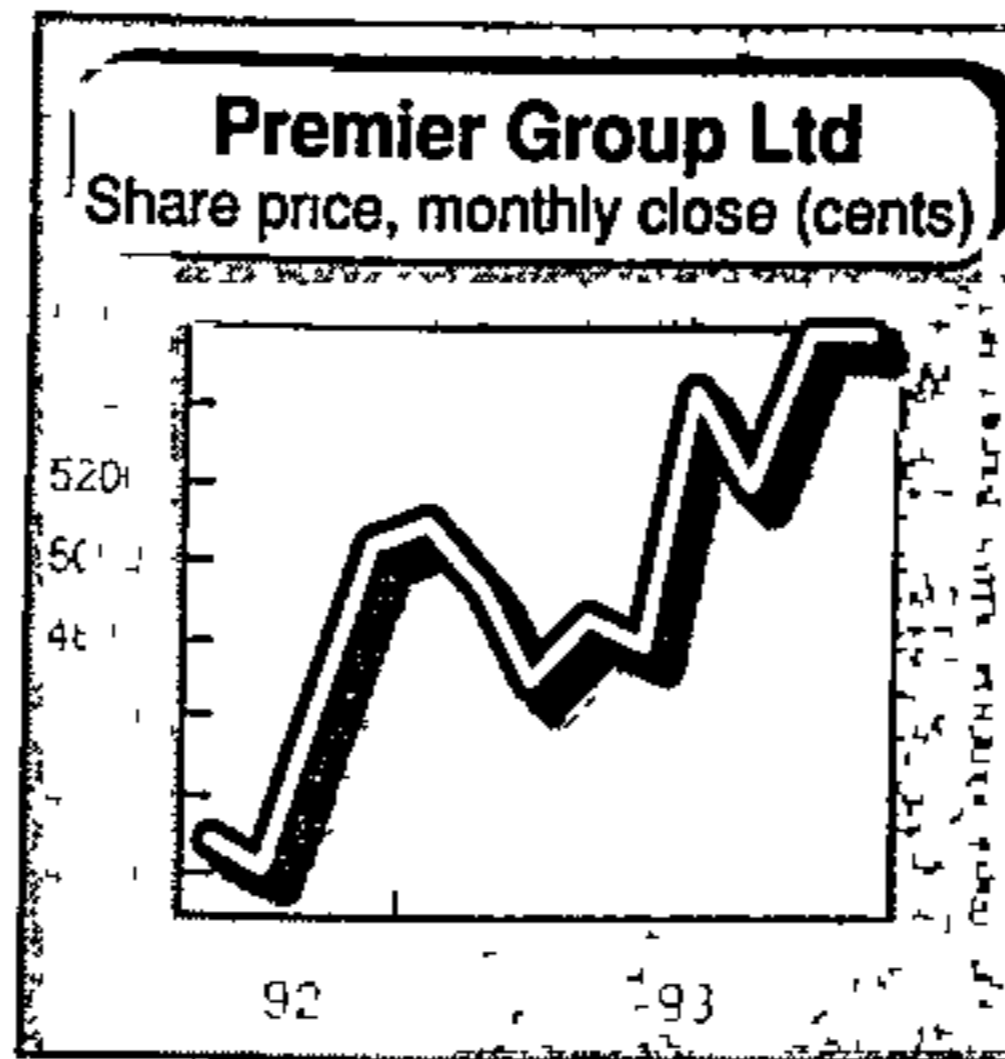
In the year to end-April, the food, pharmaceutical, wholesale and retail group reported a 16% earnings rise to 283c (244c) a share on turnover of R10,2bn.

The share has been rerated over the past year. It closed on Friday at R55,75, which was well up on the R42 low in October last year. In line with the recent declining industrial trend, the share has lost ground since reaching a high of R60 on September 17.

Wrighton said last week the food division was operating in a deflationary environment, which made trading difficult. Food sales have been constrained, companies had been retrenching, and a vicious cycle had been created.

Wrighton said there had been further deregulation in terms of control boards. While this would open up opportunities, it also presented difficulties as companies would have to learn some new skills.

In the pharmaceutical division, the toiletries side of the business had been



adversely affected by the downturn, and unit volumes were down.

But the group's pharmaceutical interests had benefited from the fact that a rationalisation programme was complete, new products were being launched, and three companies had been acquired. (186)

Pharmaceutical distribution was feeling pressure on margins in a highly competitive market. Costs had been reduced to improve margins.

Cash & Carry subsidiary Metcash's turnover had been affected by the violence, boycotts and crime, and it was struggling to meet its targets.

However, it had managed to achieve further efficiencies and cost-savings. It

was also moving into product lines which had higher margins. These factors should enable it to achieve its profit budget.

Metcash would shortly open two stores in Russia and two in Israel. This was the start of a major international thrust.

On the retail and entertainment side, CNA Gallo's entertainment business was starting to look up, and the CNA stores had been repositioned. Wrighton was reasonably confident CNA Gallo would do better in the coming year.

Wrighton warned that CNA, Nu Metro and Clicks were dependent on Christmas trade. Many retailers had run down stocks in the period prior to Christmas, and this could turn out to be problematic.

Wrighton said Premier had positioned itself as a leader of social and political change. Premier had introduced a redundancy support fund, funded by employees and the group. When the upturn came, those who had been supported would form a trained pool to be reabsorbed into the group or other organisations.

The group had been involved in affirmative action, fed 65 000 schoolchildren each day, and had a forum for workers and management to take joint decisions.

US investment pumps millions into Foodcorp deal

From MARCIA KLEIN

FOODCORP and US-based food group Pillsbury have entered into a multimillion-rand joint venture agreement which represents the first major investment in SA since last week's call by the ANC for the lifting of sanctions.

Financial details were not disclosed, but Foodcorp CE Dirk Jacobs said the vehicle for the venture would be a new company Pillsbury Brands Africa (PBA). Pillsbury and Foodcorp would each hold 50% of PBA, with Foodcorp having management responsibility. Pillsbury would pay R76m for its stake in PBA, which would then acquire Foodcorp's Table Top operation for shares and cash. Foodcorp's liquidity would improve by R90m on conclusion of the deal.

PSB would manufacture and sell Pillsbury products — Green Giant vegetable products and Pillsbury frozen dough products — throughout southern Africa. Pillsbury, based in Minneapolis, is part of UK-based international food, drinks and retailing conglomerate Grand Metropolitan, which has annual sales of more than \$14bn. Its products include Haagen-Dazs and Burger King. Drinks division International Distillers operates in 45 countries.

Jacobs and Pillsbury International president John Speirs said yesterday the two groups had been talking for two years in anticipation of the lifting of PSB sanctions. PSB would use Foodcorp's infrastructure, capability and distribution. Pillsbury would inject its brands and technology, product development and formulations.

With the Foodcorp infrastructure, the new company would be able to manufacture a significant range of Pillsbury products "without making a substantial capital investment in new plant or equipment", Jacobs said. The venture would boost the local frozen vegetable market, "which has become somewhat generic in recent years". Significant labour opportunities were envisaged. Speirs said many Pillsbury products were completely new to the SA market. PBA would be operational in about six months. In the first phase, a dedicated canning plant will be added to an existing plant in Port Elizabeth. The second phase would probably involve Pillsbury's chilled prepared dough products. A variety of products would be tested on the SA market.

Speirs said Pillsbury was "making a very fast start in this marketplace", and would be "among the first in a wave of American companies that are certain to be investing in SA". The joint venture would enable it to build its brands in an area which had significant growth potential.

186 OCT 28 1993

US food giant goes for R90 million SA venture

Business Staff

IN a deal worth an effective R90 million, international food giant Pillsbury is to establish a joint venture in South Africa with Foodcorp

The move is expected to significantly enhance the Malbak group company's earnings growth, product range, market penetration and export potential

The vehicle for the joint venture is a new company, Pillsbury Brands Africa (PBA), in which Pillsbury and Foodcorp will each hold a 50 percent interest, with Foodcorp having management responsibility.

Pillsbury will pay cash for its half of PBA, which will then acquire Foodcorp's Table Top operation for a combination of shares and cash

Some R76 million will flow into South Africa by way of cash earmarked for equity capital

The remaining R14 million will be applied toward assuming 50 percent of Table Top's debt

PBA will manufacture and market Pillsbury products throughout southern Africa

The Minneapolis-based Pillsbury is part of the food sector of Grand Metropolitan plc, one of

the UK's largest international companies with annual sales in excess of \$14 billion.

John Speirs, Pillsbury's international president, says his company has been working on the deal for two years in anticipation of sanctions being lifted

"We feel this is an opportune time to explore the vast promise of South Africa and its emerging economy

"We're making a very fast start in this marketplace to be among the first in a wave of American companies that are certain to be investing in South Africa

"This joint venture provides us with an exceptional opportunity to build our Pillsbury mega-brands in an area with outstanding growth potential

"We intend to use a combination of our technology and Table Top's infrastructure to establish Pillsbury and Green Giant as the premium added-value brands in South Africa"

Foodcorp chief executive Dirk Jacobs notes that in addition to its strong brands, Pillsbury will be contributing a product range which meshes with Foodcorp's, as well as a high level of marketing and technological expertise

"By tapping into this expertise, PBA will be able to introduce exciting new line extensions and differentiated products, giving a considerable boost to the South African frozen vegetable market"

And Foodcorp's infrastructure was such that the new company would be able to manufacture a significant range of Pillsbury products without making a substantial investment in new plant or equipment

Another major advantage of the joint venture is that Pillsbury's international infrastructure will facilitate the expansion of Foodcorp's already significant export activities

Pillsbury-derived products will accelerate Foodcorp's penetration of its existing international markets, notably in the Middle and Far East

And, notes Mr Jacobs, PBA will be allowed to supply those Pillsbury markets where it is cost-competitive

Pillsbury and Foodcorp will also examine the prospects for expanding into additional international markets through PBA

Mr Jacobs says the deal will be earnings positive for Foodcorp from the first day

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186

ARG 28/9/93

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Food giant's job cuts will hit 3 000

LONDON — Up to 3 000 jobs are being cut in a restructuring of Grand Metropolitan, the international food and drinks group

Most of the redundancies, about 3 percent of the workforce, are in the US and in particular at the Green Giant vegetable and Pearle optical businesses

Sir Allen Sheppard, who announced he was splitting his chairman and chief executive roles, said "Given that the outlook for the rate of growth in consumer demand remains uncertain, we must act to protect growth prospects by a further round of cost reductions"

The City was initially caught off guard by the announcement

Many dealers and analysts only expected a trading statement in the wake of Friday's boardroom reshuffle, which saw George Bull unexpectedly appointed chief executive instead of the widely tipped managing director, Ian Martin

Grand Met's share price fell sharply before clawing its way back after analysts had digested the news

Trading in the shares was heavy, with 10 million turned over

Analysts at several broking houses were broadly in favour of the £175 million restructuring. Kevin Feeny, of Henderson Crosthwaite, said "Grand Met has allayed the worst City fears"

The restructuring charges, while bigger than expected, have a bigger than anticipated payback

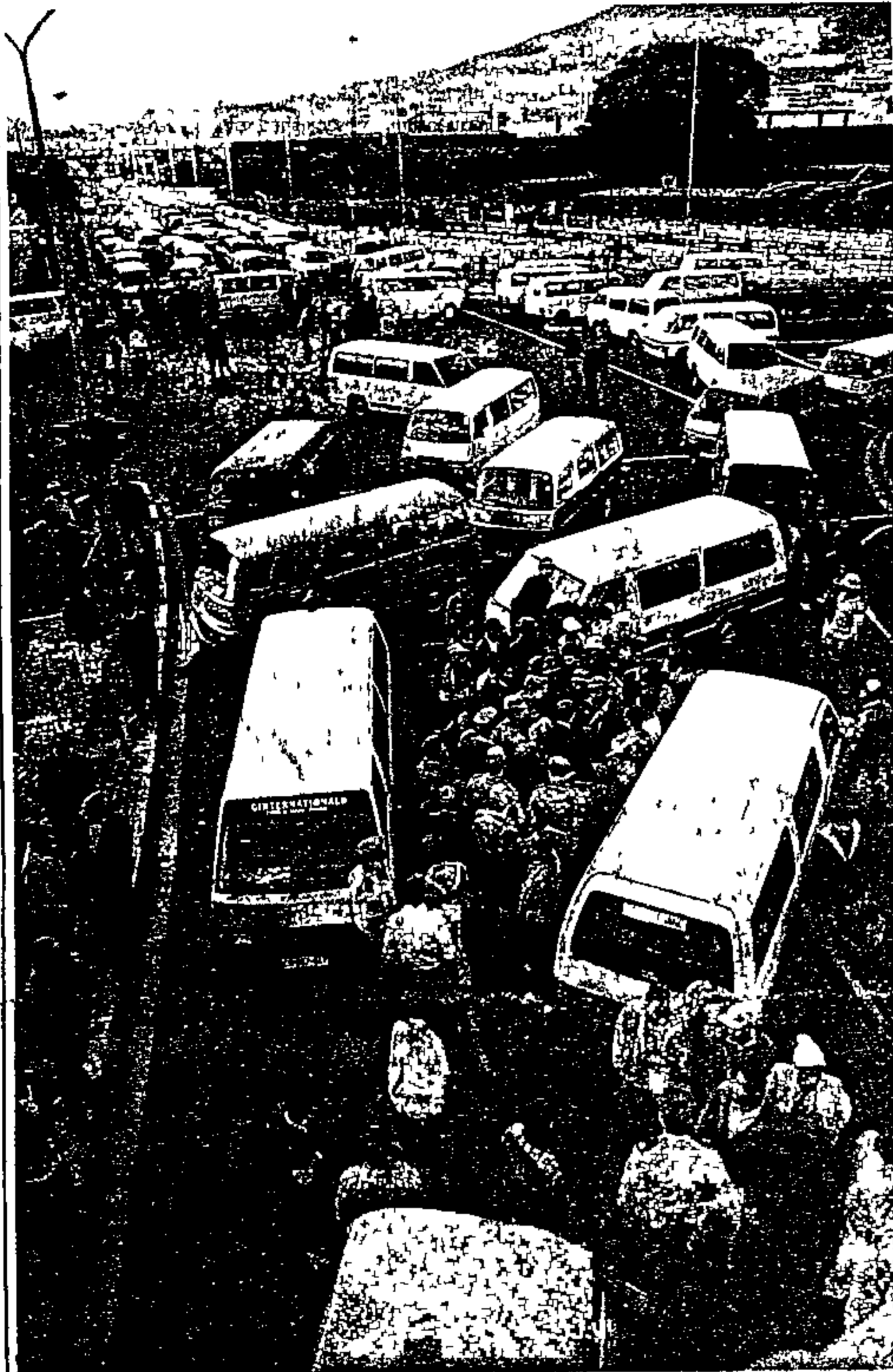
Grand Met puts the financial benefits of the restructuring at £80 million for each of the next two years

Of the £175 million cost of the restructuring, £65 million is attributable to the North American food operations and £60 million to the loss-making Pearle optical activities, while £50 million will be spread across the rest of the group

(185) ARC 29/9/93

Taxi demo

□ Police fire rubber bullets and arrest 68 as drivers blockade streets i



Picture JOHAN SCHRÖNEN The Argus.

BLOCKADE: Minibus taxis, right, block Strand Street near the Parade during today's protest against the seven cents a litre rise in the petrol price.



Picture DOUG PITHEY The Argus

LIGHTER MOMENT: A policeman obliges a nervous smoker from the ranks of protesting taxi drivers shortly before the two groups clashed in Strand Street

Staff Reporters

POLICE fired rubber bullets and rubber shot, arrested 68 people and impounded 25 taxis as drivers blockaded most of the major routes into Cape Town early today, causing chaos with rush-hour traffic

Buses were stoned, bus drivers assaulted and a number of policemen treated for cuts and bruises after they were pelted with stones, bottles and tin cans in Strand Street

Service stations and bus terminals in Mitchell's Plain, Mowbray and Woodstock were blockaded by the taxi drivers, protesting against the 7c rise in the petrol price from midnight last night.

They demanded the resignation of Mineral and Energy Affairs Minister George Bartlett and threatened to 'come back tomorrow' if the price did not come down

At a press conference to discuss opposition to the petrol increase, Mr Bartlett said he was willing to talk to the leaders of the taxi protest

An earlier offer made to them today had been turned down

A meeting which began at noon between representatives of the taxi industry and the major oil companies, Shell BP and Engen, at the Civic Centre, chaired by peace monitors was adjourned until 2pm with the drivers demanding that Mr Bartlett and Western Cape police chief Nic Acker attend

Their demand was supported by oil company representatives

At the meeting, Trevor Kempshall of the Western Cape Transport Forum called for a moratorium on fuel price increases and for the oil industry to support the demand for the suspension of last night's price increase

By 8.45am nearly all main entrances into the central city had been blockaded

By about 10.30am blockades had been removed and traffic was flowing again, but there were still scores of angry drivers sitting on the grass verge in Strand Street and there were a number of flying blockades operated by drivers who had dispersed and regrouped

Volunteers for further city blockades were reportedly being recruited at high density taxi terminal areas at Mowbray, Mitchell's Plain, Claremont and on the Cape Flats at Hanover Park and Khayelitsha

Afternoon commuters were reassured that other forms of public transport were available to get them home

Both Spoornet and Golden Arrow reported their services would continue according to normal schedules

A Golden Arrow spokesman said buses had to be diverted earlier today but were later running on schedule, especially with the peak hour in mind

A spokesman said "Bus drivers were assaulted, bus passengers were intimidated by taxi people at terminals and bus stops and people were physically prevented from using the buses"

The taxi drivers were slated by their leaders for acting in an undisciplined and disorganised way

The bus company, Spoornet and the public had to be mobilised to join the protest as well, drivers were told

Speaking to an emotional

(Continued on page 8)





LOCAL MEALIES, EXOTIC TASTE: Snack Factory's Stephen Silberman and Craig Lowenthal

Picture: DAVID SANDISON

Singaporean food steps up Tongaat mill

TONGAAT Textiles has sold its fine yarns manufacturing subsidiary, Prilla Mills, to the Tolaram Group of Companies of Singapore. **SITIMED**

The sale price is roughly R11,5-million — the mill's net asset value. The deal is believed to be the largest investment in South Africa from Singapore. **[BUSS]**

Tolaram will make further investments in expanding and modernising the Maritzburg-based mill, which is uncompetitive by world standards

The deal marks the start of a thrust by Tongaat-Hulett to boost its business relations with the fast-growing Far East market. **3/10/93**

Group MD Cedric Savage says plans are in progress to open a representative office in Beijing ahead of the South African-Chinese exhibition in March. **(S)**

Prilla Mills was not considered a core activity of Tongaat-Hulett and the group says it had been reluctant to increase its investment in this

By ZILLA EFRAT

uncompetitive operation. As a result, it looked for a buyer who could make the required investment and preserve as many jobs as possible

Singaporean trade authorities say Singapore companies are looking for labour-intensive foreign investments in countries which have not fulfilled all their quotas into North America and Europe

Meanwhile, Mr Savage says the Tongaat-Hulett Group board has approved further investments at its David Whiteheads factory in Tongaat aimed at technology advancements and quality improvements for exports

"New bleaching and preparation equipment will be installed during December and this will lead to further growth in the capacity and quality of decorated fabrics for both local and export markets," he says.

Popcorn for a market bursting with potential

A FLAVOURED ready-to-eat popcorn war is about to erupt in a bid to capture a slice of the R1-billion-a-year snack market.

Popcorn company Baker Street launched its Jumpin Jack and Diddle Diddle ranges in July and The Snack Factory will put its flavoured products on the market in six weeks' time.

Cape Town-based Cornfields has been in this niche market for about two years. There is also talk of the entry of one of South Africa's major snack food producers, but this could not be confirmed this week. **SITIMED**

South Africans will be able to choose from flavours like butter, white cheese, spicy cheese and glazed caramel. **[BUSS]**

The Snack Factory and Baker Street developed their own flavours after investigating winning tastes from the US and Europe. They expect growth in flavoured popcorn to follow trends in the US market. **3/10/93**

Baker Street director David Mostert says the US popcorn market is worth about \$1,5-billion a year. The ready-to-eat section of this market grew 12,5% last year, but sales of microwave and unpopped popcorn shrank.

Flavoured popcorn is expected to score with consumers because it is healthier than many other snack products. It is lower in fat and calories and higher in fibre. But the two local companies have taken different approaches

By ZILLA EFRAT

towards developing the SA market.

Cape Town-based Baker Street imports its corn from the US where, Mr Mostert says, the corn is especially developed for popcorn. The company, which was opened six months ago by Mr Mostert and two breakaway Simba directors, will also use the latest packaging technology. **(186)**

However, The Snack Factory director Craig Lowenthal says "We do not see any need to import the corn. We will source the corn from farms in KwaNdebele and grade it ourselves with local labour"

The Snack Factory is associated with Bettafresh which produces a wide range of fresh food products

Bettafresh MD Stephen Silberman says "We are not going for hi-tech packaging as this will increase costs. We have developed our own packaging which gives the product a shelf-life of 12 to 15 weeks. Our aim is to cater for a new tradition of customer to whom we will offer value for money"

The Snack Factory, which also produces flavoured peanuts, has built a factory in KwaNdebele, while Baker Street has spent about R10-million on buildings and equipment in Cape Town.

Star 13/10/93

Foodcorp meets forecast

(186)

BY STEPHEN CRANSTON

Malbak subsidiary Foodcorp has met its forecast with earnings 210,7c a share in the year to August — 14,3 per cent up on the previous year.

A final dividend of 37c raises the year's total to 60c

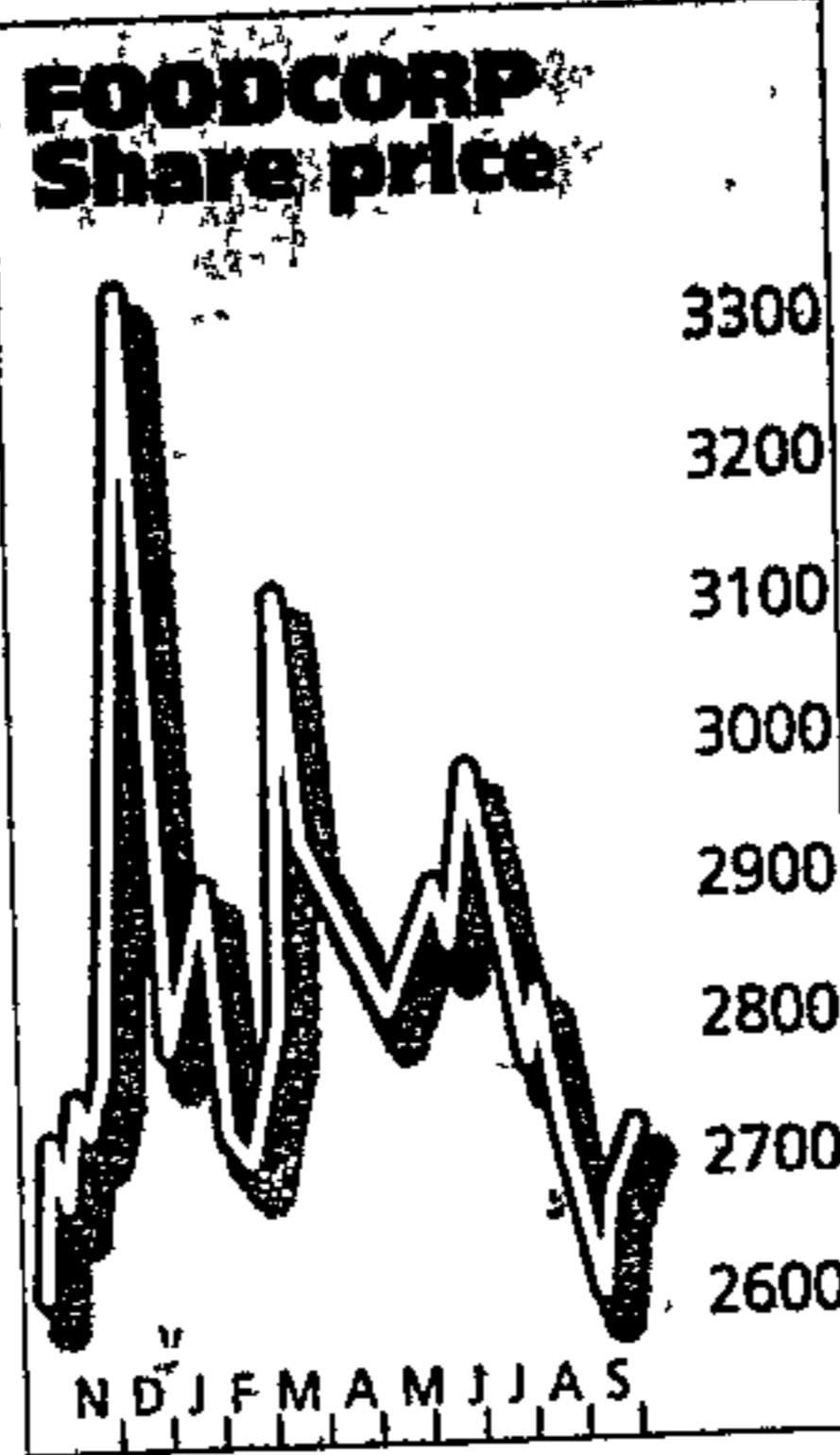
Foodcorp made headlines during the year by combining Enterprise with ICS's Renown to form a joint venture and by buying half of ICS's distribution business, the Cold Chain — strategic for the joint venture with US frozen food company, Pillsbury.

Some of Pillsbury's added-value frozen vegetable products, canned vegetables and Dough Boy pastries will be launched in the next year.

Volumes were maintained, with turnover increasing by 9,3 percent to R2,657 billion. Operating margin held up at 6,8 percent.

Cash flow improved from R152,8 million to R177,1 million, notwithstanding capex of R200 million.

Borrowings fell by almost



half to R141 million and reduced finance costs by 15,6 percent to R27 million.

Chief executive Dirk Jacobs says the Enterprise deal brought a further R95 million onto the balance sheet.

Pillsbury's share of the joint venture is reflected as R76 million in debtors, while R60 million was borrowed to

finance the fishing venture in Chile. The fruits of these investments will only be reaped late in the current financial year.

Staple foods benefited from a consumer tendency to buy down; R30 million was spent on extra capacity at Ruto Mills.

Snack maker Simba, frozen vegetable producers Table Top and Harvestime, Marine Products, Ruto and Sunbake all exceeded the previous year's contribution

The agri-business share of attributable earnings was down by R14 million, but meat prices will be rising because poultry prices have gone up and red meat supply has fallen.

The main priority is to build up exports, which, it is hoped, will soon account for 10 percent of turnover

Given normal conditions, Jacobs expects Foodcorp to sustain real earnings growth.

Foodcorp trades on a P/E of 12,6 (21 for Premier and 18 for Tiger Oats).

Foodcorp earnings bounce up 14,3%

(186)

CT13/10/93

By ARI JACOBSON

FOODCORP, gaining access this year to markets in 100 countries through its strategic link with US-based Pillsbury, boosted earnings a share for the year to August by 14,3% to 210,7c (184,3c)

A final dividend of 37c a share was declared to take the total dividend up to 60c a share for the year, although dividend comparisons are not meaningful as the previous financial year was measured over 17 months

Chairman Dirk Jacobs, at a presentation in Cape Town yesterday, forecast the group would show earnings in the coming year of between 235c and 250c a share

In an eventful year, the group entered into a joint venture with US-based food group Pillsbury, expanded Enterprise Foods, bought 50% of the Cold Chain distribution business and expanded its Chilean fishing interests

In tricky trading conditions, turnover grew 9,3% to R2,7bn from R2,4bn, and operating income rose 9,7% to R181m (R165m)

Jacobs said Pillsbury intended to source certain products from SA "where it was cost-effective" and this meant greater prospects for foreign exchange earnings and employment

Jacobs added that the Foodcorp group had already captured 10% of the Gulf region's market through "the successful launch of its Table Top products in five countries over five days mid-year" The same had occurred with certain brands launched in Kenya, Zambia and Zaire

Jacobs warned that local food companies would have to learn to keep costs down because there would be "moral suasion" to keep basic food prices at low levels in the new SA

Reflecting on the strict financial management already apparent in the group

Jacobs pointed to the interest bearing debt, which had fallen from R264m to R141m in the year under review and as a result financing costs had dropped by 15,6% to R27m (R32m)

"We have maintained margins, increased market share and reinforced brand leadership under very difficult trading conditions

"The continuing recession led to a decline in consumer spending on food and enhanced the trend of buying down"

Jacobs said that in this kind of environment, margins were obviously under pressure and rising input costs could not be recovered in the market

"However thanks to strong support, most of our major brands — Simba, Table Top, Harvestime, Marine Products, Ruto and Sunbake — all did extremely well"

"But for once-off rationalisation costs, Enterprise and Renown would also have produced an improved performance"

Foodcorp defies trading conditions

BIDAY 13/10/93

MARCIA KLEIN

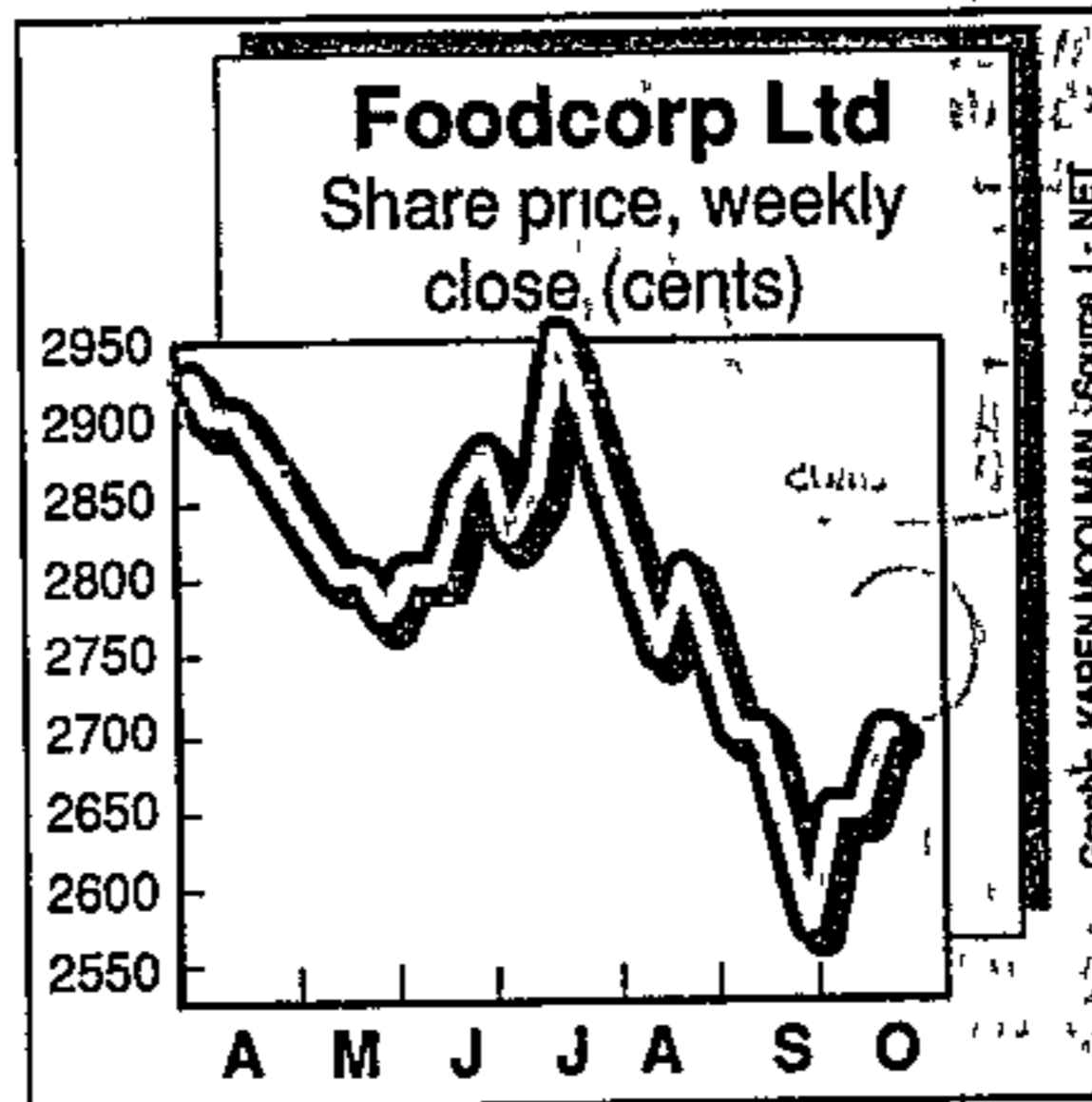
MALBAK's food arm Foodcorp increased earnings 14,3% to 210,7c (184,3c) a share in the year to end-August on lower costs and a lower effective tax rate (18b)

In an eventful year, the group entered into a joint venture with US-based food group Pillsbury, expanded Enterprise Foods, bought 50% of the Cold Chain distribution business and expanded its Chilean fishing interests.

During the year, characterised by poor trading conditions, turnover grew 9,3% to R2,7bn from R2,4bn, and operating income rose 9,7% to R181m (R165m)

CE Dirk Jacobs said margins were under severe pressure and rising input costs could not be recovered from the market. The group had held margins by reducing costs and improving productivity.

Interest bearing debt was reduced by R123m notwithstanding capex of R200m, against depreciation of R104m. Gearing dropped to 20% from 43%, and financing



costs dropped 15,6% to R27m (R32m)

Pre-tax income was 15,8% higher at R154m (R133m), but a reduction in the effective tax rate to 33% (35%) resulted in a 19,8% rise in income after tax to R103m (R86m). Attributable earnings — after oth-

□ To Page 2

Foodcorp BIDAY 13/10/93

□ From Page 1

er income and minorities — increased 14,6% to R102m (R89m). (18b)

A final dividend of 37c a share was declared. Comparison with the previous year was impossible as two final dividends were declared in the previous 17-month period.

Jacobs said Foodcorp had maintained margins, increased market shares and reinforced brand leadership. There was a further decline in consumer spending on food, and a trend to buy down. Nevertheless, most of the major brands did well. Chilled meat operations Enterprise and Renown would have shown an improved performance, except for one-off rationalisation costs taken above the line. Staple goods benefited from buying down.

But the agri-business operations underperformed. Jacobs said the red meat sector was "disrupted by oversupply and de-regulation, and prices there are at their

lowest level, in real terms, in 30 years"

The various joint ventures were "of enormous strategic significance".

The association with Pillsbury would enhance the group's export potential significantly. Jacobs said there were immediate costs for the establishment of Pillsbury Brands Africa and the rationalisation of the enlarged Enterprise following its merger with ICS' Renown. The benefits of these ventures would become evident towards the end of 1994.

During the year, exports were increased through the successful launch of Table Top products in the Arabian Gulf market. Flour and maize milling company Ruto increased exports into Africa.

Jacobs expected earnings to rise in real terms to between 235c and 250c a share in the current financial year.

Fm 15/10/93

subsidiary Ola "It's going to take a bit of time for them to realise that our ice-cream really does taste differently" (186)

DairyMaid chairman Danie Venter says his company has been preparing for some time to play for higher stakes "Three years ago we realised we had to improve the quality of our ice-cream to get it up to world standard This has been achieved with the launch of our new chocolate ice-cream bar range We have rejuvenated the whole business We are a different organisation and we're ready to compete again"

Unilever has been in SA for decades, selling detergents, toiletries and other products from its Durban headquarters It sold ice-cream under the brand name Walls until 1979, when it sold out to DairyMaid, then wholly owned by Imperial Cold Storage Under the agreement, Unilever could not return to the market for 10 years or use the Walls name in SA until 2030 Unilever began weighing a return in 1990, the decision to come back was taken in 1991 and last year it began selling imported products in Natal This month it started production in its refurbished factory after creating 90 jobs in a joint venture with Clover, another local ice-cream manufacturer

Ice cream on the run

Unilever is focusing on the impulse sector — the market for ice-cream bars bought in shops as a snack on the spur of the moment — rather than the take-home sector involving ice-cream bought in supermarkets But Ola's ice-cream bars are available in supermarkets Ola, however, will not open ice-cream parlours and compete in the regular ice-cream cone market Clover already operates in this sector as a supplier

Why the impulse market? Unilever says that, internationally, it's the most profitable Ola's research shows that the impulse sector accounts for only 19% of the market by volume but 40% by value and that this sector could grow by as much as 16% annually for at least five years

During Unilever's 13-year exile, DairyMaid failed to capitalise fully on its position as the market leader and the market remained small The average South African consumes only 1,7l of ice-cream a year while each Australian licks 10 times as much Says Venter. "The lack of competition was actually a problem for us V'e found it difficult to convince our shareholders to invest in new products We had 55% of the market and were undermanaged We had no-one with which to compare ourselves"

There is no such problem now Unilever is the world's largest ice-cream maker, operating in more than 30 countries under brand names such as Good Humor in the US and Walls in the UK and elsewhere Says Evans "Our research showed it and our product launch in Natal has proved it — South Africans are willing to pay more for better-quality ice-cream."

Why don't South Africans eat much ice-cream? Most of the blame goes to poor

ICE-CREAM MARKET

Fm 15/10/93

Starting a cold war

The stagnant and underdeveloped ice-cream market, notorious for offering mediocre products, has long been there for the taking Now a big multinational — the Anglo-Dutch Unilever — has taken the bait and is investing tens of millions of rands in an upgraded plant near Durban and a countrywide distribution network

The main target is DairyMaid, which controls 55% of the R880m-a-year market but admits that it hasn't done enough to hook South Africans on ice-cream To defend against an invasion that's already under way, DairyMaid last week teamed up with Nestlé by signing a deal to sell the international conglomerate a 50% share (186)

This ice-cream war will be fought with multimillion-rand advertising budgets and the strategic positioning of refrigerated cabinets in cafés, as well as with better-tasting and more varied products "People have become used to mediocre ice-cream," says Syd Evans, GM of Unilever's local ice-cream

Fm 15/10/93

marketing, right down to the presentation of the product in stores So ice-cream has lost out to chocolate bars, potato chips and other products in the R1,7bn snacks market

Says Evans "The consumer has had to hunt for ice-cream We have invested a lot of money in space-age display cabinets and will place them in prime sites throughout SA"

This heralds a titanic battle for shop-floor real estate DairyMaid recognised that it must upgrade its cabinets and has imported new ones from Europe The two companies are now competing to get their cabinets installed in sweet shops, cafés, cinemas and newsagents, as well as on garage forecourts, all over the country In some areas where there is a lot of consumer traffic, the cabinets will be side by side (186)

The position of the cabinets inside the shops is another important calculation for each company Ola believes that the best place is next to the till DairyMaid says its preferred position is at the entrance The wrong strategy can be costly Eight out of 10 customers who come out of a shop with an ice-cream do not intend to buy one when they go in

Advertising will play a big role in developing the market because both companies feel that consumer awareness must be heightened before sales can take off Ola says it will spend about R2m on advertising this year DairyMaid says its adspend for the 1992-1993 season is almost R2,5m For now it's difficult to say which side will get in more licks ■

Deserves a better rating

Shareholders have reason to be bemused by the lacklustre performance of Foodcorp's share price. In fact, the company has produced outstanding results and amply fulfilled CE Dirk Jacobs's forecasts. The merger of the Fedfood and Kanhym operations last year has been accomplished smoothly and latest results (year to August) saw EPS up 14% to 210,7c. These are pleasing figures for an industry so dependent on disposable income.

On the face of it this counter deserves substantially better than the treatment it received on the exchange floor. It has outperformed rivals comprehensively in earnings growth yet, on an historical *p e* of 13,2, it continues to be rated well below competitors Premier and Tiger Oats on earnings multi-

Foodcorp's Jacobs *expects rewards next year*

**MAINTAINING MARGINS**

Year to August	1992*	1993
Turnover (Rbn)	2,4	2,7
Operating income (Rm)	165	181
Attributable (Rm)	89	102
Earnings (c)	184,3	210,7
Dividends (c)	56	60

* Unaudited management accounts

ples of 20,8 and 17,0 respectively

Analysts suggest several reasons for the disparity: the group is relatively new and investors, not always quick on the uptake, have still to grasp the true nature of the business and its earnings potential.

Another factor is that Foodcorp doesn't have the high margin pharmaceutical businesses in Premier's and Tiger's lockers which provide such high profit gearings (of course, that's an advantage which might be severely eroded if a new government takes a harder line on the emotive subject of drug profits). Nor is it easy for investors to analyse Foodcorp's financial information: last year's numbers, for example, were distorted by the 17-month reporting period. However, Jacobs tabled management accounts against which he told the market the group would be measured.

The benefits of rationalisation and structural changes have only started flowing through to the bottom line. But Jacobs is confident the 1994 financial year will reap the rewards. This means it's reasonable to expect good results next year and supports his forecast of continued real earnings growth which will take EPS in 1994 to 235c-250c.

Foodcorp's diminishing exposure to the red-meat cycle and its orientation to commodities has been a negative factor in the past. Last year the agribusiness underperformed by about R12m, but Jacobs says he's already prescribed the necessary medicine.

The group's portfolio — slanted distinctly (55%) towards value-added products — has given rise to the perception that Foodcorp's target market is the A- and B-income groups. Jacobs denies this, saying much hinges on the definition of value-added, and that does not mean these products are designed to satisfy an elite market. But, if he's right, it underlines the group's need to address its real problem — that investors have failed to appreciate Foodcorp's fundamental change in direction.

The group has been committed to exports since its inception and, last year, these contributed 6% (R150m) to sales. Jacobs expects this to expand to 10% in 1994, helped by the recent joint venture with Pillsbury (*Fox October 1*) and Foodcorp's successful launch of Table Top products into the Gulf market.

Operating profit increased 9,7% on turnover up similarly at R2,66bn. Debt was reduced by R123m to R141m even though capex remained high at R200m. Gearing declined to 20% (43%). Net financing costs were reduced by almost 16% and interest cover improved to 6,7 times. Assuming EPS

Fm 15/10/93

of 245c in 1994, this puts the counter on a forward *p e* of 11. Its rating is poor assuming the food market does not weaken further, that provides an opportunity for enterprising investors.

(186)

Marylou Greig

DIAGONAL STREET

Making a meal of it

SI Times (Buss)
17/10/93

FOODCORP chief executive Dirk Jacobs concedes there might be a bit of cannibalism when Pillsbury's products are placed on South African shelves, but he believes that competitors will suffer most.

He was speaking at a presentation to the Investment Analysts' Society in Johannesburg this week to announce Foodcorp's results for the year to August 1993.

Mr Jacobs is excited about the products, such as the value-added frozen vegetable range, the famous Jolly Green Giant canned vegetables, savoury waffles and slice-and-bake biscuit mixture. Pillsbury sticks in his mind from TV advertising in

England more than 20 years ago — the giggling Pillsbury Doughboy is obviously still selling cookies.

Pillsbury does business in more than 100 countries to which Foodcorp can market and sell its own products, providing the circumstances are cost effective. There is great potential in the Middle and Far East.

Barely 18 months ago, Mr Jacobs was courting multinational Heinz with view to a partnership in SA. For various reasons no deal was struck. Heinz's Tony O'Reilly claims he could not find the right partner. Mr Jacobs believes it was more a question of price.

Mr Jacobs says the chemistry with Pillsbury is tremendous, even though, as he jokes, the R76-million cheque from Pillsbury to Foodcorp

for its buying Table Top in the joint venture is still in the post.

Pillsbury was one of three joint ventures entered into in the past year. Foodcorp did two deals with ICS, buying 50% of the Cold Chain meat distributor and merging its Enterprise chilled meats operations with Renown's.

The other major area of expansion was in Chilean fishing operation Pesquera del Norte. The fish prefer chilly waters and swam south from Foodcorp's area when El Niño warmed the waters.

Mr Jacobs says that Foodcorp, denied financial funds by the Reserve Bank, borrowed at less than 6% interest to build a R60-million fish-processing plant in the south. "We were the last to get a licence,

but we will be cannied by March and feel the benefit of the investment in the second half of the current year."

Foodcorp lifted attributable profit by 15% to R102-million from a 9% climb in turnover to R2.7-billion. Gearing was reduced to below 20%, interest-bearing borrowings of R141-million down by nearly half in spite of group capital expenditure of R200-million and depreciation of R102-million.

Mr Jacobs attributes this performance to many things hinging on the quality of management.

"They could compete with anybody and I'm not just saying that, 'cos they're all here. In fact, it's pretty embarrassing for them," says Mr Jacobs of his team.

Asset management and financial control, he says, have become the hallmarks of Foodcorp's business.

Mr Jacobs maintains that come the new SA, there will be inordinate pressure on food producers to provide cheap and affordable staples. As a result, profit margins on staple foods will be squeezed.

Producers will need to keep costs low and augment margins from value-added goods, which comprise 55% of Foodcorp's basket.

Much has been spent on upgrading Foodcorp bakeries so that they still make money — Mr Jacobs cannot say the same of his competitors.

There has been a marked shift from the reliance on red meat, which is at its cheapest in real terms for 30 years, says Mr Jacobs. Foodcorp grows only enough maize for the feedlot and expects meat prices to recover as the national herd is rebuilt. Foodcorp benefited from volume



JOLLY GIANT: Foodcorp's Dirk Jacobs. Picture: ABDUL SHARIF

growth in mayonnaise, up 11%, frozen fish, up 10%, pet food, up 3%, and 1% rises in chilled and processed meats and in salad dressings.

Mr Jacobs regrets that wet dog food is probably eaten by people, particularly in the Western Cape.

Volumes declined in many foods — bread, snacks and frozen vegetables, chilled meat and mealie meal, which fell by 12%. Mr Jacobs does not believe that people are eating less, but that less mealie meal is cooked and wasted.

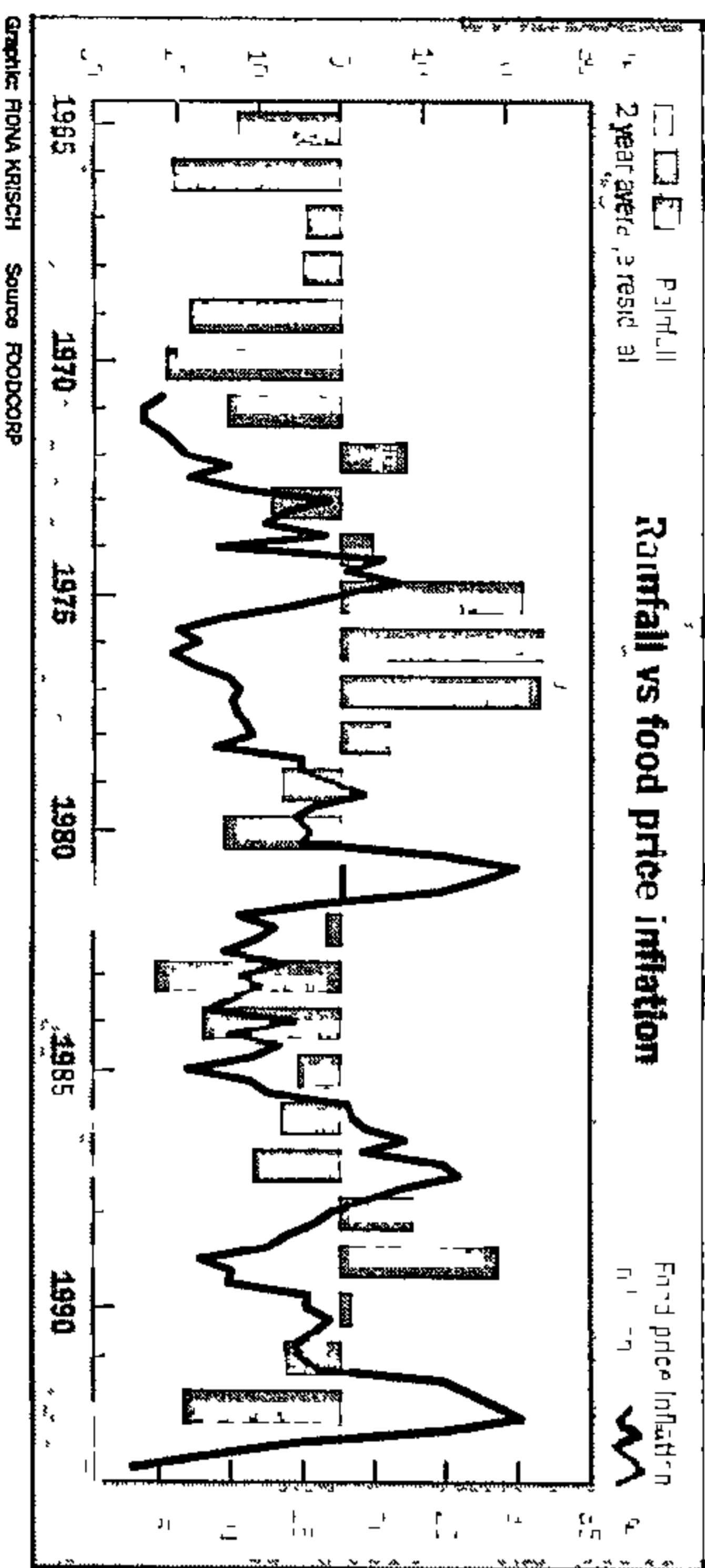
Snack division Simba took a 5% knock in market share, partly because the business is vulnerable to changes in fads. A new product can swing sales by 5%. Another factor was that Willards, Foodcorp's major competitor, found that two factories were no better than one and a price

war ensued. Mr Jacobs says "We bank profits, not market share. That's why Simba's market share temporarily slipped."

Mr Jacobs says that now the dead-wood has gone and the businesses are properly sized, Foodcorp can look at increasing jobs and exports.

The year ahead is uncertain. He is unsure how many manufacturing months will be completed because of unrest, elections and so on, but he expects real growth in earnings a share, possibly to 250c.

Before the results were announced, Foodcorp shares were R26.50 — about 12 times earnings. Mr Jacobs thinks them cheap at the price, which moved up to R29 on good volume after his presentation.



Graphic: ROMA KRISCH Source: FOODCORP

I&J discloses millions in foreign exchange income

Biday 18/10/93

LINDA ENSOR

CAPE TOWN — Irving & Johnson (I & J) generated R363m in foreign and export earnings last year, a figure not disclosed in its annual financial statements, deputy chairman James Williams said at the group's AGM on Friday.

Earnings from exports and foreign trading represented 22% of turnover of R1,65bn

In addition to exports, which represented 4% (R66m) of total sales, I&J is actively involved in international trading in seafoods, not all of which originate from SA

Williams said the group was legally exempt from disclosing the results of its foreign trading

In the four months since its June year-end, I & J had met the targets outlined in its business plan

Provided there was stability, political settlement and some economic recovery, shareholders could hope for a rise in profits in the current financial year

Last year earnings a share slumped 24% to 195,7c (258,4c).

International fish prices, after falling sharply last year, had stabilised with isolated pockets of weakness

"We are hopeful the market is improving, and are taking steps to take advantage of profit opportunities," Williams said.

However, with falling disposable

incomes in SA, the frozen food market had continued to decline in all sectors except vegetables, and prices were under significant pressure.

I & J has a major stake in a large fishing operation in Namibia, a member of the Lome Convention, and was able to take advantage of the preferential trade facilities extended to members to sell its products into the EC countries

Williams said I & J had gone along with the Namibian government's policy of Namibianisation of business as a way of retaining a stake in the country's fishing industry, which had enormous potential (186)

The fish resource was showing good growth and the catch rate at present was higher than in SA waters

Namibian partners had taken out a 51% stake in I & J's operation with effect from July 1. He hoped this would lead to a favourable consideration of the application by I & J companies for quotas and concessions presently under review.

The size of the capital investment in I & J's Walvis Bay plant would depend on the size of quotas it received

Williams disclosed that discussions on a joint venture in Mozambique were also under way.

Business Report

JOHANNESBURG — Del Monte Royal Corp Ltd (Delcorp) has increased its stake in Del Monte Royal Foods Ltd (Delfood) to 46% from 44,4%

It also announced completion of the planned placement, announced a year ago, of certain shares held by the vendors of Del Monte Foods International Ltd (DMFI)

“The overhang of these shares on the market has been removed by the placement of shares

Delcorp ¹⁸⁶
^{CT20/10/93}
increases
stake in
Delfood

with secure investors,” it said Delcorp expressed confidence that it would achieve forecast earnings of 60,1c per share for the year ending November 30

Malbak surpasses market expectations

BIDay 22/10/93

MARCIA KLEIN

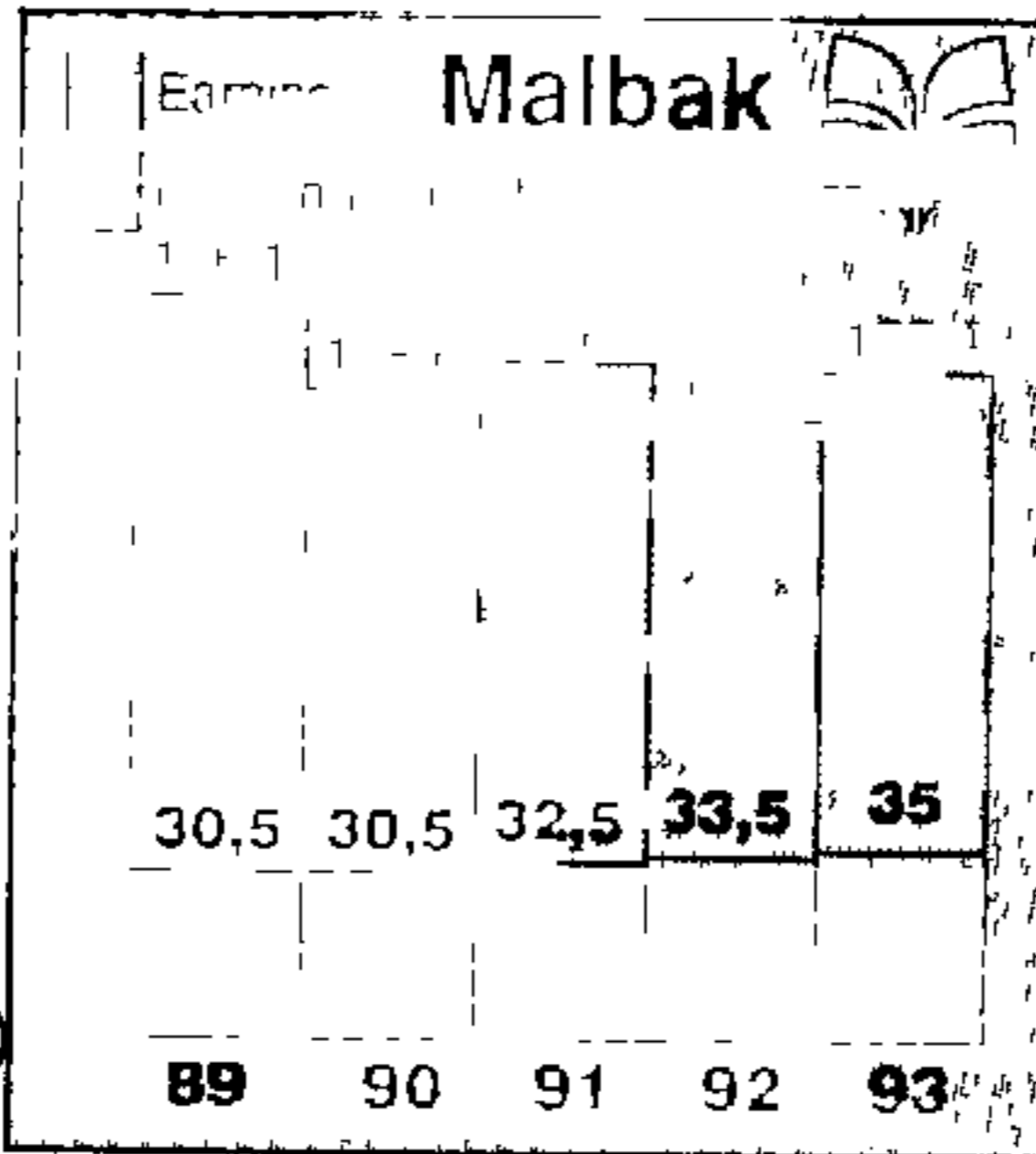
FOOD, packaging, health care and branded consumer products group Malbak increased attributable earnings 14% to R374m (R329m) in the year to end-August, ahead of market expectations

Malbak's share price edged up 25c a day in the past three days to close at R14 yesterday, as results from major subsidiaries Foodcorp, Holdains, SA Druggists and Ellerine indicated that it would do better than merely maintain earnings a share, as suggested by executive chairman Grant Thomas at the interim stage

Earnings a share increased 8% to 122,4c (113,5c) on additional shares in issue. They were down 1% at the interim stage.

Thomas said trading conditions remained difficult and consumer spending continued to decline. But a concerted export drive helped lift sales 10% to R11bn (R10bn). Fierce competition and pressure on gross margins resulted in a 7% rise in operating income to R820m (R766m).

Reduced borrowings (from rights issues in Holdains and SA Druggists and control of working capital) and lower interest rates resulted in a 27% drop in finance charges to R132m (R182m), with interest



Graphic LEE EMERTON Source MALBAK

cover increased to 6,2 (4,2) times. Pre-tax income rose 18% to R688m (R584m).

A lower taxation rate and the benefit of adjustment in the deferred tax provision (R11m or 3,6c a share) saw after-tax income increase 20% to R479m (R398m).

Income from associates was lower, largely due to the sale of Standard Engineering. A net extraordinary profit of

To Page 2

Malbak

BIDay 22/10/93 From Page 1

R34m reflected a R105m profit on sales and closures of major business units, offset by goodwill on acquisitions.

A final dividend of 22,5c a share brought the full-year dividend to 35c (33,5c).

Thomas said the balance sheet reflected the good cash flow performance of operations and the rights issues. Gearing dropped to 16,2% (29%). More than R1bn in cash was generated, and cash available from operations increased 35% to R561m. Malbak had always had an opportunistic flair, and any future acquisitions would be "within the consumer focus of Malbak".

The results vindicated its decision to focus on consumer-related businesses. They had been achieved largely through cost reductions and productivity improvements, Thomas said.

Earnings of the core businesses grew 29% to make up 75% of group earnings.

Food interests, held in Foodcorp, had a good year despite competitive conditions, and contributed 20% of earnings. Paper and packaging operation Holdains improved its results and maintained its relative contribution at 17%. SA Druggists'

earnings rose 30%.

In the branded consumer products division, furniture retailer Ellerine and Malbak Motor Holdings did well, substantially increasing their contribution to group earnings. Tedalex was the only company not to show profit, but it reduced losses.

The international division's contribution fell to 8% (10%), largely due to the sterling's devaluation. UK-based packaging business MY Holdings reported its third year of good earnings growth, and Eagle Freight did well. But Protea International was affected by low demand for steel and a higher tax rate.

The contribution from investments dropped, largely because of the sale of Standard Engineering. ICL did well, but Haggie's results were disappointing.

Thomas said a return to sustained economic growth was unlikely this year. Growth in earnings would depend on its own efforts, including export promotion, productivity improvements and optimisation of new projects. Malbak expected "a modest increase in earnings".

Patience, urges Malbak chief

Star 26/10/93

BY STEPHEN CRANSTON

Certain new projects which made no contribution to Malbak's bottom line in the year to August would make a profit in the current year, chairman Grant Thomas said last night.

Speaking to the Investment Analysts' Society, Thomas said that losses from the merged Renown/Enterprise processed meat business offset any profits Enterprise had made at the beginning of the year.

Chilled food distributor, The Cold Cham, in which Malbak subsidiary Foodcorp bought a half share, was profitable, but returns would be significantly improved as it would be distributing Enterprise products for the full year.

Through the Pillsbury/Table Top joint venture Foodcorp will have access to 100 export offices worldwide for its frozen vegetables

Foodcorp will move into vegetable canning, and will clearly give sister company Holdains the opportunity to build a food-can manufacturing facility through its Crown Cork joint venture, acquired during the year (186)

Crown Cork was another Malbak business which made no contribution in the past year, as there had been little investment by its US parent in the sanctions era. But productivity has improved and a contribution is expected.

Thomas said that in the short term he regretted diluting Malbak's holding in SA Druggists (SAD) from 84 percent to 76 percent as it produced the largest earnings growth in the group.

In the longer term, however, he believed it had increased tradeability and enabled the market to put a higher value on it.

As it is, SAD's P/E ratio im-

proved from 11,1 on its acquisition by Malbak to 27,4 at the end of the last financial year. Since their acquisition Foodcorp (then Fedfood)'s rating has improved from 8,5 to 13,2, Holdains from 8,4 to 12 and Ellerines from 4,1 to 9,7.

Thomas did not know what the group intended to do with its R1 billion cash holding, of which R756 million is held at the centre.

But he said part of Malbak's ability to add value in the past was because it had raised cash at the right time, enabling it to seize acquisition opportunities.

"We have the discipline to wait for opportunities, though it is frustrating as cash gives us below-normal returns."

Malbak has created spare management capacity to deploy in acquisitions, so Peter Beningfield is ready to move to SAD and Dirk Jacobs to Foodcorp.

Strike continues

JOHANNESBURG — The strike by 3 000 Food and Allied Workers' Union members at Amalgamated Beverage Industries continued yesterday after talks with management failed

186 OCT 27/10/93

Brenmill maintains dividend

Bison

MARCIA KLEIN

29/10/93

MAIZE meal, malt, and animal feeds manufacturer Brenner Mills (Brenmill) increased its earnings 2,4% to 16,8c (16,4c) a share in the six months to end-August off a high base in the previous year. The interim dividend was maintained at 8c a share.

Turnover was 9% lower at R51,8m (R57m) and operating profit dropped to R6m from R7m. A rise in interest received and a lower tax rate enabled Brenmill to report a marginal rise in profit after tax to R3,9m (R3,8m).

Company secretary Steve Graham said the company was very liquid and looking for acquisitions. The share closed yesterday at 300c, slightly off its May high of 310c, but significantly up on the 110c price this time last year.



I&J's Robbertze growing pressure on prices

ly wrong Though the company adds value to many of its products, it deals in basic food-stuffs for which demand could have been expected to continue It did, but at a subdued rate

As chairman Jan Robbertze points out, prices in local and international markets came under increasing pressure On the international front, the European recession depressed demand for I&J's added-value frozen fish and vegetable products

At home, discretionary spending has fallen to the point where demand for even basic foods has declined Competitors have been forced to drop prices — and therefore margins — to maintain volumes and market shares

Prices and volumes declined in two main activities, seafood and chicken marketing There was 2,8% volume growth over the product spectrum but turnover remained static

It is tempting to criticise management because 1993 EPS, having fallen 24%, are barely higher than in 1988 (179,3c) Throughout the Eighties, I&J maintained an impeccable earnings growth record In 1990, EPS dipped for the first time in a decade This coincided with the first year of recession In 1991 and 1992 there was reasonable earnings growth Financial 1993 coincided with the low point in international trade and the worst depression SA has seen since the Thirties

Though there may be areas where better management might have been able to improve 1993 results, it should not be forgotten

Fm 29/10/93

that I&J, with its trawler fleet, is capital-intensive Capital expenditure has to be planned years before it is carried out I&J's continued commitment to capital programmes, shown by investment of R90,5m in financial 1993, is welcome considering SA's political and financial uncertainties

With growth in mind, management increased long-term borrowings by over R60m and short-term borrowings by about R10m Because of the large cash holdings, this does not strain the balance sheet The overall impression is that external factors caused the poor results and management is as strong as ever

Since peaking at R48,50 in January, the share price has tumbled to R28 — similar to the levels of early 1990 Since then, NAV has climbed 62% and all the evidence suggests the company is well positioned to be in the forefront of consumer demand when the economy turns

Provided the stock market at least holds its present level, I&J could be a robust recovery stock It should be held rather than sold

Gerald Hirshon

IRVIN & JOHNSON
Fm 29/10/93
Weak volume growth

Activities: Processes and distributes seafood and other frozen products. (186)

Control: Anglovaal Industries 68,1%

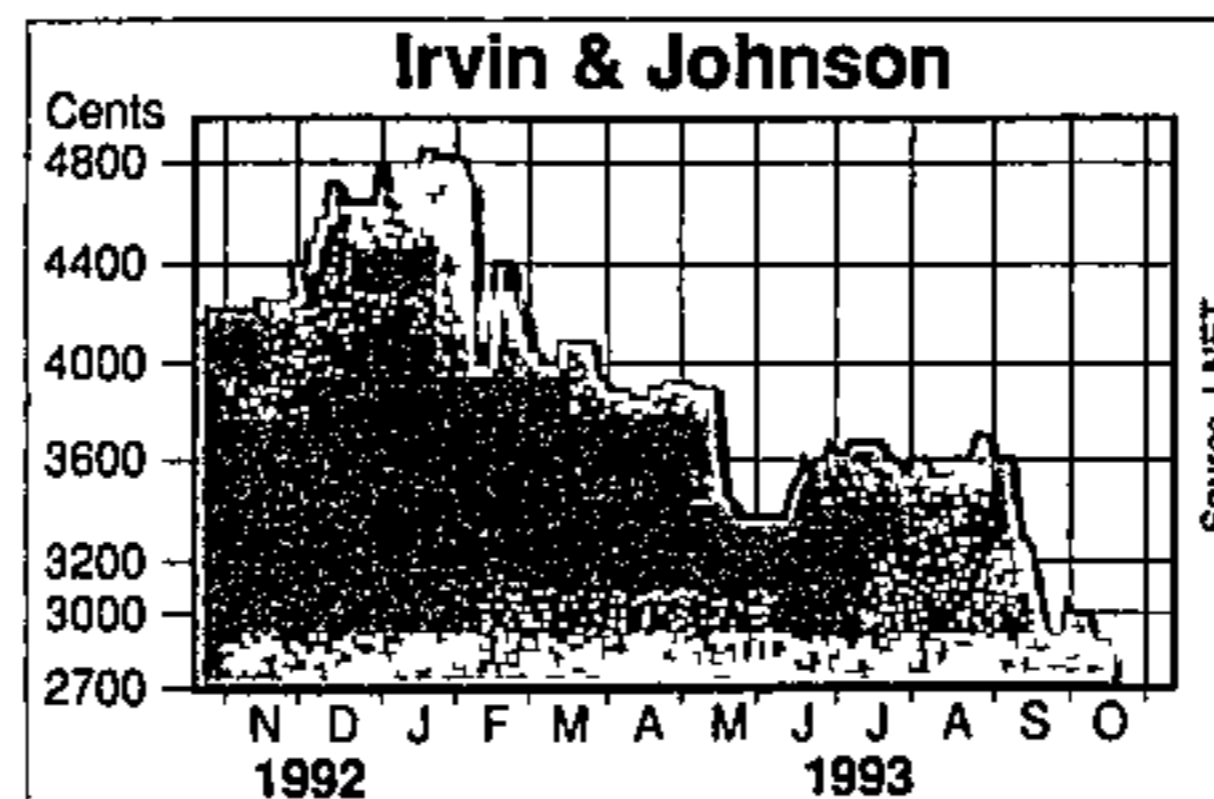
Chairman: J C Robbertze, CE J J Williams

Capital structure: 28,7m ords Market capitalisation R849m

Share market: Price R29,50 Yields 2,9% on dividend, 6,6% on earnings, p e ratio, 15,0, cover, 2,3 12-month high, R48,50, low, R29,50 Trading volume last quarter, 78 000 shares

Year to June 30	'90	'91	'92	'93
ST debt (Rm)	11,0	20,3	9,5	19,5
LT debt (Rm)	35,1	24,0	14,8	76,1
Debt equity ratio	n/a	n/a	n/a	n/a
Shareholders' interest	0,49	0,52	0,62	0,61
Int & leasing cover	n/a	n/a	n/a	n/a
Return on cap (%)	17,9	17,3	15,1	10,3
Turnover (Rm)	1 257	1 444	1 639	1 650
Pre-int profit (Rm)	89,0	99,7	107,4	84,2
Pre-int margin (%)	7,0	6,9	6,6	5,1
Earnings (c)	203	243	258,4	195,7
Dividends (c)	70	78	86	86
Tangible NAV (c)	856	1 042	1 189	1 388

When a company the size and stature of Irvin & Johnson (I&J) experiences a 22% drop in operating profit, something has gone serious-



Brenmill maintains dividend

Bilson

MARCIA KLEIN

29/10/93

MAIZE meal, malt, and animal feeds manufacturer Brenner Mills (Brenmill) increased its earnings 2,4% to 16,8c (16,4c) a share in the six months to end-August off a high base in the previous year. The interim dividend was maintained at 8c a share.

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Union ends illegal strike at ABI plants

B/Daw 2/11/98

ERICA JANKOWITZ

THE 13-day illegal strike by 3 000 Food and Allied Workers' Union (Fawu) members at seven Amalgamated Beverage Industries (ABI) plants ended yesterday.

The parties said that normal operations would resume on Thursday.

The delay between the parties agreeing to return to work and orders being filled was because of operational reasons and logistical problems as well as communicating the dispute's resolution to Fawu members, a company spokesman

said. The spokesman said the two drivers' assistants abducted last week had returned later that evening after having had the union's position "democratically explained" to them.

No further violent or intimidatory incidents had been reported after this event and further meetings were facilitated by a mediator, he said.

Negotiations had resumed yesterday, culminating in the agreement.



COMPANIES

Sea Harvest earnings sink

LINDA ENSOR

CAPE TOWN — Sea Harvest Corporation suffered a 6,7% decline in earnings to 56,1c (60,1c) a share in the 15 months to end-September compared with the previous year but exceeded both the earning and dividend forecasts made at the time of its JSE listing in July. *B/Den*

On an annualised basis earnings fell 25,5% to 44,8c, slightly ahead of the forecast. A final dividend of 16c a share brought the total to 26c (34,6c) *3/11/93*

Annualised earnings of 44c a share and a total dividend of 20c a share after the declaration of a final dividend of 16c were forecast by the ICS subsidiary which trawls, processes and markets fish.

MD Eckhart Kramer said the trading environment was difficult. International markets for white fish weakened while local consumption declined and prices came under pressure.

Turnover exceeded the forecast R386m rising to R397,7m (R312,4m) and representing a growth of 27,3% over the 15 month period while on an annualised basis sales

grew 1,8%

With margins slipping on an annualised basis to 21% (29,2%), a 27% lower operating profit of R66,8m (R91,2m) was produced. Over 15 months the operating profit amounted to R83,5m.

An after-tax profit of R56m over 15 months and R44,9m over 12 months was produced compared with last year's R60,5m (186) ~~R60,5m~~

Extraordinary items included goodwill of R6,4m written off and listing fees of R1,3m

Sea Harvest's listing in July was undertaken to allow its Spanish shareholder Pescanova to reduce its holding from 38% to a minimum of 10%. *12/2*

Pescanova made 28-million shares at 600c a share available to investors. ICS became the parent company in May by acquiring a 12% stake in the company from Pescanova for R72m, thereby increasing its stake to 62%.

Sea Harvest meets profit forecast

BY DEREK TOMMEY

Sea Harvest, listed on the JSE in July, has achieved its prospectus profit forecast despite difficult economic conditions worldwide.

Sea Harvest, a major white fish trawling and processing company, earned R56,1 million in the 15 months to September, equal to 56,1c a share (186)

This compares with the R55 million forecast for the 15-month period and earnings of R60,5 million in the previous 12 months. It is paying a final dividend of 16c, making 26c (34,6c) for the accounting period.

Consumption declined locally and prices were under pressure.

Chairman Johannes van der Horst says international markets for white fish weakened on a broad front.

But emphasis on added-value products cushioned the full effect of market deterioration.

Sea Harvest sees demand drop as downturn bites

Business Editor

SALDANHA-based Sea Harvest Corporation, announcing its results for the first time since it was listed on the JSE in July, was hit by reduced demand on both local and international markets as a result of the recession

Earnings for the 15 months to September 30 dropped to 56,1c a share compared with 60,1c for 12 months in 1992. This is slightly above the 55c forecast in the listing prospectus

Annualised, earnings were 44,8c a share. The company's year end has been changed to September 30 in line with that of parent ICS Holdings, which bought an additional 12% of Sea Harvest this year to increase its stake to 62%

The final dividend is 16c, making a total pay-out for the year of 26c (20,8c)

Turnover for the 15 months was

R397,6m (annualised, R318,1m) compared with R312,4m in 1992

But operating profit before paying interest slipped to R83,5m (annualised R66,8m) compared with R91,2m. Attributable profit was R56m compared with R60,1m in 1992

The directors say the balance sheet is strong, with adequate liquidity and only minimal borrowings

But, they say, trading conditions in SA were difficult. "International markets, to which Sea Harvest exports a considerable quantity of its white fish, were also depressed because of reduced consumption"

They say catches were satisfactory, "reflecting the healthy state of SA's groundfish resources"

But the company's performance next year will depend to a large extent on the state of the economy, locally and internationally

Warning of low food margins in new SA

KELVIN BROWN

FOOD companies would have to put more emphasis on value-added goods to absorb the future government's pressure to keep the price of necessities down, Foodcorp group CE Dirk Jacobs said yesterday.

Speaking at the Project New Generation conference in Johannesburg, Jacobs said a future government would insist food was affordable to the masses. The industry would have to work with margins under tremendous pressure, especially for staples.

Balancing the food basket would be difficult to achieve in the current environment of tough trading conditions and falling food consumption, he said. Margins had already been cut to the bone.

Management would also have to accept shareholders would no longer be the priority stakeholders to be taken care of. Foremost in the new SA would be the company's employees, suppliers and customers.

"We will need to balance the interests of shareholders with the interests of these other parties," Jacobs said.

Companies would need to become more socially responsible by helping improve the quality of life of their workers, he said. The development of a culture of common interest between business and workers would be needed.

Foodcorp had already gone a long way in this regard, Jacobs said. It had budgeted to put 2% of its pre-tax profits into a trust fund run predominantly by workers. The trust fund would be used to improve the quality of life of the workers' communities.

The company had also brought employees into the decision-making structure and approved only projects favoured by the workforce.

The term "future shock" was the most accurate description of the condition the country found itself in, said Jacobs. Management had to contend with a minefield of problems and uncertainties.

To meet these challenges, companies had to develop simple, transparent structures with small head offices. And decision-making needed to be decentralised to foster entrepreneurial spirit and a more flexible approach to business.

"We can either meet challenges head on or have them swamp us," Jacobs said. "We have to remove the baggage of the past".

10 injured in factory blast

By YAZEED FAKIER

TEN employees were injured last night when a relay pipe carrying deadly ammonia gas burst in the packaging section of a Worcester chicken factory

The explosion occurred when a screw-cap was dislodged about 9.45 at Rainbow Chickens, about 3km outside Worcester (186) (124)

The packaging section was filled with about 40 employees working the night shift, which is staffed by 355. All were later sent home

Rescue workers from two ambulances and two fire engines and using breathing apparatus were on the scene within minutes CT 4/11/93

Two of the 10 people worst affected were still being treated early today at Eben Danges Hospital. Their condition was described by a rescue service spokesman as "not serious"

Rainbow Chicken on recovery path

■ BY STEPHEN CRANSTON

Rainbow Chicken's recovery from last year's disastrous losses has begun.

Though it showed an attributable loss of R2,9 million in the six months to September, it generated R3,2 million in cash, a major turnaround when compared with the R71,9 million increase in borrowings in the first half of last year.

Nevertheless, no dividend is being paid.

Though prices are moving gently upward, in line with red meat prices, they are still too low.

Rainbow will relaunch the premium Farmer Brown brand with TV commercials and will



~~300~~

186

relaunch the core Rainbow brand in April.

Increased marketing should increase the higher-value pro-

ducts in the sales mix.

Turnover rose 3,3 percent to R813,2 million, but volumes fell 10 percent. There is already

an improved product mix, better stock management and lower levels of discounting.

Working capital control reduced current assets by R24,1 million to R389,3 million.

These factors and strict control of costs enabled operating income to rise from a loss of R507 000 to a profit of R20,2 million.

Interest paid increased by 25 percent to R22,8 million as additional funding was needed to finance last year's loss.

Epol, which is a joint venture with Premier, increased profit from R0,1 million to R0,3 million, despite low volumes and stiffer competition in the animal feeds market.



Star 8/11/93

Langeberg closes pineapple plant

■ BY STEPHEN CRANSTON

Langeberg Holdings has reported a 23,4 percent decline in earnings per share to 41,9c in the year to September. The dividend fell by 12,5 percent to 14c.

The food canner also announced the closure of its East London pineapple canning plant at the end of December.

MD Ray Brown says it was deeply regretted that the step had to be taken, but because the operation had produced accumulated losses of many

millions of rands since the late Eighties, the group had no alternative.

In the deciduous canning division prices in foreign currency terms had to be reduced as every deciduous fruit producing country worldwide had good to exceptionally heavy crops and pack-outs. (186)

Production of canned fruit declined in the Northern Hemisphere during the 1993 season and this could have a beneficial effect in the second half of the financial year.

Hunt Leuchars helped by healthier associates

B/Dag 8/11/93

MARCIA KLEIN

FOOD and timber group Hunt Leuchars & Hepburn (HL & H) increased attributable earnings 36% to R32,1m (R23,6m) in the six months to end-September on the back of a much improved performance by Transvaal Sugar and significantly reduced losses in associate Rainbow Chicken.

CE Neil Morris said despite the state of the economy and difficult agricultural conditions, the results were a significant improvement. This improving trend in operating performance would continue in the second half (186) (182)

The group's first half turnover grew 13% to R571,6m (R507m), and margins were held as operating income improved 14% to R72,5m (R63,6m).

Lower rates saw the interest bill fall 6% to R25m, improving pre-tax income 27% to R49,4m

The effective tax rate rose to 32% (19%) because of an increased tax provision by Transvaal Sugar and STC. As a result, income after tax was 7% higher at R33,5m. But a cut in the group's share of Rainbow's losses saw bottom-line income rise 36%

Earnings rose similarly to 21,5c (15,8c) a share, and the interim dividend was main-

tained at 13,5c a share

Morris said Robertsons, which contributed 37% (45%) of attributable income, gained market share in most of its product categories.

Transvaal Sugar showed a significant earnings increase, and contributed 43% (32%) to attributable income.

The new Komati Mill would be brought into production in March. The benefits flowing from capital allowances would have a significant effect on second half earnings, Morris said.

HL & H Timber's contribution was 23% (37%), as volumes in HL & H Mining Timber came down.

Although domestic chicken sales dropped 7%, Rainbow turned around and showed a trading profit before interest and a small bottom-line loss for the period. This compared with significant losses in the previous year.

Huntcor, whose only investment is its holding in HL & H, declared an unchanged interim dividend of 27,2c a share

Langeberg hit by markets

Biday 8/11/93
LINDA ENSOR

CAPE TOWN — Depressed markets for Langeberg Holdings' canned fruit and vegetable products both locally and abroad resulted in a 23,4% drop in the food processing group's earnings to 41,9c (54,7c) in the year to end-September (186)

A 12,5% lower dividend of 14c (16c) was declared by the Tiger Oats subsidiary after the final dividend was set at 9c (11c). Dividend cover fell slightly to 3 times (3,4).

Turnover rose 1,8% to R755,2m (R741,8m) but, with margins sliding to 12,3% (13,9%), operating profit declined 19,3% to R83m (R102,9m)

Although this was offset to some extent by the lower interest bill, the resumption of tax payments exacerbated the situation with attributable profit falling 23,4%.

MD Ray Brown said the domestic division's profits were lower than last year as a result of the continued recession, political uncertainty and business disruption

The year saw a progressive deterioration in export markets with oversupply depressing selling prices to such an extent that increased sales volumes and contained costs were not able to offset them. Consequently the deciduous fruit division's profit was lower than last year.

Borrowings increased to R98m (R74m) largely as a result of capital expenditure and the need for working capital, Brown said. More than R40m was spent on new investments such as facilities, factories and technology. However, gearing remained low at 28,6% (25,1%).

Brown was "cautiously optimistic" about improved results in the 1994 financial year.

Thousands to lose jobs in plant closure

CAPE TOWN — About 5 000 workers are expected to lose their jobs as a result of Langeberg Holdings' decision to close its pineapple canning factory in East London.

The pineapple industry is the second largest employer in the eastern Cape and the move by Tiger Oats' food-processing and canning subsidiary could have a devastating economic effect. ~~(S)~~ 186

Langeberg Holdings MD Ray Brown estimated that in addition to the 1 000 workers at Langeberg's pineapple factory, 4 000 workers in sectors such as farming, canning, packaging and harbour works would

LINDA ENSOR

lose their jobs. With their dependants, the number of those affected rose to about 20 000. Biday 8/11/93

He said the plant had accumulated millions in losses and the drain on group resources had to be halted. Talks on a takeover of the plant by growers had failed.

Langeberg has provided for an extraordinary loss of R10,2m in its 1993 profit announcement to cover the costs of discontinuing its pineapple operations.

● See Page 8

ICS does well in a declining market

Star 9/11/93

BY THABO LSHILO

The restructured Imperial Cold Storage did well to increase earning per share 11,6 percent to 164c for the year ending September despite harsh trading conditions. (18b)

Turnover fell 0,9 percent to R2,4 billion while 15 months of trading from Sea Harvest helped to provide an increase in the dividend of 11,1 percent to 50c per share.

Attributable profit increased from R55,9 million to R62,4 million.

Managing director Nick Dennis said the joint ventures and deals finalised during the year between Renown and Foodcorp's Enterprise, Dairy-belle and Bliss and between Dairymaid and Nestle were not expected to provide "tangible" benefits for at least a year.

In a declining market, poultry suffered substantial losses while the market for red meat was affected by static prices coupled with the deregulation of the industry which brought increased competition.

The processed meat division also suffered while tanning profits were low because the increased costs of hides could not be passed on to a depressed shoe industry.

Productivity improvements and the success of branded ice cream chocolate bars increased profits despite low volumes.

Sea Harvest had a hard time because of reduced local and international demand and the most significant contribution from associated companies came from Fedics, Chandling International and Commercial Stores.

Company: ICS
Sector: Food

SHARE PRICE: 1 600 c
YEAR HIGH: 1 775 c
YEAR LOW: 1 150 c

MARKET VALUE: R608 m
PE RATIO 9,75

Dividend yield 3,1%

Year to	Turnover Rbn	Operating Profit Rm	Attributable Earnings Rm	Dividend per share (c)
1991	2,11	28,1	45,5	37
1992	2,46	26,3	55,9	45
1993	2,44	57,9	62,4	50
% Change	-0,8	115	11,6	11

ICS beats difficult trading conditions

BIDAY 9/11/93

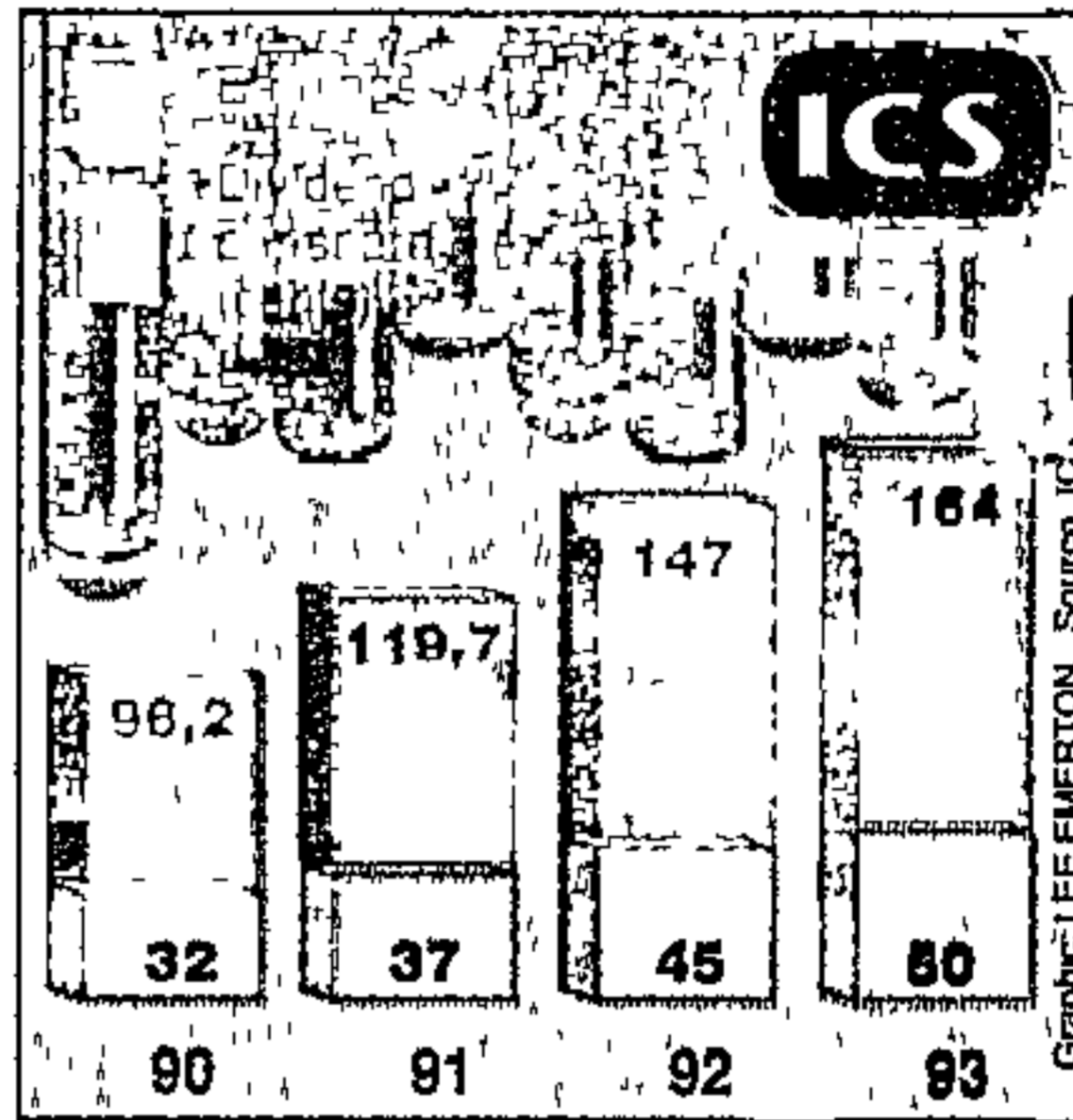
MARCIA KLEIN

FOOD group ICS Holdings increased earnings a share 11,8% to 164c (147c) in the year ended September, despite a declining market, difficult trading conditions and a significant loss in the Festive broiler division.

The group, which has meat, dairy, poultry, distribution and fishing interests, reported a marginal decline in turnover to R2,44bn (R2,47bn). However, operating profit rose 74,6% to R67,3m (R38,8m).

A reduction in the interest bill and increased income from investments saw pre-tax profit climb 180% to R69m (R30m). The utilisation of most assessed tax losses saw taxation rise significantly. As a result, profit after tax doubled to R49,2m (R21,1m).

A lower contribution from associates and an increase in the amount due to outside shareholders led to an 11,8% rise in attributable profit to R62,4m (R55,9m). A final dividend of 33c a share was declared, bringing the full year's dividend up 11,1% to 50c (45c). An extraordinary item of R64,2m largely reflected the acquisition of additional shares in Sea Harvest. (18b)



MD Nick Dennis said results were achieved through tight management and financial controls, improved performances from some divisions and 15 months of trading from recently listed Sea Harvest. Restructuring and refocusing during the year promised "exciting" prospects.

□ To Page 2

ICS

BIDAY 9/11/93

□ From Page 1

Processed meat operations, held in Renown, were merged with those of Foodcorp to form Enterprise Foods, SA's largest processed meat company. (18b)

ICS's DairyBelle operations and Nels-Blass Dairy Products pooled some of their milk and fruit juice interests to form a joint venture company.

The Cold Chain distribution arm was sold into a separate company, jointly held by Foodcorp, and the interest in Sea Harvest was increased to 62% (50%).

After the year-end, DairyMaid was sold into a new company, DairyMaid-Nestle, which is jointly held with Nestle.

These moves were part of the group's strategy to change from a commodity-based producer to "one with strongly branded value-for-money products", and created a springboard for growth. The joint ventures would not provide tangible benefits for at least a year, Dennis said.

The meat and poultry interests turned in a disappointing performance. Poultry reported a substantial loss on the back of depressed demand and the additional cost of having to rail imported maize from the

coast. Poultry prices had firmed since the year-end. Red meat prices remained static because of reduced demand, and increased competition followed the deregulation of the industry. Tanning profits were down, as higher costs of hides could not be passed on to the shoe industry.

Fresh milk suffered the effects of deregulation, and cheese and butter maintained margins. Ice cream was faced with sharply lower margins, but profits were higher on the back of productivity improvements and the success of branded ice cream chocolate bars.

The Cold Chain turned around to show a profit for the period. Sea Harvest had a difficult year due to reduced demand, but its results were nevertheless ahead of its pre-listing forecasts.

Dennis said ICS could improve if there was growth in demand for protein ducts. But the group, whose products were largely perishable, was "particularly vulnerable to social instability".

In the current year, ICS would complete rationalisation, streamlining, refurbishment and extension of facilities.

Cannery to lay off 4 000 staff

CT10/11/93

3-F-186

Own Correspondent

EAST LONDON — Up to 4 000 workers here could lose their jobs when Langeberg pineapple cannery shuts down at the end of next month

A thousand cannery employees will be retrenched at an estimated cost of R10 million to the company

A further 3 500 farm labourers, packers and harbour workers are expected to be affected, prompting farmers to seek ministerial intervention

The plant was forced to close down after having accumulated "many millions of rands of losses" in the past five years

"The East London pineapple operation has been a substantial loss-maker for some years. All efforts to turn it around have failed," Langeberg's managing director, Mr Ray Brown, said

Because the Border region was already badly hit by economic stagnation, every effort had been made to avoid closing the plant, he said

"But we had no choice but to halt the drain on resources," Mr Brown said

Langeberg is one of only three canneries serving the Border pineapple industry. It is the single largest exporter operating through the harbour here, creating many stevedoring jobs

The chairman of the Pineapple Growers' Association, Mr Wouter le Roux, said the demise of the plant would have "disastrous" consequences for pineapple farmers

"We're not letting this lie. We've approached the South African Agricultural Union to assist us in negotiating with Langeberg," Mr Le Roux said

"We foresee the closure of a large percentage of the 70-odd pineapple farms in this region"

The executive director of the Border Chamber of Business, Mr Errol Spring, said the decision to close the factory should be seen as a clear message to political and other organisations to intensify efforts to stabilise the situation here so that economic restructuring could begin

Recession nibbles at Tiger Oats

186

CT 10/11/93

Business Editor

FOOD producing group Tiger Oats was hit by lower levels of consumer spending, and stiff competition, in the year to September

A lower tax bill, and strong growth in earnings by the Oceana Fishing Group and the pharmaceuticals division, helped it to hit attributable earnings by 7% — lagging inflation — to R74m (R66m). This was achieved on a 9% rise in turnover to R10 039m (R9,212m)

But, because the number of shares in issue has risen to 150 223 000 from 146 000 000, earnings at share level have risen by only 3% to 237c (230c). The final dividend is 54c making a total pay-out of 82c (79c) for the year.

Operating income was R659m (R677m). The tax bill fell to R169m (R213m) because of allowances on capital expenditure together with the lower rate of company tax.

The directors say the group "continued to feel the effects of the recession and sales volumes and prices were generally under pressure"

In spite of this the rice, oat milling, distribution and shipping operations achieved good results

The confectionery, pasta, sorghum and bakery operations improved their

performances

But the maize, wheat milling and vegetable oil operations made lower profits

"Langeberg's results were adversely affected by the depressed trading conditions experienced both domestically and abroad," the directors report

"The egg and broiler businesses operated in over-supplied markets and losses were incurred, although the egg division was profitable for the second half of the year

"The international edible oil division experienced technical problems relating to the installation of new equipment. These have now been successfully resolved and considerably improved profitability is forecast for next year

"Rationalisation and co-manufacturing agreements will lead to a better performance by the local edible oil and margarine operations. The broiler division is also expected to show improved results next year

Chairman Robbie Williams said the year had been "an exceptionally challenging period for the food industry"

This had been made worse by the poor quality of maize imported by the Maize Board as a result of the drought which resulted in lower yields for the margarine and oil operations

Tiger Oats is shining bright

BY DEREK TOMMEY (186)

Preliminary profit figures from food giant Tiger Oats show it has come through a difficult year with flying colours — and with expectations of better results this year — even if the economy does not improve.

Attributable earnings for the 12 months ended September rose 7 percent to R357 million equal to 237c (230c) on the enlarged share capital. The final dividend has been increased from 51c to 54c making a total payment of 82c (79c) for the year.

Chairman Robbie Williams says that trading conditions remained difficult. It was "an exceptionally challenging period for the food industry. Consumer spending declined, impacting on most group activities."

Profits were affected by technical problems, now overcome, in the US-based edible oil division which cost the company between R20 million and R25 million in lost earnings.

The poor results from Langeberg Canning were also a factor.

But Williams said these were "once-off" situations and both companies should be profitable in the current financial year.

The lifting of sanctions had opened new markets for Langeberg which is closing its loss-making pineapple factory in the Eastern Cape.

Good results were recorded in rice, oat milling, distribution and shipping activities (SPAR), and improved performances were achieved by the confec-

tionery, pasta, sorghum and bakery divisions

Sales of Tastic rice were a record and the confectionery company Beacon increased market share.

The maize and wheat milling and vegetable oil divisions had lower profits. The egg and broiler businesses operated in an oversold market and incurred losses. However, the egg division was profitable in the second half of the year.

But rationalisation and co-manufacturing agreements will lead to a better performance by the local edible oil and margarine operations. The broiler division should also show improved results in this financial year.

Pharmaceuticals

The group's two pharmaceutical companies, Adcock Ingram and Logos Pharmaceuticals, had strong growth in earnings as a result of improved efficiency, cost containments and the successful introduction of new products.

Oceana, the group's fishing division, achieved strong growth in earnings.

The figures show that Tiger Oats improved its financial position.

Cash available from operations rose to R499 million against R336 million last year and it was able to reduce borrowings by R163 million.

Williams expects "reasonable earnings in 1993-94. Difficulties encountered in 1993 had been remedied and the company should feel the benefits of rationalisation in many of the food operations.

Company: Tiger Oats
Sector: Food

SHARE PRICE: 4 100 c MARKET VALUE: R5,16 billion
YEAR HIGH: 5 000 c PE RATIO: 50
YEAR LOW: 3 700 c
Net asset value: R2,125 bn Dividend yield: 2,0%

Year to	Turnover Rbn	Operating Profit Rm	Attributable eps (c)	Dividend per share (c)
1991	7,98	598	288,6	71
1992	9,21	677	334,5	79
1993	10,04	659	357	82
% Change	9,0	-2,7	6,7	3,8

Cannery closure could cost 4 000 jobs

EAST LONDON — The closure of the Langeberg pineapple cannery next month could cost almost 4 000 jobs in the Border area

One thousand cannery employees will be retrenched and a further 3 500 farm labourers, packers and harbour workers are expected to be affected, prompting farmers to seek ministerial intervention

The West Bank plant was forced to close down after making losses for the past five years

Langeberg managing director Ray Brown said this week the pineapple operation has been a substantial loss-maker for some years and efforts to turn it around had failed

Langeberg is the single largest exporter operating through the East London harbour, creating many stevedoring jobs

Pineapple Growers' Association chairman Wouter le Roux said the demise of the plant would adversely affect pineapple farmers

Farmers' negotiations with the company to take over the cannery plant had failed.

Border Chamber of Business executive director Errol Spring said the decision to close the factory should be seen as a clear message to political and other organisations to intensify efforts to stabilise the region and begin economic restructuring

"One can only hope that as the economy improves and the drought comes to an end, the potential of the pineapple industry in the Border region will again be realised," he said

He said it was hoped the other canneries in the region would be able to absorb Langeberg's capacity to minimise the effect on the regional economy.

Border pineapple farmers annually supply between 65 000 and 70 000 tons of fruit for canning — Sapa

Exports spur 80% rise in Macadams earnings

By AUDREY D'ANGELO
Business Editor

AN 84% rise in exports helped Macadams Bakery Supplies Holdings to lift earnings by more than 80% in the six months to August.

MD Raimund Pouliart said exports now accounted for 40% of factory production and 30% of turnover.

"They have kept us in full production and at times we have worked overtime in spite of the recession. We have increased our

labour force and invested in more manufacturing machinery."

Turnover rose by 41% to R22.6m (R16m) and operating profit to R1.5m (R1.2m). The interest bill was reduced by 22% to R589,000 (R753,000).

Net income rose to R947,000 (R522,000) and earnings at share level to 5.7c (3.1c). Net asset value rose to 62c (53.3c).

The directors say that in line with their commitment to conservative growth, and to reduce inter-

est-bearing debt, no interim dividend will be declared. The company's financial year end has been changed to December 31.

Pouliart said that although trading conditions were tough Macadams had increased sales in the local market by 28%.

"There is still heavy demand for bakeries in rural areas and townships in SA. Once the political situation stabilises, the company is ideally positioned to take advantage of these opportunities."

Discussing the export market, he said margins were under pressure, particularly in the North American market where Macadams was in competition with European manufacturers.

"It is such a huge market that the European firms are practically dumping their products in these recessionary times, relying on the volume of sales to make their profits."

But it was worthwhile for Macadams to compete, even in these

conditions, in order to keep the factory running and the workforce employed. "We cannot afford to lose our skilled people, because we shall need them when the upturn comes."

Macadams is also exporting to other parts of Africa and to China, through Hong Kong and Taiwan.

"With new markets opening up in the Ukraine, Canada and Mexico, we expect earnings to be maintained at current levels for the remainder of the year."

Macadams gets export boost

By SAUNDERS 10/11/93
LINDA ENSOR

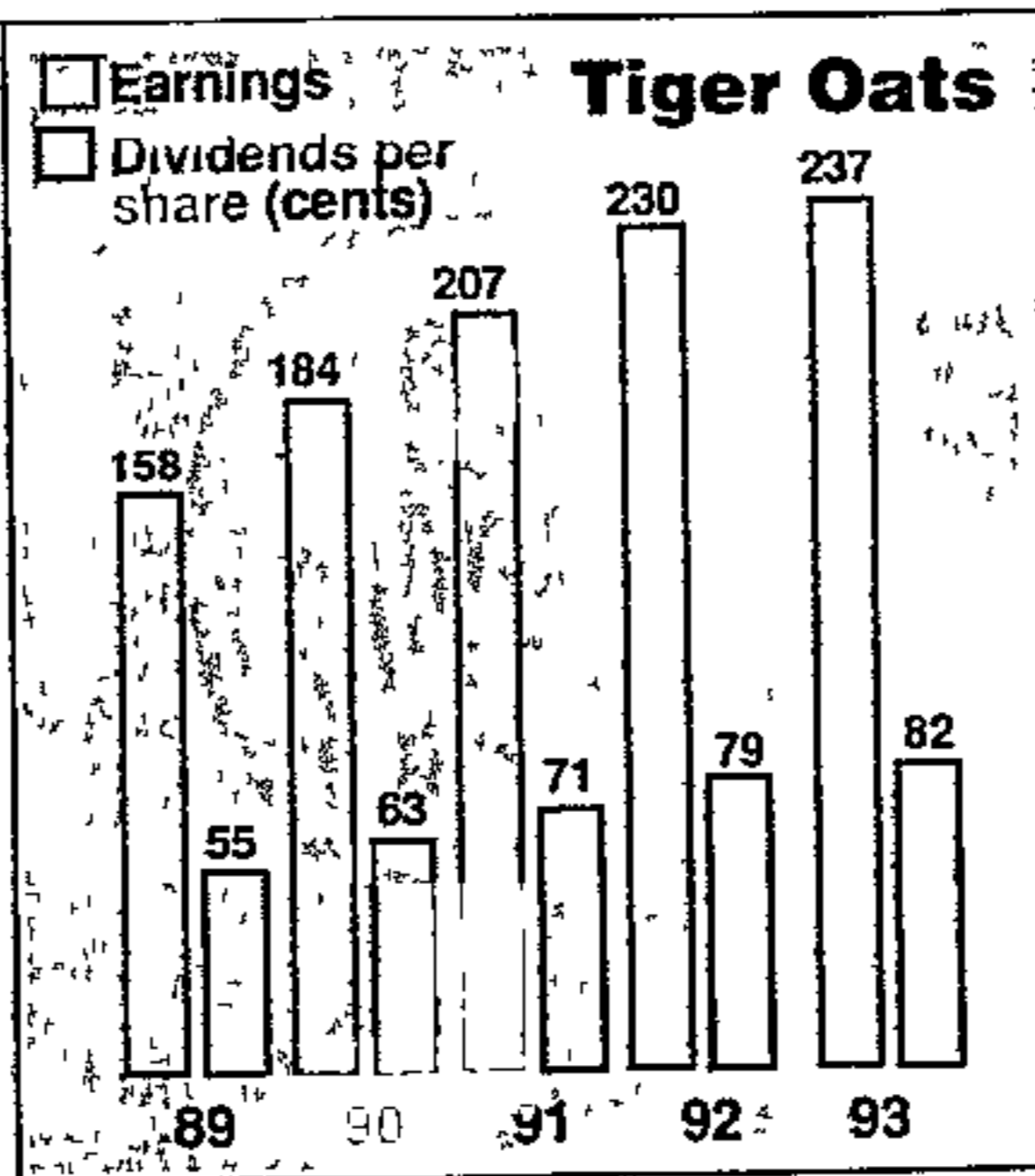
CAPE TOWN — Bakery and confectionery equipment manufacturer and supplier Macadams generated an 83% increase in earnings to 5,7c (3,1c) a share in the six months to end-August. No interim dividend was declared in view of the company's commitment to conservative growth and to reducing interest-bearing debt.

Exports boosted turnover, which rose 41% to R22,6m (R16m). MD Raymond Pouliart said that developing markets in eastern Europe and the Americas and a rapidly growing African market had resulted in an 84% rise in exports (186) (186).

Local sales increased 28%.

"There is still heavy demand for bakeries in rural areas and townships and once the political situation stabilises, the company is ideally positioned to take advantage of these opportunities," Pouliart said.

New markets were opening up in the Ukraine, Mexico and Canada and the company expected to maintain earnings at current levels.



Graphic, KAREN MOOLMAN Source TIGER OATS

Lower tax offsets Tiger's troubles

MARCIA KLEIN

FOOD group Tiger Oats lifted attributable earnings 7% to R357m (R335m) in the year to September, after costly problems in its US sunflower seed plant and losses in its broiler and egg divisions were offset by a lower effective tax rate. *Biday*

A 3% rise in earnings to 237c (230c) a share — on additional shares in issue — indicated a better second half as earnings were 3% down at the interim stage.

A final dividend of 54c a share was declared, bringing the full year's dividend up 4% to 82c (79c) a share *10/11/93*

Chairman Robbie Williams said trading conditions were difficult, with lower levels of consumer spending affecting most of the group's activities. *(186)*

Turnover rose 9% to R10bn (R9,2bn) Williams said many of the group's brands increased volumes against a general decline in grocery categories. But pressure on prices and margins saw operating income drop 3% to R659m (R677m).

MD Clive Wolpert said the margin was affected by the lossmakers, which included the US operation and the broiler (Country Fair) and egg (Golden Lay) operations. Technical problems in the US meant that the operation lost a full year of production.

Operating income was also affected by the poor quality of maize imported by the Maize Board — resulting in lower yields and reduced plant efficiencies. Unrest caused product distribution problems.

Net interest was marginally higher, and

□ To Page 2

Tiger

Biday

10/11/93

□ From Page 1

income before tax was down 2% at R600m (R614m). But income after tax was 7% up at R431m (R401m) as the effective tax rate was reduced to 28% (35%) on the back of tax allowances on capex programmes and the lower corporate tax rate. *(186)*

Williams said the balance sheet was strengthened through working capital management. Borrowings improved by R163m, and gearing was 16% (26%).

Tiger Foods' sales volumes and prices were under pressure. Tastic Rice, Jungle Oats, Spar and the shipping operations did well. Beacon Sweets, Fattis & Monis and the sorghum and bakery divisions improved their performances.

Food processing company Langeberg and the maize and wheat milling and vegetable oil operations reported lower profits.

Pharmaceutical interests, in Adcock Ingram and Logos Pharmaceuticals, showed strong growth, as did Oceana Fishing.

Wolpert said technical problems in the international edible oils division had been successfully resolved, and improved profitability was expected this year. The local edible oil and margarine operations had entered into co-manufacturing agreements. This, together with rationalisation, should see improved performances.

Tiger was not expecting any improvement in its markets in the coming year, but improved results would be achieved through internal improvements.

Williams said he believed Tiger had a good product mix, and it was making significant investments to ensure it was globally competitive.

Borrowings hold down Macadam

BY DEREK TOMMEY

Strong export growth helped Macadam Bakery Supplies, the country's largest manufacturer of bakery and confectionery equipment, to show better trading results in the six months ended August. (186)

But its figures show that borrowings and interest payments are still a heavy burden on the company.

Turnover rose 41 percent from R16 million to R22,6 million. This followed an 84 percent increase in exports to Eastern Europe, the Americas and the rapidly growing African markets.

The company is also hopeful of selling to the Ukraine, Canada and Mexico.

Local sales increased

by 28 percent in spite of extremely tough trading conditions, says managing director Raimund Pouliart.

Operating income rose 20 percent to R1,5 million. But interest payments, although down to R589 000 from R753 000 last year, still took their toll on profits.

However, earnings rose 80 percent from R522 000 to R947 000 equal to 5,7c(3,1c) a share. The net asset value rose from 53,3c to 62,0c a share.

No dividend is being paid as the company wants to reduce interest bearing debt. At August 31 the company had current assets of R22,9 million (year ago, R18,6 million) and current liabilities of R15,2 million (R12,4 million).

RAINBOW CHICKEN

Poised for revival

Interim results confirm the FM's view (*Companies* July 9) that the company is poised for recovery. Operating profit rocketed to R20,2m compared with losses of R500 000 for the year-ago interim and R39m in financial 1993.

Turnover shows an interesting increase of 3% to R813m despite a 10% fall in volumes. It arises, says new CE Rick Griffiths, from improving the mix between selling what the trade calls the rugby ball (frozen, whole chicken) and selective parts, managing stock a lot better and important reductions in trade discounts.

Griffiths is clearly aware of the importance of maintaining the supply/demand balance. This is a vital area which, given Rainbow's predominance in the industry (about 45% of total supply) when it ran out of control, spelt endless trouble. His short-term plan is to take advantage of what he describes as Rainbow's excellent technology, while marrying that to a determined cost-cutting campaign, particularly in primary inputs of feed.

Euphoria generated by this turn in Rainbow's performance shouldn't blind investors to real structural problems in its finances.

western Cape, where capacity is double demand — and of the need to concentrate on mix and branding. He is enthusiastic about the benefits Rainbow can extract from the use of its brands. Farmer Brown Chicken is being relaunched and the Rainbow brand, including, for the first time, TV ads, will be flighted from April. He has also placed a bar on nonessential capex programmes and hopes to raise about R50m by selling assets.

At 250c, the share is some way from its 12-month low of 180c and reflects a view the company will return to profitability this year. Which supports the FM's earlier position that Rainbow is on the verge of an important revival.

David Gleason

FINER FEATURES

Six months to	Sep 30 '92	Mar 31 '93	Sep 30 '93
Turnover (Rm)	787,5	758,1	813,2
Operating income (Rm)	(0,5)	(38,6)	20,2
Attributable (Rm)	(18,7)	(58)	(2,9)
Earnings (c)	(5,1)	(15,7)	(0,8)
Dividends (c)	nil	nil	nil

The interest bill for the six months was a colossal R22,8m. Considering interest rates were falling, it points to sharply higher interest-bearing debt — R53m higher than a year ago. And shareholders' funds have declined R73m over the 12 months. This raises the gearing to 48% compared with Griffiths's ultimate target of 25%. It also plays havoc with the bottom line.

Cash generation improved. This time around, Rainbow produced a positive cash flow of R3,2m, not much to write home about but in sharp contrast to last year's negative R72m.

Finance director Chris Wells says 18 months of healthy trading should see the balance sheet restored to complete health. Griffiths concurs and both reject any suggestion a rights issue is on the cards.

"Equity is much too expensive if we are to provide an adequate return on shareholders' money," says Griffiths. "I would much rather use borrowings, reduce costs and trim assets."

His plans for the near future encompass an acceptance that the company is over-manned in some areas — for example in the

FM 12/11/93

available from operations up nearly 50% to R499m, thanks largely, says Holmes, to tight management of working capital

But it's going to take more than improved prospects to reverse negative sentiment towards the share. This may have been unduly influenced by competitor Premier's improved rating. Still, comparisons will continue to be made. The best answer Tiger can provide is solid interim results (86)

If Tiger's commitment to being a low cost

SLASHED MARGINS

Year to September 30	1992	1993
Turnover (Rbn)	9,21	10,04
Operating income (Rm)	677	659
Attributable (Rm)	335	357
Earnings (c)	230	237
Dividends (c)	79	82

producer is vindicated, the share's decline from R50 at the beginning of the year to R41 now is not necessarily bad news for investors. Anybody who shares their faith in SA's commodity food markets and the potential of exports could find value in the share at present levels

Shaun Harris

HLH

Time for preening

Hunt Louchars & Hepburn (HLH) CE Neil Morris is a man who — dare we say it? — now has cause to preen his feathers. This is because of the demonstrable improvement in the fortunes of 40%-held Rainbow Chicken where the bleeding has been cauterised and all is set for a return to profitability in the second half

HLH's interims — the hefty doubling in the tax bill aside — reveal net attributable income 36% better at R32,1m than a year ago. That has been achieved through a 13% rise in turnover to R507m and a small improvement in the trading margin, which lifted operating income to R73m

The interest bill fell marginally to R25m, but that tends to conceal the large increase in interest-bearing debt, which has soared to R427m (1992: R377m). Much of that is attributable to sugar debtors and marginal increases in Robertsons stocks but it illustrates, nonetheless, the strain this group has been under in the past two years

The cash flow reveals the true extent of this, with working capital demanding an additional R44,8m and total net borrowings increasing by R140m. Indeed, if there is a single area of concern in HLH it is in the combined cash flow

Morris singles out the Transvaal Sugar operation for special mention. Sugar production is rising despite the continued effects of last year's drought, which still hasn't broken, and the important new Komati mill is expected to be brought into production on schedule before the end of the financial year

Timing here is important because of the application of capital allowances and the effect these have on the tax liability

Rainbow's result for the six months has had a material effect on HLH's performance. Last year, Rainbow's comparative contribution to attributable earnings was a negative 32%. This year, that has been reduced to 3% and Morris is confident the contribution will be positive by year-end. Curiously, he points enthusiastically to the decline in domestic sales of chicken. "When this happened last time, our turnover and profits plunged," he says. "This time, turnover has gone up and our profitability has improved sharply. That shows the extent to which Rainbow is getting its act together"

Robertsons continues to be HLH's star performer, contributing 37% of attributable earnings. Morris is cautious about short-term prospects though. Its market share continues to grow but at lower rates and Morris is conscious of a volume decline accompanied by pressure on trading margins

HLH's results show considerable improvement, though from a low base. EPS declined dramatically between 1992, when they were 82c, and 1993 when they plummeted to 28,1c. Now HLH is clearly staging a recovery and it is probably not unreasonable to predicate an increase in EPS for the 1994 financial year of 60%-70%

If that should transpire — and my guess is at the higher level — it implies EPS of about 48c and puts the counter on a forward p e of 20 compared with the sector's average now of 18. That suggests the market concurs with

REVIVING

Six months to	Sep 30 '92	Mar 31 '93	Sep 30 '93
Turnover (Rm)	507	251	572
Operating income (Rm)	63,6	49,6	72,5
Attributable (Rm)	23,6	18,4	32,1
Earnings (c)	15,8	11,9	21,5
Dividends (c)	13,5	8,0	13,5

the FM's earlier judgment that HLH is on the path to significant rejuvenation

David Gleason

PGSI

On a roll

Soon after its 45% increase in EPS for the 1993 financial year, Plate Glass & Shatterprufe Industries (PGSI) has returned a 74% advance for the interim. Once again, its fortunes have been generously helped along by previously Cinderella international interests, which are expected to contribute about a third to total earnings this year

Belron International, repository of PGSI's external interests, has achieved profitability in the US and Australia, operations in France and Germany are inching towards positive contributions. Executive chairman

Ronnie Lubner has reason to be satisfied that PGSI has earned membership of the select club of SA firms demonstrably capable of operating successfully in widely spread



PGSI's Lubner reason to be satisfied

and competitive international markets

PGSI fell on tough times in financial 1992. EPS slumped from 328c in 1991 to 209c

Last year it produced 304c and I believe it is reasonable to assume EPS for this year will be about 45% better — taking it to a bottom line of around 440c. These figures are indicative of the roller coaster the company's been on, it will probably revert to a more respectable — and pedestrian — growth pattern in later years

The balance sheet throws up the odd area of concern, particularly borrowings which have increased from R188m a year ago to R303m. Gearing is now 61% compared with a modest 40% at the end of the 1992 year

The income statement provides the really interesting morsel: turnover increased a modest but acceptable 17% to R1,6bn. However, an increase of 2,2% in the trading margin saw operating income soar 47% to R172,5m — clear evidence of the dramatic effect this area can bestow on a company driven by volume

Lubner is coy about prospects for the next half. It's plain he is concerned about the real possibilities of widespread disruptions in the run-up to April's general election — 10 days of unrest, for example, could have a profound effect on local business

Nevertheless, PGSI is on a roll, and another increase in earnings — perhaps at a lower rate than reported for the interims — is expected. On that basis, and assuming my estimate of a total increase in EPS over the full year of 45% is achieved, the R80 price (a 12-month high) is fully justified

In passing, it's only fair to record that parent SA Breweries, which the FM criticises over its role in OK Bazaars (see Leaders), can certainly vindicate this acquisition

David Gleason

Expansion by Bokomo at Atlantis

BREAKFAST food manufacturer Bokomo is spending nearly R4 million on extending production facilities at its Atlantis factory, where Weet-bix, Mabel's Munch, Muesli and Honey Munch and other brands are made

A large proportion of the capital expenditure is earmarked for a 400kg/h reverse fluid bed dryer system which dries, roasts, toasts, cools and conditions in one continuous process

Designed and manufactured by Drytech of Denver, Johannesburg, the dryer is due to be installed and commissioned early in 1994 and will replace conventional labour-intensive manual mixing and batch production

The new process was developed on Drytech's pilot plant facilities, which fully replicate actual product manufacture. Apart from breakfast food, the Drytech pilot plant has been used to develop new processes for pet food, margarine ingredients and snack foods.

The processing of industrial products, such as platinum concentrate, gold concentrate and diamondiferous material, have also been piloted on Drytech plant

Good start for new-look CG Smith

DEREK TOMMEY

JOHANNESBURG — CG Smith, recently unbundled from Barlows, has made a good start as an independent.

Despite operations being hit by a severe drought in Natal, which slashed sugar production, and by the recession and unrest, which trimmed earnings of associate, CG Smith Foods, it was able to post a 6,7 percent rise in attributable earnings in the year to September.

But for the drought, the increase would have been 14 percent, says chairman Derek Cooper.

Helped by a strong performance from packaging interests, productivity improvements, rationalisation, and lower interest and tax payments, earnings rose from 882,3c to 941,6c a share. It is paying a final dividend

of 310c, making 327c for the year (308c)

On November 29, CG Smith shares will be split on a 10-for-one basis and shareholders will get a dividend of 21c on each sub-divided share. However, the total dividend will be unaffected.

A strong positive cash flow of R480 million and lower interest rates led to a 29 percent fall in funding costs. Profits were also helped by a reduction in the tax rate from 37 percent to 33 percent.

CG Smith Foods increased turnover by 7 percent to R13,9 billion, but pressure on volumes, and food prices generally contained below the inflation rate caused a 3 percent decline in operating profit.

Attributable earnings fell by 1 percent from 321,9c to

305,5c. It is paying a final dividend of 63c, making 99c (105c) for the year.

CG Smith Foods' interests include Tiger Oats, Adcock Ingram, Logos Pharmaceuticals and Oceana Fishing, all of which improved performances.

Sea Harvest was hit by the decline in white fish prices.

Associate companies of CG Smith include Nampak and Romatex.

Group capital expenditure during the period was just short of R700 million.

Mr Cooper says he and his executive team have a dual role at the unbundled CG Smith. The first is to make the assets sweat a little more, the second to build on a proven skill base.

■ SA Bias Holdings, listed

on the Johannesburg Stock Exchange since 1948, is to change its name to Sabhold Group Limited. Sabhold will replace SA Bias in the industrial holding sector lists on 29 November.

"We want to clearly distinguish Sabhold from SA Bias Industries Limited (Sab Ind)", says chairman Chris Seabrooke.

"Sabind, which is South Africa's largest manufacturer of trimmings for the clothing and footwear industries, conducts the traditional operations of the SA Bias group and should itself have the SA Bias identity."

Sabhold, which recently reported a 16 percent increase in earnings, also has a controlling interest in Merhold Investment Corporation Limited.

Share split mooted by C G Smith

CTIS/11/93

181
187

JOHANNESBURG. — Food, packaging and textile group C G Smith, recently unbundled from former parent Barlow Rand, announced at the weekend it had increased attributable earnings by 6,8% to R443,3m (R415,1m) in the year to end-September.

It also intended splitting its shares on a 10 for one basis.

Newly-appointed chairman Derek Cooper — formerly Barlow's MD — said the results were achieved despite a 5% fall in earnings from significant contributor C G Smith Foods on the back of sharply lower profits from C G Smith Sugar.

Cooper said C G Smith Sugar was affected by the drought. The performance of most other group companies, which include Tiger Oats, Nampak, Romatex, ICS Holdings and Adcock Ingram, was strong.

He said C G Smith's 5,8% rise in turnover to R19,2bn (R18,1bn), a decline in real terms, reflected pressure on sales volumes and prices. Net income before interest and tax was marginally up at R1,4bn. But sharply lower financing costs — due to strong cash flow from operations and lower interest rates — and a reduction in the tax rate enabled it to lift bottom line earnings 6,8%.

Earnings were up 6,7% to 941,6c (882,3c) a share. A final dividend of 210c a share (or 21c based on the subdivided number of shares) was declared, bringing the full year dividend up by 6,2% to 327c (308c).

Cooper said the balance sheet was strong despite R700m in fixed assets.

Commenting on the share split, Cooper said C G Smith had been thinking about splitting its shares for some time as the share price was getting high. But the final decision was triggered by the unbundling.

C G Smith was looking forward to the number of shareholders increasing dramatically, Cooper said. The share closed on Friday at R124, off a yearly high of R142,50 and a low of R115.

He believed that the group's strategic direction, which he said would become apparent over the next few years, would indicate that it would increase shareholder's wealth.

Commenting on the dual pyramid structure — of C G Smith and C G Smith Foods — Cooper said this was a strategic decision to be addressed. The structure as it stood did not impede the group's strategy or funding.

CG Smith shows 6,8% earnings rise

Biday 15/11/93

MARCIA KLEIN

FOOD, packaging and textile group C G Smith, recently unbundled from former parent Barlow Rand, announced at the weekend it had increased attributable earnings by 6,8% to R443,3m (R415,1m) in the year to end-September (186)

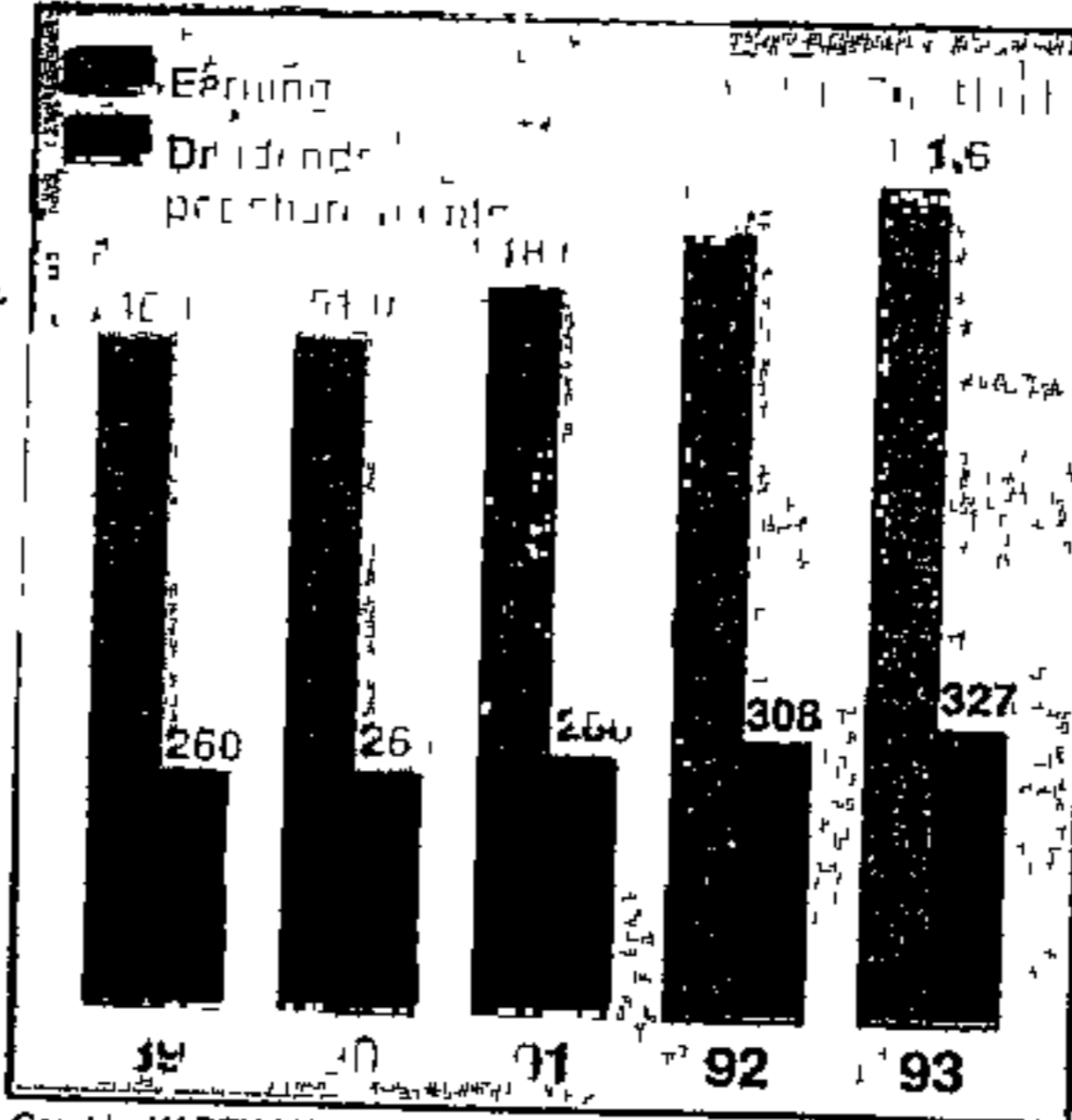
It also intended splitting its shares on a 10 for one basis (186)

Newly-appointed chairman Derek Cooper — formerly Barlow's MD — said the results were achieved despite a 5% fall in earnings from significant contributor C G Smith Foods on the back of sharply lower profits from C G Smith Sugar

Cooper said C G Smith Sugar was affected by the drought. The performance of most other group companies, which include Tiger Oats, Nampak, Romatex, ICS Holdings and Adcock Ingram, was strong

He said C G Smith's 5,8% rise in turnover to R19,2bn (R18,1bn), a decline in real terms, reflected pressure on sales volumes and prices. Net income before interest and tax was marginally up at R1,4bn. But sharply lower financing costs — due to strong cash flow from operations and lower interest rates — and a reduction in the tax rate enabled it to lift bottom line earnings 6,8%.

Earnings were up 6,7% to 941,6c (882,3c)



Graphic: KAREN MOOLMAN Source: CG SMITH

a share. A final dividend of 210c a share (or 21c based on the subdivided number of shares) was declared, bringing the full year dividend up by 6,2% to 327c (308c).

Cooper said the balance sheet was strong despite R700m in fixed assets.

He said some areas of the business had been receiving strategic attention — particularly Romatex and ICS — and the advantages were already showing.

The unbundling meant that C G Smith was no longer an intermediary holding

To Page 2

CG Smith

Biday 15/11/93

From Page 1

company. The number of head office employees was now 15, and there was no intention for it to get bigger. Cooper said companies in the stable were substantial in their own right, and the head office responsibility was to give strategic direction. It would ensure that the group structure maximised the return to shareholders (186)

Commenting on the share split, Cooper said C G Smith had been thinking about splitting its shares for some time as the share price was getting high. But the final decision was triggered by the unbundling (186)

C G Smith was looking forward to the number of shareholders increasing dramatically, Cooper said, and the group wanted to make the unbundling as advantageous as possible. The share closed on Friday at R124, off a yearly high of R142,56 and a low of R115.

He believed that the group's strategic

direction, which he said would become apparent over the next few years, would indicate that it would increase shareholder's wealth.

Commenting on the dual pyramid structure — of C G Smith and C G Smith Foods — Cooper said this was a strategic decision to be addressed. But getting rid of one pyramid would not result in a huge cost saving, and the structure as it stood did not impede the group's strategy or funding.

It was difficult to make short-term forecasts, Cooper said, as there could be some disruptions prior to and during the elections. Nevertheless, C G Smith had set its target growth in excess of inflation (which it estimated would be at around 8% to 9%) in financial 1994.

This year C G Smith Sugar's performance would show a small improvement, and it would come back strongly in financial 1995.

Anger over claims cut-off date



Tembisa Self-Help Association members Ernest Tsipo and Maria Sindane thank SABC television personalities Kobus Dowry and Ursula Stapelfeldt for helping them to plant fruit trees as part of TV1's Goodwill Drive campaign

Retrenchments trigger strike

Sowetan 17/11/93

By Ike Motsapi

NAME CHANGE Move from

Heidelberg to Delmas was the spark:

THE strike by the workforce at I&I Delmas, which relocated from Heidelberg to Delmas this week, enters its third day today amid talks aimed at ending the industrial action.

The strike was allegedly sparked off on Monday by management's refusal to negotiate better retrenchment packages to staff members affected by the company's move to the Far East Rand.

The company has now changed

its name from I&I Heidelberg to I&I Delmas.

Workers from the Heidelberg plant, who refused to accept management's retirement and transfer offer have been staging a sit-in at the Delmas factory since Monday. (186)

The striking workers are members of the Food and Allied Workers Union. Mr Sake Kekane, Fawu's East Rand branch organiser, said: "The reason for

the sit-in is that management is not prepared to accede to the workers' demand."

Mr Trevor Brodick, the company's group human resources manager, confirmed that there was a sit-in at the company.

Brodick said "Management and workers failed to reach agreement on a retirement package and the number of employees to be transferred."

Fm 19/11/93

**DECIDUOUS FRUIT
Fm 19/11/93
Canning controversy**

~~DECIDUOUS~~ (186)
Deciduous fruit farmers in the western Cape have threatened tough action after canning companies slashed the prices they are willing to pay for this season's crop by an average of 10,65% compared with last season's. With inflation running at close to 10%, this is a price cut in real terms of close to 20%

FINANCIAL MAIL • NOVEMBER • 19 • 1993 • 87

About 1 200 farmers in the region delivered fruit to the major canneries last season, receiving payments totalling R108m. Gross revenue from canned deciduous fruit last season topped R500m, with R420m coming from exports (186)

The fruit canning industry uses tins worth about R140m a year and sugar worth R30m. Wages paid to factory workers last year totalled nearly R60m (186)

Fruit farmers in the western Cape employ about 260 000 people. Most of the farmers also produce for the fresh and dried fruit markets, though many depend heavily on income from the canneries. But the canning companies have told them that tough competition in export markets due to a worldwide surplus of canned fruit means prices must come down.

However, Canning Fruit Board chairman Bertie van der Merwe, who is also a farmer, claims the canners are still making substantial profits. Langeberg, for example, reported a profit of R86m in 1992, of which he estimates deciduous fruit contributed R60m — more than half the total payment to farmers. But Terry Malone of the Canners' Association says this year's profits will be down significantly because of the surplus overseas.

Apart from reducing prices for the fruit crop, the canners have increased grading requirements for apricots. Farmers also say they must wait five to six months for 50% of the payment they receive from the canners. But Malone says this system of staggered payments is normal and accepted overseas. He also points out that growers have received significant increases over the years but now that the market has turned, they must accept decreases. He says the fall in export prices is even greater than the fall in local food prices.

Farmers say the mood at last week's annual meeting of the Apricot, Pear and Peach Growers' Association in Worcester was ugly. Canning companies announced their offer price two days before and, understandably, were not represented at the meeting.

Some farmers threatened radical measures to hit back at canners, including the destruction of fruit, but were urged by chairman Charles Uys not to do so. He said farmers needed to understand the difficulties facing the canners and suggested that producers negotiate better prices individually.

Van der Merwe says not all the canners have reduced their prices. Some canners that have strong ties with suppliers have indicated that they will pay more than the recommended price, such as the family-owned Ashton Canning Co.

He argues that part of the blame for the lower prices is instability in the canning industry due to takeovers and mergers over the past few years. Sanctions added to the problems.

□ Last week, Langeberg said its pineapple cannery in East London would close at the end of the year. The factory employs about 1 000 people. Another 3 500 farm workers, packers and harbour workers could also lose

their jobs as a result of the closure.

The company is the single largest exporter operating through the East London harbour. Farmers in the region supply nearly 70 000 t of pineapples a year for canning. Langeberg MD Ray Brown says the pineapple operation has been a substantial loss-maker for years and efforts to turn it around have failed. ■

COMPANIES

Harsh conditions hit Lebaka

TRANSVAAL baker and confectioner Lebowa Bakeries (Lebaka) sustained a 25% fall in attributable earnings to R4,6m for the year to September as second-half trading was hit by harsh conditions in the food sector

BBM 30/11/93
Turnover fell 13% to R89,3m (R102,2m), and operating income after depreciation and franchise costs dropped 44% to R6m from R10,8m

Lower financing costs and a drop in investment income saw net income before tax drop 47% to R6,9m (R13m). Earnings a share fell to 18,3c (24,3c)

(186)
A final dividend of 2,5c a share was declared, with the full year dividend down

MARCIA KLEIN

43% at 6c (10,5c) a share

Directors said the recession, the drought and unemployment had continued during the year. Disruption of the schooling system in Lebaka's area of operation had been worse than ever, and there had been almost no schooling in the second half

The company had also been hit by the increased number of holidays

Lebaka recently issued a cautionary announcement, but no further announcement was made with the results. A spokesman said yesterday that Lebaka did not want to comment on prospects.

Tiger soul-searching pays off

Star 31/2/93

BY STEPHEN CRANSTON

The first half of the last financial year, in which earnings per share slipped by three per cent, proved a sobering time for Tiger Oats

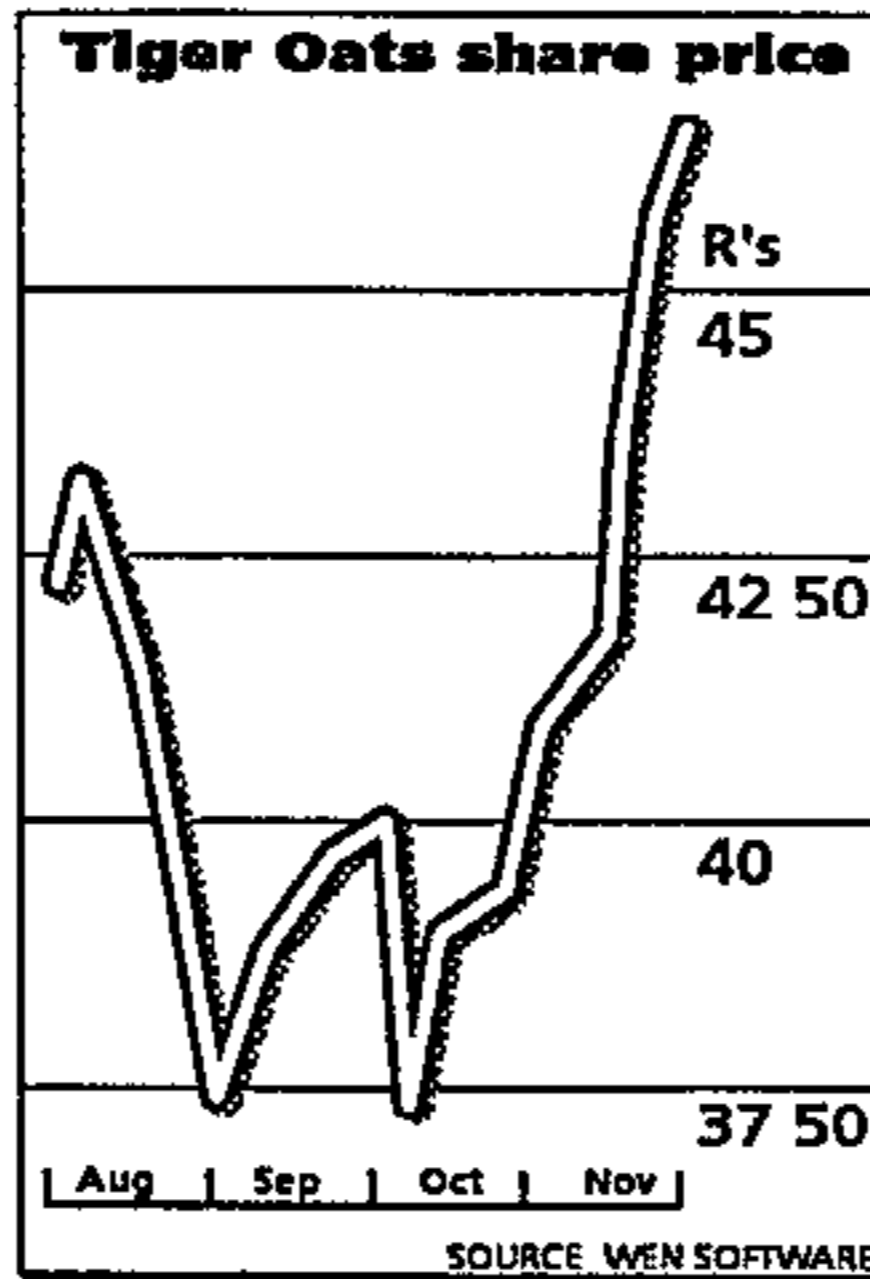
Until then it was considered the undisputed king of the food sector.

But the result led analysts overwhelmingly to conclude that Premier had overtaken it in terms of the quality of management and assets

After considerable soul-searching, Tiger has begun its recovery and reported a five per cent increase in earnings per share for the full year

The annual report for the year to September shows that bold steps were taken, including an agreement with Premier, of all people, to rationalise margarine manufacturing.

Premier will make Tiger brands Sunshine D and Golden Spread at Aeroton for distribution in the Transvaal, Free State and Natal.



Tiger will make Premier brands Blossom and Kraft for distribution in the Western and Eastern Cape

The move, nevertheless, came too late to prevent the edible oil division from reporting a R6,8 million operating loss.

And whether it will be enough to make margarine production profitable in a mar-

ket in which Unilever, with its Floro and Rama brands is the dominant player, remains to be seen.

Tiger showed a radical new approach to the disposal of assets by selling its peanut manufacturer Star Foods, but the remainder of this under-performing division stays in the group

Vegetable oil operations in the US suffered from a shortage of raw materials.

There were major problems associated with the extractor and there was significant down time

But a replacement high-capacity plant has been installed and is performing well

Major restructuring took place at poultry producer County Fair, improving quality and reducing costs.

Tastic Rice was a star performer, increasing profits and volumes, despite the appearance of Uncle Ben's in what was previously an uncontested market

A balanced diet for Foodcorp

S Times [Buss]

FOODCORP aims to reap the best of both worlds in the new South Africa.

Chief executive Dirk Jacobs says the group will provide both affordable staples to the masses as well as value-added foods which provide a different dimension of taste, flavour or convenience, all in a balanced food basket.

Foodcorp was formed in 1992 through the merger of Kanhym and Fedfood, two largely complementary groups scattered around the greater Sanlam empire. Foodcorp's major shareholder is Malbak

Mr Jacobs says there could be moral persuasion on food suppliers to keep the staples affordable in the new South Africa. He says Foodcorp has spent a lot of money upgrading its bakeries and is currently improving its milling facilities because the only way to make any money out of supplying commodities is to be a low-cost producer.

On the other hand, Foodcorp is developing its value-added range of products because the margin to be made is greater than on staples and the group will need a sweetener.

Value-added sales account for 5/12/93

55% of Foodcorp's business, a figure likely to grow with the introduction of Pillsbury's range of pastries and other prepared foods.

Foodcorp's businesses fall under four headings: Grain-based Foods & Edible Oils houses Sunbake bakeries, Nola makes ethnic drinks, mayonnaise and oils and includes Ruto Mills. The Snacks division has Simba and Montelmar.

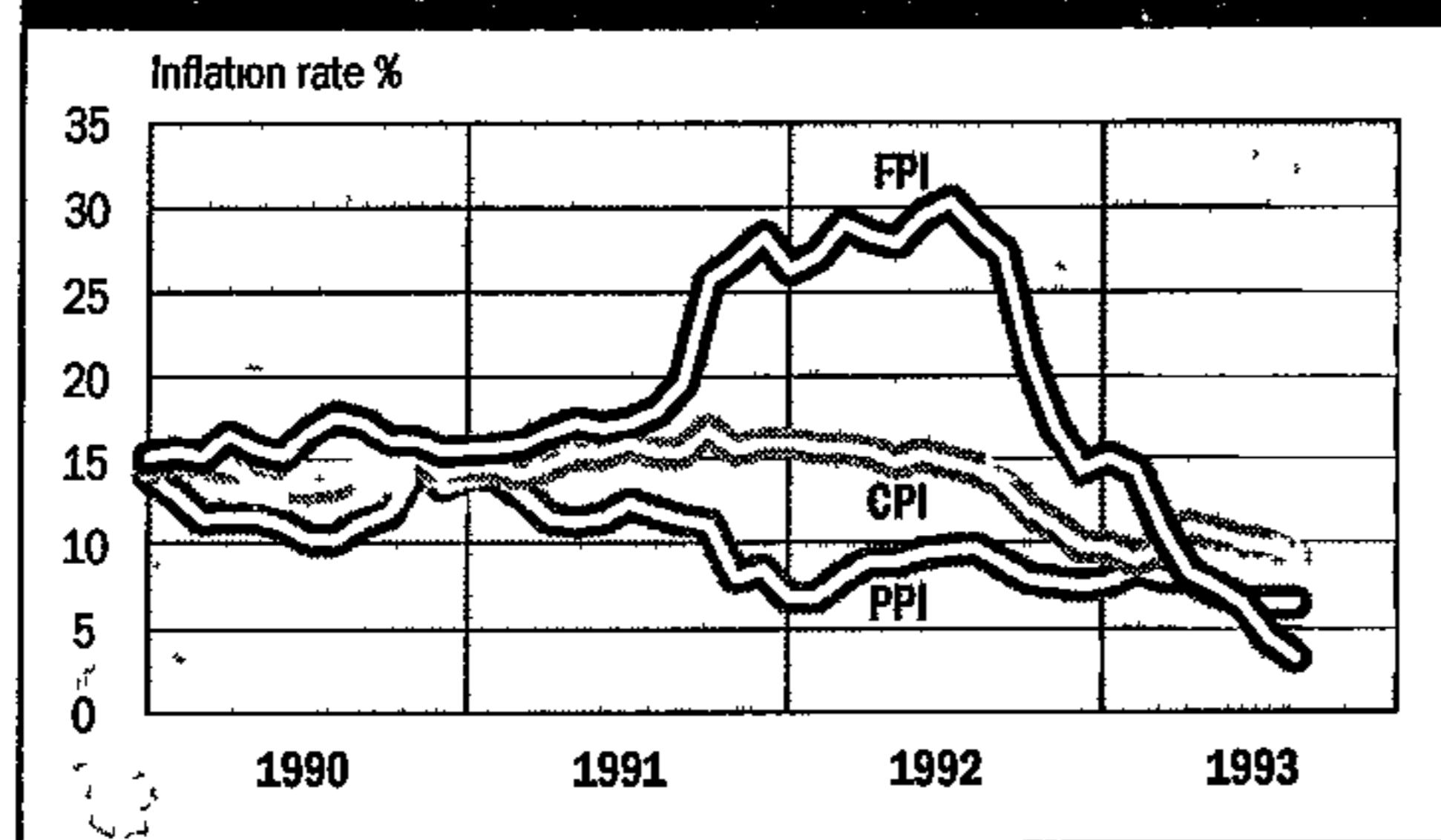
Under Protein Resources come marine products and Chilean fishing operation Pesquera Del Norte, Karoo-Ochse, Kanhym Fresh Meat and Hanni Leathers. Lastly, Prepared Foods' brands are Enterprise (also a leader with blacks), Table Top, Catercraft, Harvestime and new addition Pillsbury (186).

Mr Jacobs makes a case for Foodcorp's tack by making some comparisons between the various food companies in SA and showing how their earnings fluctuate with value-added component.

He points out that the rise in food price inflation (FPI) during 1991 and 1992 was much greater than either producer price inflation (PPI) or consumer price inflation (CPI) because of the drought.

It resulted in tremendous pressure on margins. "Food manufacturers don't set their prices according to their production costs, they

Food price inflation and CPI vs PPI



sell only at what the market can bear," says Mr Jacobs.

According to Absa Bank's research, blacks' share of the nation's disposable income has climbed from 22% in 1960 to 33% now, while whites' has fallen from 70% to 54%.

The food index has markedly outperformed the industrial index on the JSE since 1987. Mr Jacobs says shares are rated partly on historical performance projected into the future, and volatility or risk.

He has divided the components of the food sector under three headings: commodities, staples and value-added, then apportioned roughly the components of each food company's investments to fit, so arriving at a clutch of predominantly

staples companies and predominantly value-added ones.

Under staples, he has collected CG Smith Sugar, Hunt Leuchars & Hepburn, ICS, Premier Group and Tongaat.

Predominantly value-added comprise Cadswep, Foodcorp, I&J, Langeberg and Tiger. Out of these and using the JSE's market capitalisation of each group, he has devised two indices of his own in staples and value-added.

He can then demonstrate that the reason the JSE's food index beat the Industrial one was due to the value-added's ability to increase earnings when compared with the staples' performance.

Incidentally, Foodcorp itself has

far outperformed both the JSE food and industrial indices and the share hit a high of R33 this week.

"There might be moral persuasion on us from a new government to keep the cost of basics down. The value-added component in our basket is the key to growing group earnings in real terms, as you can manage your margins to better effect and still provide perceived value for money," says Mr Jacobs.

He conditionally forecasts earnings of between 235c and 250c a share (growth of 12% to 19%) in the year to August 1994, putting Foodcorp on a forward price-earnings ratio of about 13.

In spite of the rapid rerating in recent times Foodcorp is still a buy at this price.

Foodcorp sees good growth prospects

(186)

CT7/12/93

FOODCORP is positioned to become the lowest-cost producer in the food industry, says group CE Dirk Jacobs, reviewing the group's performance in the 1993 annual report, published today

Given normal operating conditions, Foodcorp should sustain real growth and increase earnings per share to between R2,35 and R2,50 in the financial year to August 1994, Jacobs said. But he cautioned that the current instability made it virtually impossible to anticipate the impact political developments could have on trading and production during this period.

Jacobs said one of Foodcorp's greatest strengths was the balance of its portfolio, in which branded, value-added products and basic foods complemented each other.

"We believe that by expanding on both fronts, while maintaining the current, almost equal, balance between the two, Foodcorp will be

ideally positioned to meet the needs of the emerging market in South Africa. On the value-added side, we shall continue to extend our range and build up the strengths of our brands. In basic foods, we shall sustain profitability by using technology and our substantial agribusiness base to become the lowest-cost producer in the industry."

Referring to its recent joint-venture agreement with Pillsbury of the USA, Jacobs said that in addition to creating opportunities in the local market, this partnership would have significant implications for Foodcorp's export drive.

"Pillsbury's products are sold in more than 100 countries, and it has been agreed that the South African company will be allowed to supply those where it is cost-competitive. In addition, Pillsbury and Foodcorp will be examining prospects for expanding into new international markets through the joint venture," he said.

Foodcorp poised for huge growth

Star 7/12/93

■ BY STEPHEN CRANSTON

Malbak's subsidiary Foodcorp is ideally positioned to meet the needs of the emerging market and to become the lowest-cost producer in the food industry, claims CE Dirk Jacobs

Reviewing group performance in the annual report for the year to August, he says Foodcorp is soundly placed to exploit the many exciting opportunities within its grasp.

Jacobs says that given normal operating conditions, Foodcorp should sustain real growth and increase earnings per share to between R2,35 and R2,50 in the 1994 financial year.

"Our staples are affordable, essential foods; and our value-added products are those offering the consumer an additional dimension of taste,

convenience or variety. "While there are obviously price and margin differences, both provide perceived value for money (186)

"In basic foods, we shall sustain profitability by using technology and our substantial agribusiness base to become the lowest-cost producer in the industry."

Referring to its recent joint-venture agreement with Pillsbury of the US, Jacobs says that in addition to creating enormous new opportunities, the partnership will have significant implications for Foodcorp's export drive

"Pillsbury's products are sold in more than 100 countries around the globe, and it has been agreed that the SA company will be allowed to supply those where it is cost-competitive."

Foodcorp well positioned

Business Day Reporter

FOOD group Foodcorp was well positioned to meet the emerging market in SA and to become the lowest-cost producer in the food industry, CE Dirk Jacobs said in his annual review. *Biday*

The Malbak subsidiary increased earnings 14,3% to 210,7c a share in the year to August on a 9,3% turnover rise to R2,7bn.

Foodcorp was expected to show real growth and increase earnings to between 235c and R250c a share in financial 1994 *7/12/93*

But Jacobs warned that current sociopolitical instability made it virtually impossible to anticipate the impact political developments could have on trading and production.

He said Foodcorp's strength lay in its portfolio, with branded, value-added products and basic foods.

"By expanding on both fronts, while maintaining the current, almost equal, balance between the two, Foodcorp will be ideally positioned to meet the needs of the

emerging market in SA," he said

Foodcorp would continue to extend its value-added range and strengthen the brands

In basic foods, it would sustain profitability by using technology and its substantial agribusiness base to become the lowest-cost producer in the industry, he said.

Jacobs said the recent joint venture with US-based food company Pillsbury created new local opportunities and had significant implications for Foodcorp's export drive.

"Pillsbury's products are sold in more than 100 countries around the globe, and it has been agreed that the SA company would be allowed to supply those where it is cost-competitive," he said. *(186)*

"In addition, Pillsbury and Foodcorp will be examining the prospects for expanding into new international markets through the joint venture."

Sea Harvest beats its forecast

■ BY STEPHEN CRANSTON

The earnings from Sea Harvest for the 15 months to September of R56 million exceed by R1 million the figure forecast in the listings prospectus in July, says chairman Jan van der Horst

He says in the annual report that trading conditions worsened

International white fish markets came under

pressure over a broad front, mainly because of reduced consumption. And supplies of competitive products rose. This combination pushed down prices.

Star
Sea Harvest's emphasis on added-value products and its focus on specialised customer requirements served to cushion it from the full effects of the market deterioration, but trading margins were nevertheless adversely affected

Export markets previously closed to SA producers re-opened as sanctions were lifted

Sea Harvest is taking steps to re-establish its presence in several international markets

812/93
Reduced volume sales were seen on the local market (186) @ 8/1/93

The market declined by three percent in volume terms. But thanks to higher promotional expenditure and aggressive

pricing, Sea Harvest maintained market share

Sea Harvest has made substantial investments to prepare for a recovery in the market

Two vessels were acquired for R9 million and the second phase of the construction of a new fish processing factory in Saldanha was completed at a cost of R10 million

A further R10 million was spent on new plant and equipment

Premier up to mark

Star 9/12/93

BY STEPHEN CRANSTON

Premier has reported a 17 per cent rise in earnings to 132c a share, in line with market expectations, for the six months to October. (86)

The group has, however, restated results for last year's interim period to take into account the lower tax rate payable for the year as a whole.

On the restated basis earnings increased by 11 per cent.

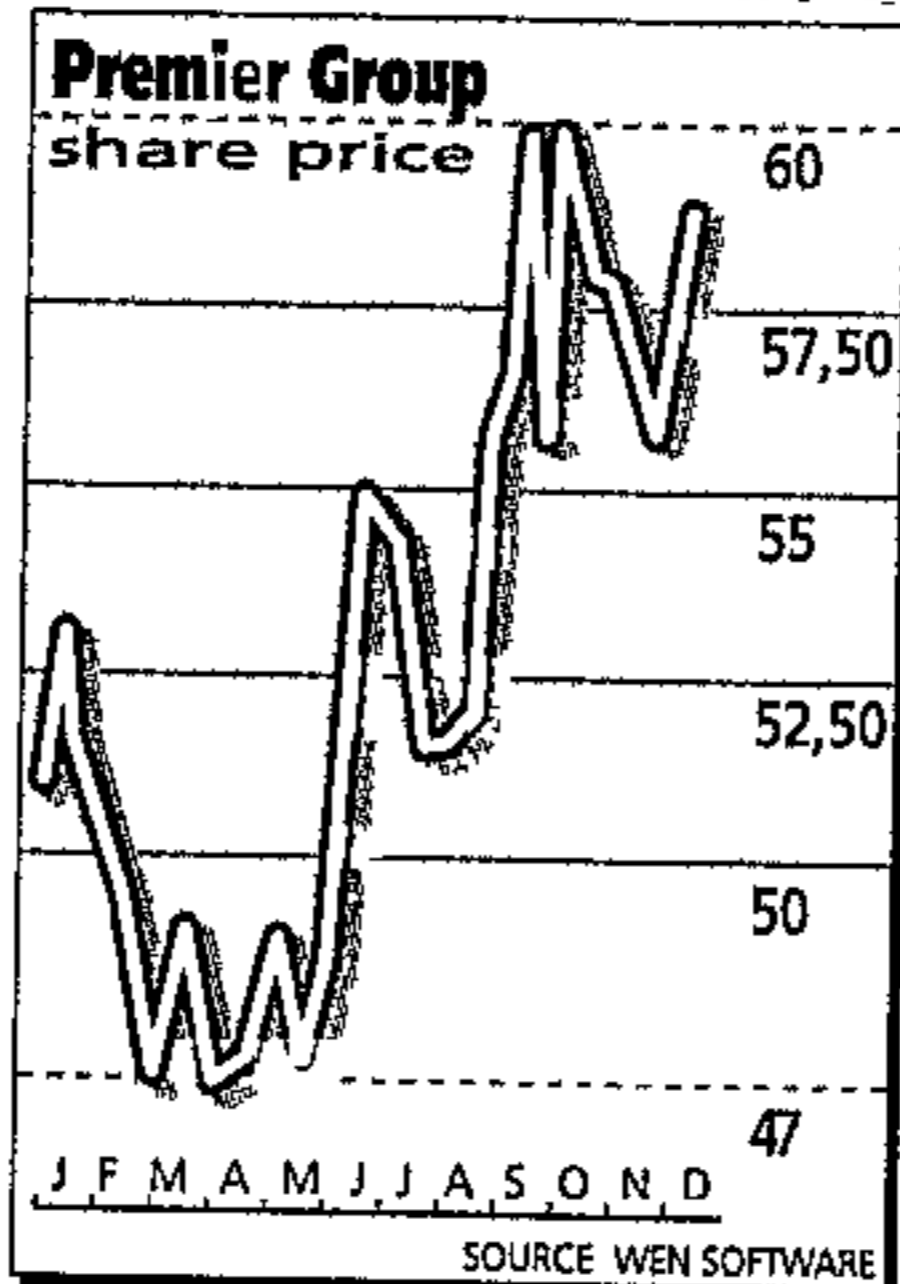
The interim dividend is up 11 percent to 40c

Chairman Peter Wrighton says depressed demand, recession and ongoing operational difficulties arising from chronic violence impacted on turnover.

Turnover rose 26 percent to R7,17 billion, but this was mainly accounted for by the inclusion for the first time of Bonnita and United Pharmaceutical Distributors

Turnover on a comparable basis increased by just six percent.

Earnings dropped in the core Premier Food business as



the industry had to cope with a fall in food inflation from more than 30 percent to 2,4 percent

In particular, bread volumes have fallen by eight percent over the last 18 months

Wrighton attributes this partly to the increased retail margin, which was pushed up from 4c when the bread price was regulated, to between 20c

and 25c

Falling bread sales have been only partly offset by increased maize meal sales since the return from yellow to white maize.

The edible oil business made a loss, partly because of the disruption caused by shady operators importing oil through homelands without permits

The star performer in the food business was Bonnita, in which Premier now owns just over 50 percent of the shares

It has positioned itself as a national dairy products company, improving its manufacturing and distribution capacity locally and internationally

There were substantially increased contributions from Metro Cash and Carry and Premier Pharmaceuticals, and pleasing improvements from CNA Gallo, which is jointly held with Argus, and Teltron.

Clicks did not improve earnings in real terms, but its performance was affected by substantial investment in technology and a new distribution centre.

Premier Group lifts earnings 11%

Biday 9/12/93

MARCIA KLEIN

THE Premier Group lifted attributable earnings 11% to R109,3m (R98,1m) in the six months to October as buoyant results from Metro Cash & Carry, its pharmaceutical interests and dairy company Bonnita offset disappointing performances from Premier Food and Clicks (186).

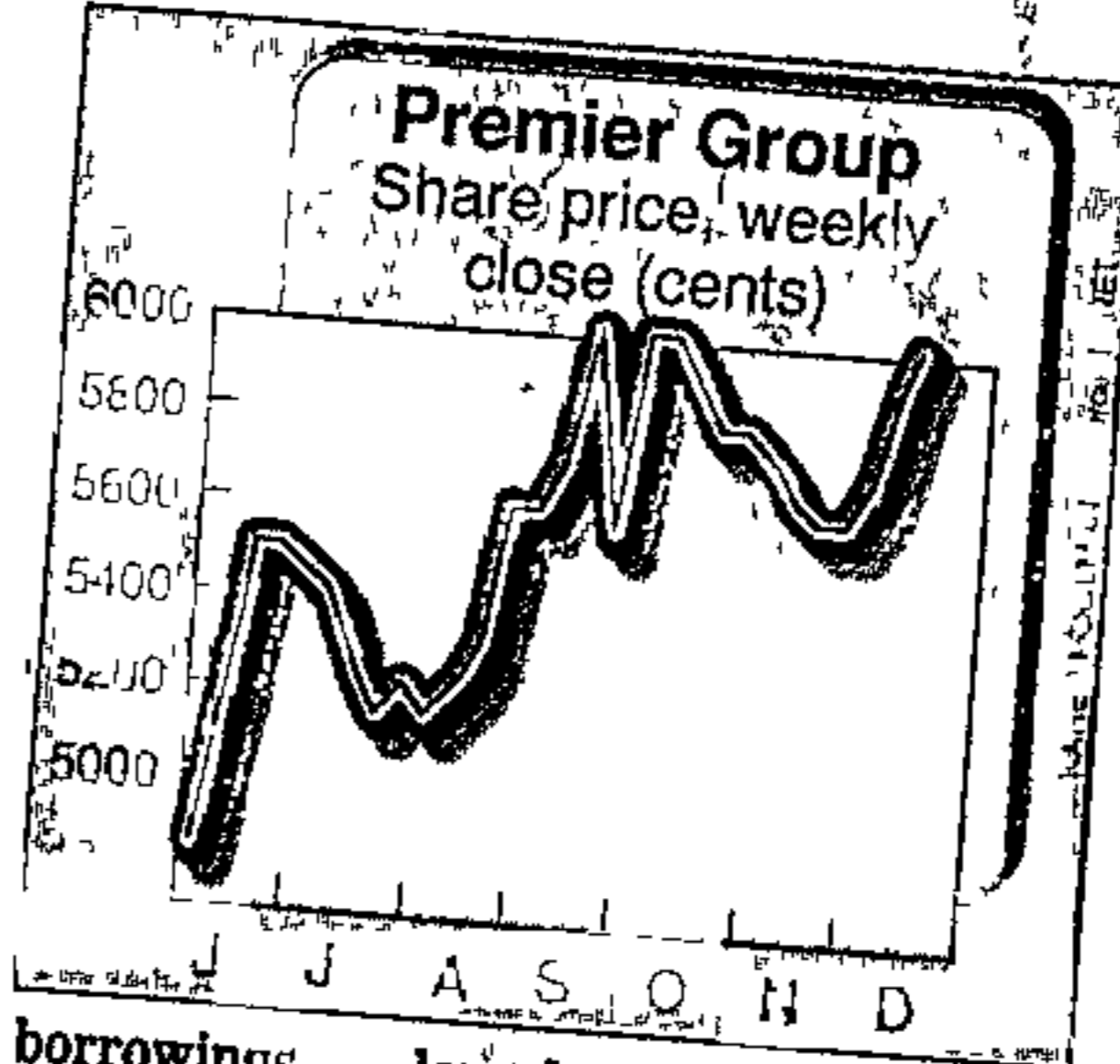
The group also announced proposals to split its shares, list Bonnita and restructure core food division Premier Food.

Results of certain companies, including CNA Gallo and Teltron, were consolidated and the previous year's results restated.

Last year's results were also restated to reflect the tax rate for the year to April.

Turnover, which rose 26% to R7,2bn (R5,7bn), included the turnover of United Pharmaceutical Distributors and Bonnita, now consolidated. Had these been excluded, turnover would have grown 6%.

Trading profit rose 19% to R288,4m (R243,1m). But the interest bill rose to R40,4m (R21,4m) on the back of higher



borrowings — largely the result of the consolidation of various interests as well as the expansion in Bonnita and United Pharmaceutical Distributors.

A lower tax rate enabled Premier to increase taxed profit 16% to R175,4m (R150,8m). Earnings rose 11% to 132c a share against a restated 119c a share in the

□ To Page 2

Premier

Biday 9/12/93

previous year. Earnings were 17% up on the previous year's. An interim dividend of 40c (36c) a share was declared.

Chairman and CE Peter Wrighton said the results were good, despite the under-performance of Premier Food and Clicks.

Strict control over costs and working capital enabled Metro to report excellent results over the period. (186)

Prempharm was helped by a strong performance from its pharmaceutical division and United Pharmaceutical Distributors' results were ahead of expectations.

Premier Food's results were disappointing. It was hit by the move toward deregulation and a drop in inflation. Premier planned to restructure Premier Food,

which remained a major contributor to earnings.

Bonnita was improving its manufacturing and distribution capacity.

Clicks' results were below expectations, affected by its investment in technology and a new distribution centre.

CNA Gallo and Teltron both improved their contributions to the group.

Wrighton said the consumer goods market had slowed in the past two to three months. Full-year results would depend on Christmas and Easter trading.

He hoped there would be real growth in the full year's earnings, but said this would be difficult to achieve.

● See Page 8

□ From Page 1

Premier plans revamp of lagging food division

BIDay 9/12/93

PREMIER Group plans to restructure its core food division, split its shares and list dairy subsidiary Bonnita, it said yesterday.

The group, which yesterday announced an 11% rise in earnings to 132c (119c) a share for the six months to October, said it had decided to reshape Premier Food following poor results — largely due to the deflationary environment and the move towards deregulation (186)

The move would equip the food division "with the skills and revised operational structure to enable it to capitalise on the changing environment and build on its considerable existing strengths"

Chairman and CE Peter Wrighton said that Bonnita, in which Premier had increased its stake to just over 50%, would list in the latter half of 1994

When Premier bought into Bonnita in February, it was agreed that it would list it on the JSE, possibly in three years

Bonnita had to establish a performance

MARCIA KLEIN

history before it could list, and Wrighton said this had been achieved. It had performed well at the interim stage, and helped offset some of the disappointing earnings within the food division

The one-to-five share split was aimed at increasing the accessibility and marketability of Premier's shares.

The share closed 150c (2,5%) ahead at a new high of R60,50 yesterday, against a low in March of R47

Wrighton said Premier would call an extraordinary meeting in the new year, where a decision would be made on the date of the split.

An analyst said there was demand for Premier shares, both locally and abroad, and this had been pushing up the share price. The subdivision would place less pressure on the share.

Premier earnings boosted by Metro

Own Correspondent

JOHANNESBURG — THE Premier Group lifted attributable earnings 11% to R109,3m (R98,1m) in the six months to October as buoyant results from Metro Cash & Carry, its pharmaceutical interests and dairy company Bonnita offset disappointing performances from Premier Food and Clicks (18 OCT 9/12/93)

The group also announced proposals to split its shares, list Bonnita and restructure core food division Premier Food

Results of certain companies, including CNA Gallo and Teltron, were consolidated and the previous year's results restated. Last year's results were also restated to reflect the tax rate for the year to April

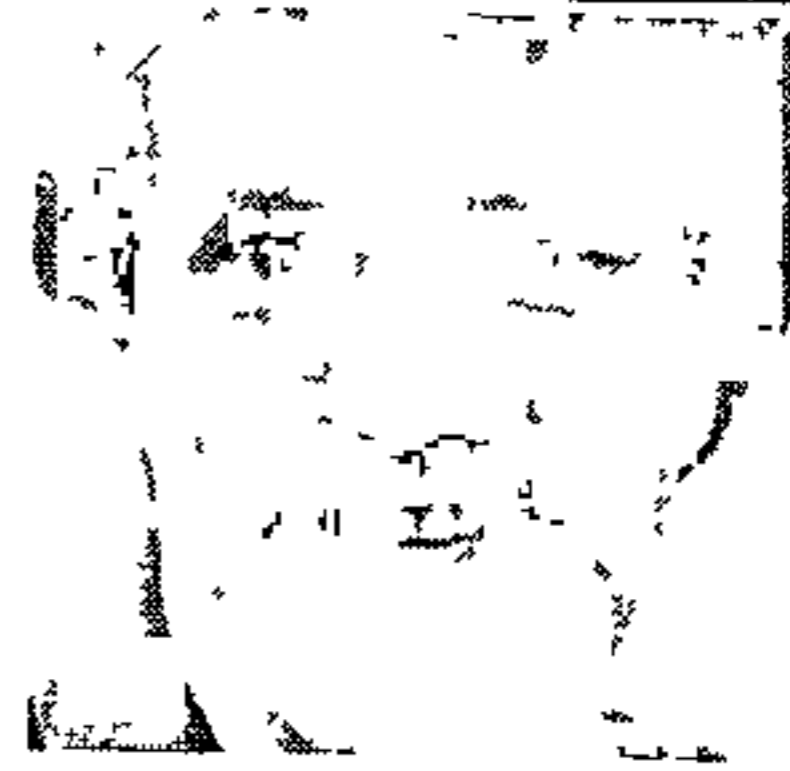
Turnover, which rose 26% to R7,2bn (R5,7bn), included the turnover of United Pharmaceutical Distributors (UPD) and Bonnita, which are now consolidated. If these had been excluded, turnover would have grown 6%

Trading profit rose 19% to R288,4m (R243,1m). But the interest bill rose to R40,4m (R21,4m) on the back of higher borrowings — largely due to the consolidation of various interests as well as expansion in Bonnita and UPD

A lower tax rate enabled Premier to increase taxed profit 16% to R175,4m (R150,8m). Earnings rose 11% to 132c a share against a restated 119c a share in the previous year. Earnings increased 17% over the previous year. An interim dividend of 40c (36c) a share was declared

Chairman and CE Peter Wrighton said the results were good, despite the underperformance of Premier Food and Clicks

Strict control over costs and working capital enabled Metro to report excellent results. Prempharm was helped by a strong performance from its pharmaceutical division and UPD's results were ahead of expectations. Premier Food's results were disappointing, as it was hit by the move toward deregulation and the drop in inflation. Premier planned to



Peter Erasmus has been appointed a director of Reinforced Steel Contractors (Cape)



Richard Lurie has been appointed commercial director, international of Murray & Roberts Engineering.

Delcorp sells its chemical interest

BIDON 10/12/93

MARCIA KLEIN

DEL Monte Royal Corporation (Delcorp) has sold its last remaining chemical interest for R30,6m cash, in line with its decision to focus purely on food following the massive acquisition by Royal of European food group Del Monte.

The deal will see Royal Chemicals (Roychem), originally the core business of the Royal group, become a cash shell. (86) ~~(86)~~

According to an announcement yesterday, Ferro Industrial Products, which was bought by Roychem in 1991 for R38m, has been sold to a consortium consisting of FirstCorp Merchant Bank, institutional investors and two individuals, K Case and L Tollemache.

Ferro manufactures and supplies speciality materials for the ceramics, porcelain, enamel, powder coatings and steel industries. The sale, which is subject to certain conditions, is effective from September 27.

It was estimated that Roychem's cash value would be about 130c a share. The share last traded at 145c,

off a January high of 225c and a November low of 115c. With 48,2m shares in issue, Roychem has a market capitalisation of R70m.

When the Royal group bought Del Monte a year ago to become Delcorp, it said it intended to focus on its food interests.

Following that announcement, chemical distribution agency and analytics businesses Holpro-Lovasz and M & T Chemicals were sold to Chemical Services (Chemserve) for R27m cash. Holpro-Lovasz was the cornerstone around which the Royal group was built.

In June it sold Laser Pharmaceuticals to the Premier Pharmaceutical Company for R35m cash, and cautioned shareholders that there were negotiations for the sale of Ferro.

Yesterday Delcorp cautioned shareholders that a further announcement, which would confirm the final net cash position of Roychem, would be made by the end of January.

Rivals' day for comparisons

By JULIE WALKER

RIVAL consumer giants Tiger Oats and Premier Group laid out their plans to shareholders this week.

Premier chairman Peter Wrighton reported interim earnings 11% up on the six months to October last year, to 132c a share and a 6c higher dividend of 40c. Turnover climbed by more than a quarter to R7,2-billion because of the inclusion of United Pharmaceutical Distributors and dairy group Bonnita. Without these, turnover would have risen 6%.

Premier now consolidates groups in which it has management participation and so adds CNA and Teltron for the first time.

Premier aims to split its shares, currently at an all-time high of R61 — five for one to lift accessibility and marketability in 1994. The group's market capitalisation currently exceeds R5-billion.

It will also list Bonnita separately in the second half of the year. Bonnita bought control of yoghurt and ice cream producer and distributor Aylesbury in August and Premier Pharmaceuticals bought the businesses of Laser Pharmaceuticals, Leppin and Pharmatec (12/12/93)

Robbie Williams's chairman's statement in the Tiger Oats 1993 annual report calls for clarity with regard to tariffs and to the deregulation of agricultural marketing (18/1/93)

Mr Williams says Tiger fully supports deregulation but hates the uncertainty. Once clarity is obtained on tariffs and other issues, Tiger Oats will be better able to position itself.

He says last year's poor showing in maize milling, relating in part to low-

quality maize, could have been limited had Tiger been able to make its own purchasing arrangements. In any event, Tiger is upgrading its Randfontein mills and lifting capacity to enhance cost-effectiveness.

Export destinations are being investigated by Tiger group exporters, mainly Langeberg and Beacon.

Tiger sold Star Foods and is fixing broiler company County Fair. The group also suffered in oil and margarine — an industry Mr Williams describes as chaotic because excess seed-crushing capacity prohibits a reasonable profit.

Tiger's market capitalisation is almost R7-billion. The shares were R50 in May, falling to R37 by October on disappointing results — earnings a share rose by 3% to 237c in the year to September. The price has since rallied to R46,50.

ICS in another joint venture

FOOD group ICS will sell its underperforming poultry division Festive Farms to Earlybird Farm, a wholly owned subsidiary of the OTK co-operative.

This sale, and a cash payment of R10m to OTK, will give ICS a 50% stake in the enlarged Earlybird, to be run as a joint venture.

The agreement, published today in a cautionary announcement, follows a spate of similar joint venture deals involving other ICS subsidiaries.

In June ICS and Foodcorp announced two deals for joint control of their processed meat interests and ICS's frozen food distributor, the Cold Chain.

In July, it announced its Dairybelle operations and Nels-Bliss Dairy Products had pooled certain milk and fruit juice interests to form

BISON 14/2/93
MARCIA KLEIN

a R250m-a-year joint venture called D & B Foods.

A month later, it sold 50% of its DairyMaid division to Nestlé for access to Nestlé's trademarks and technical expertise.

ICS said yesterday Festive Farms and Earlybird each had about 9% of the national market.

The market is dominated by Rainbow Chicken.

Festive's market was primarily the major food chains, while Earlybird's was the general trade. According to ICS, the agreement would allow for a single producer to serve a larger market.

The new company would be well placed to service the market.

In its annual report, released last week, ICS said Festive had sustained a sig-

nificant loss because of depressed prices caused by industry oversupply. This was despite production results being at their most efficient yet in the farming and processing areas. Since April, supplies of poultry meat had been more evenly balanced with demand.

Details of the financial effects of the deal will be made known when the agreement is signed. The deal has been approved by the Competition Board.

Autonet and Rainbow cut transport deal

MARCIA KLEIN

POULTRY producer Rainbow Chicken and truck transport parastatal Autonet yesterday announced details of a multimillion-rand distribution agreement. 15/12/83

Rainbow MD Rick Griffiths said the contract "provides for the takeover of truck tractors and trailers of Rainbow's distribution fleet" Autonet will also, for a minimum of five years, handle primary distribution from Rainbow plants, mainly to secondary distributors Sacca and I & J.

The contract has produced "an up-front cash inflow of R20m to Rainbow, which was paid on November 1 and will result in

a reduction of debt and interest". The service will also result in a R2,4m reduction in operating and interest costs in the second half to March, and R10m a year thereafter. Rainbow will also make a R4,5m profit on the sale of the fleet (186) (232)

Autonet CE Jan Venter said yesterday the agreement meant that the value of transport undertaken by Autonet on behalf of Rainbow would increase to more than R30m (R9m) a year. Autonet would also offer employment to about 100 former Rainbow employees, mainly drivers



Plenty of momentum (186)

That few investors doubted the potential of food giant Foodcorp, born of the merger of Kanhym and Fedfood in June 1992, was

Activities: Engaged primarily in the production, marketing and distribution of food

Control: Malbak 72%

Chairman: G S Thomas, CE D J Jacobs.

Capital structure: 48m ords. Market capitalisation: R1,608bn

Share market: Price: 3 350c Yields 1,8% on dividend, 6,3% on earnings, p/e ratio, 15,9, cover, 3,5 12-month high, 3 350c, low, 2 575c. Trading volume last quarter, 1,0m shares

Year to August 31	'91†	'92†	'93
ST debt (Rm)	164	240	87
LT debt (Rm)	101	24	54
Debt equity ratio	0,70	0,43	0,21
Shareholders' interest	0,45	0,52	0,53
Int & leasing cover	4,11	3,75	4,95
Return on cap (%)	12,6	14,1	14,1
Turnover (Rm)	1 201	2 430	2 657
Pre-int profit (Rm)	109	185	181
Pre-int margin (%)	9,1	6,8	6,8
Earnings (c)	193,3	184,3	210,7
Dividends (c)	53	56	60
Tangible NAV (c)	1 654	1 214	1 399

† 12-month trading period to March 31 ‡ Unaudited management accounts for 12 months Actual reporting period 17 months.

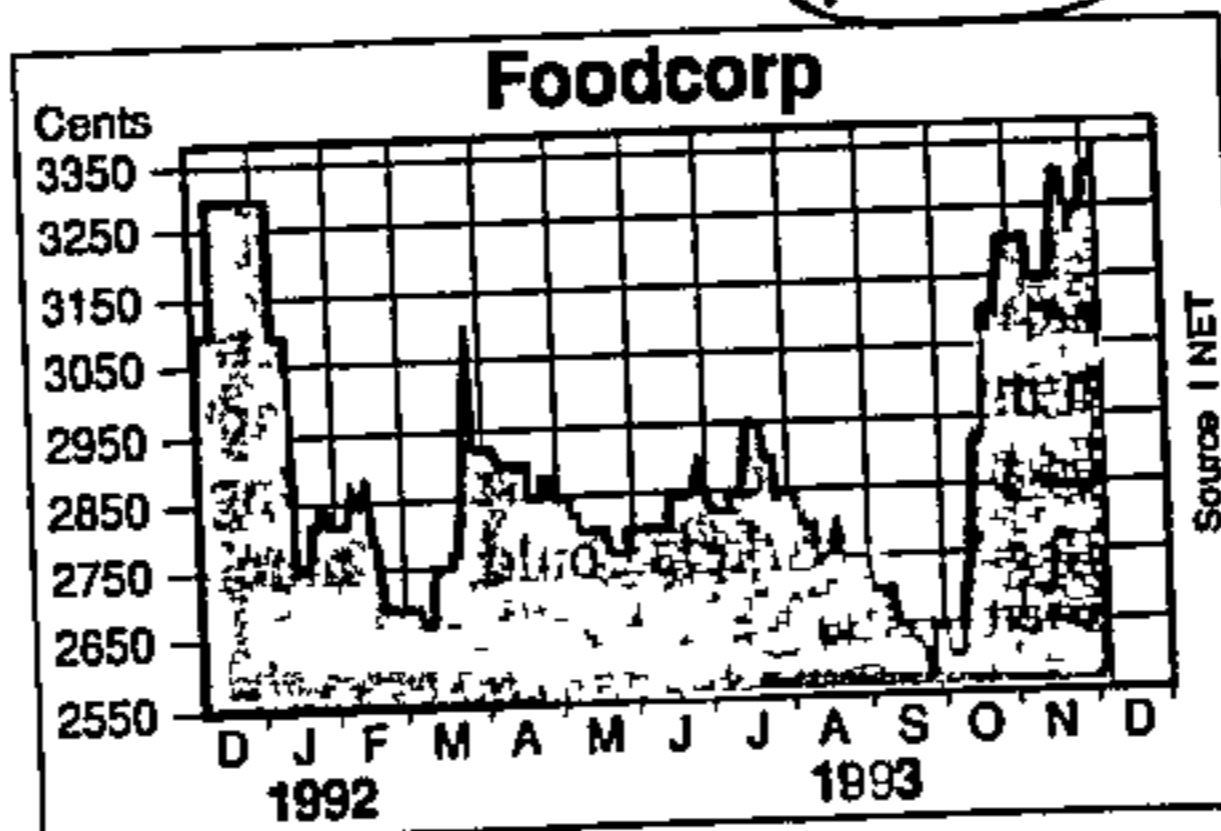
clear by the rating given the counter at the time A year on, now that new avenues of growth have been tackled and most of the benefits of rationalisation have flowed through, the success of the new group is clear. Results for the year to end-August show EPS up 14% to 210,7c — pleasing figures for an industry so dependent on disposable income and better than latest results from Premier (EPS up 11%) and Tiger (earnings up 7%)

Recession and the drought weighed heavily on margins. In some cases Foodcorp had to absorb costs associated with the use of lower-quality and more expensive imported raw materials, as depressed consumer spending made it difficult to recover the increase in product cost. Operating profit increased 9,7% on turnover up similarly at R2,66bn

CE Dirk Jacobs says a sustained emphasis on effective asset management, stringent cost control and a high degree of operating efficiency maintained margins at 6,8% He estimates the rationalisation contributed R20m to operating income, compensating for tough trading Eliminating unprofitable



Foodcorp's Jacobs targeting the mass market



products and markets is in line with the objective of becoming the lowest-cost producer in the food industry.

Additional benefits to the bottom line came from reduced finance costs — 16% lower with interest cover at 6,7 times — and a lower tax rate Debt was reduced by R123m to R141m, even though capex remained high at R200m against depreciation of only R72m Gearing declined to 21% (43%).

DIVISIONAL MENU

Rm	Turnover		Operating income	
	1992	1993	1992	1993
Grain-based foods and edible oils†	1 032	843	65	57
Snacks and prepared foods‡	926	897	69	73
Protein resources*	457	917	35	51
Total	2 415	2 657	169	181

† Includes Nola, Ruto, Sunbake. ‡ Simba, Enterprise, Table Top, The Cold Chain, Montelmar
* Hanni, Marne, Karoo-Ochse, Estate, Fresh Meat, Pesquera Del Norte

Foodcorp's spread of interests gives it a balanced and complementary portfolio. Jacobs says "all products are squarely targeted at the mass market staples are affordable, essential foods; and our value-added products are those which offer the consumer an additional dimension of taste, convenience or variety."

Simba, Table Top, Harvestime, Marine Products, Ruto and Sunbake all produced sound performances, exceeding their previous year's contributions by considerable margins Exposure to the red meat cycle, which Jacobs adds continues to be reduced, and its orientation to commodities have been a negative in the past During the past year meat prices were down to the levels of the Sixties in real terms The agribusiness underperformed by R12m. One-off costs related to the rationalisation of Enterprise and Renown reduced the contribution of the chilled prepared-meat sector

Exports contributed 6% (R150m) to sales and Jacobs expects this to expand to 10% in 1994, boosted by the recent joint venture with Pillsbury and the successful launch of Table Top products in the Gulf

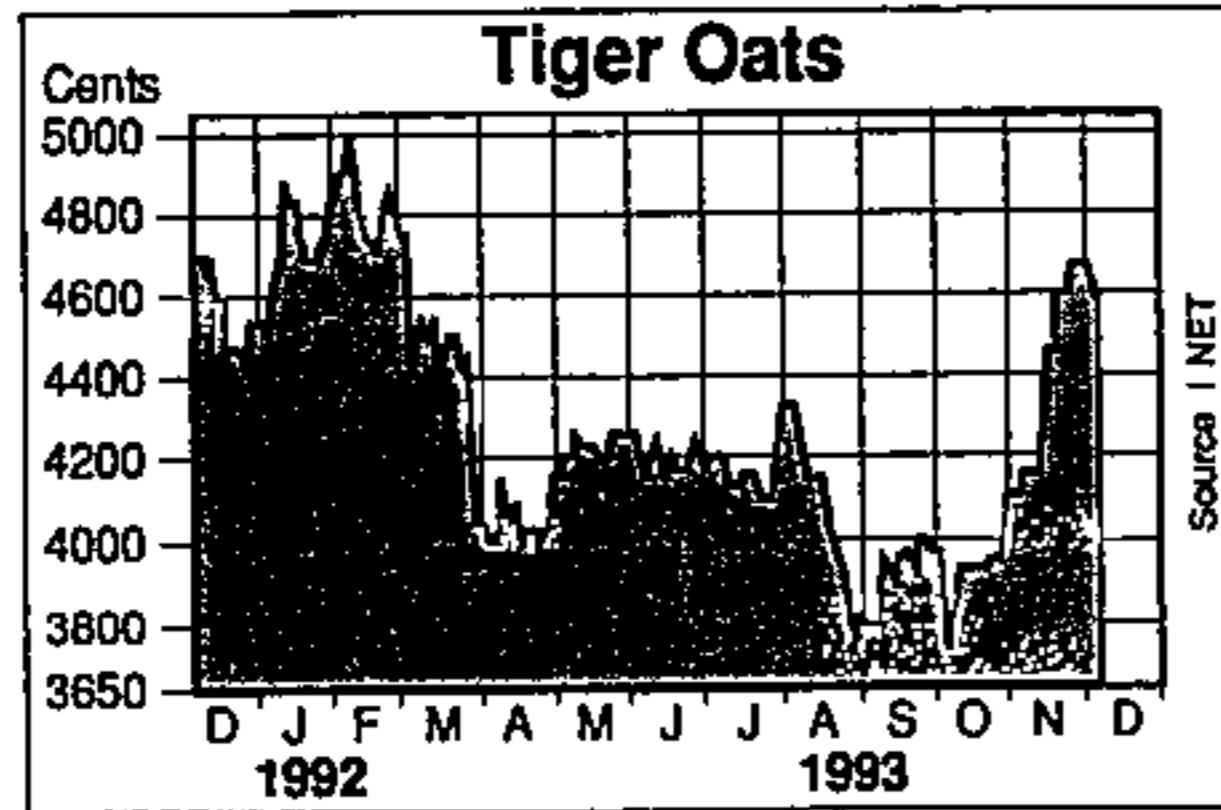
Management is confident real growth in earnings can be sustained provided there is no major upset on the political front Jacobs

is forecasting EPS of 235c-250c for the 1994 year. Assuming EPS of 245c, this puts the counter on a forward p/e of 13,7 — not expensive, particularly if conditions in the food market improve

Marylou Greig

More positive signs

Since Tiger Oats published its preliminary results a month ago, not spectacular but reversing the interim's 3% decline in EPS to growth of 3%, the share has gained R5,75, just over 14% **(186)**



Activities: Makes and distributes food products. Also has pharmaceutical and fishing interests

Control: C G Smith Foods 52,7% Ultimate holding company is C G Smith.

Chairman: R A Williams, MD: C Wolpert

Capital structure: 150m ords Market capitalisation R7bn

Share market: Price: R46,75 Yields: 1,8% on dividend; 5,1% on earnings, p.e ratio, 19,7, cover, 2,9. 12-month high, R50, low, R37

Trading volume last quarter, 1,2m shares

Year to Sept 30	'90	'91	'92	'93
ST debt (Rm)	497	524	304	353
LT debt (Rm)	128	153	498	560
Debt equity ratio	0,39	0,38	0,25	0,15
Shareholders' interest	0,43	0,44	0,48	0,49
Int & leasing cover	7,6	6,7	9,1	8,6
Return on cap (%)	16,3	17,2	14,9	12,9
Turnover (Rbn)	6,78	7,98	9,21	10,04
Pre-int profit (Rm)	504	605	685	670
Pre-int margin (%)	7,3	7,5	7,4	6,6
Earnings (c)	184	207	230	237
Dividends (c)	63	71	79	82
Tangible NAV (c)	796	930	1 249	1 411

It's possible the market has been taking advantage of a price, at R41, which had drifted down too low after trading at R50 earlier in the year. But the improved sentiment may have much to do with Tiger's

Fm 17/12/93 (186)
historical track record and long-term commitment to core food interests, a commitment which absorbed R583m in financial 1992 and R238m last year

Benefits of earlier expenditure, rationalisation in broiler and vegetable oil activities, and the prospect of improved trading conditions in some markets could see much stronger growth this year

A number of factors combined in financial 1993 to make it one of the most difficult years Tiger has had. There was the drought, which resulted in the failure of the 1992 crop and made it necessary for SA to import 4 Mt of maize

Chairman Robbie Williams says the quality of maize bought by the Maize Board was "exceptionally poor" and resulted in lower yields and reduced plant efficiencies, particularly at the recently commissioned maize mill in Maritzburg, Natal. With the drought broken the Maritzburg mill is running at projected efficiencies, says MD Clive Wolpert, and a major refurbishment, incorporating the technology used successfully at Maritzburg, is planned for the Randfontein Mill

The depressed economy in Europe, combined with bumper fruit crops in the south which oversupplied the market and reduced export prices, affected Langeberg. Costs, however, were brought down and the underperforming pineapple division in East London is being closed

On top of this, offshore interests in the US, which, with exports, account for R1,2bn, 12% of group turnover, were hit by equipment failure. Nine months lost production shaved an estimated R25m off earnings. Wolpert says that the US operation enjoys a dominant share in a niche market and prospects for the year ahead are encouraging now that the problems of 1993 have been remedied

One effect of this, with generally depressed consumer spending, was an operating margin of 6,6%, Tiger's lowest in seven years. This shows most tellingly in the core food interests, which contribute 61% of operating profit. Turnover here increased 10% to



Tiger's Williams exceptionally poor quality maize

R8,6bn but operating profit dropped 11% to R406m

Importantly, volumes held up in staple foods, while some of the strong value-added brands, like Tastic, Black Cat, Fatti's & Moni's and Spar, increased volumes and market share

Though still small (see graphic), Oceana Fishing is making a growing contribution to income, and pharmaceutical interests Adcock Ingram (see separate report) and Logos are strong performers.

With volumes being maintained and increasingly strong asset management, which held working capital requirements to the same level as financial 1992 despite the 9% increase in turnover, Tiger is financially sound. The balance sheet shows the benefit of a R163m reduction in net borrowings, which has reduced gearing from 26% to 16%, the lowest in several years

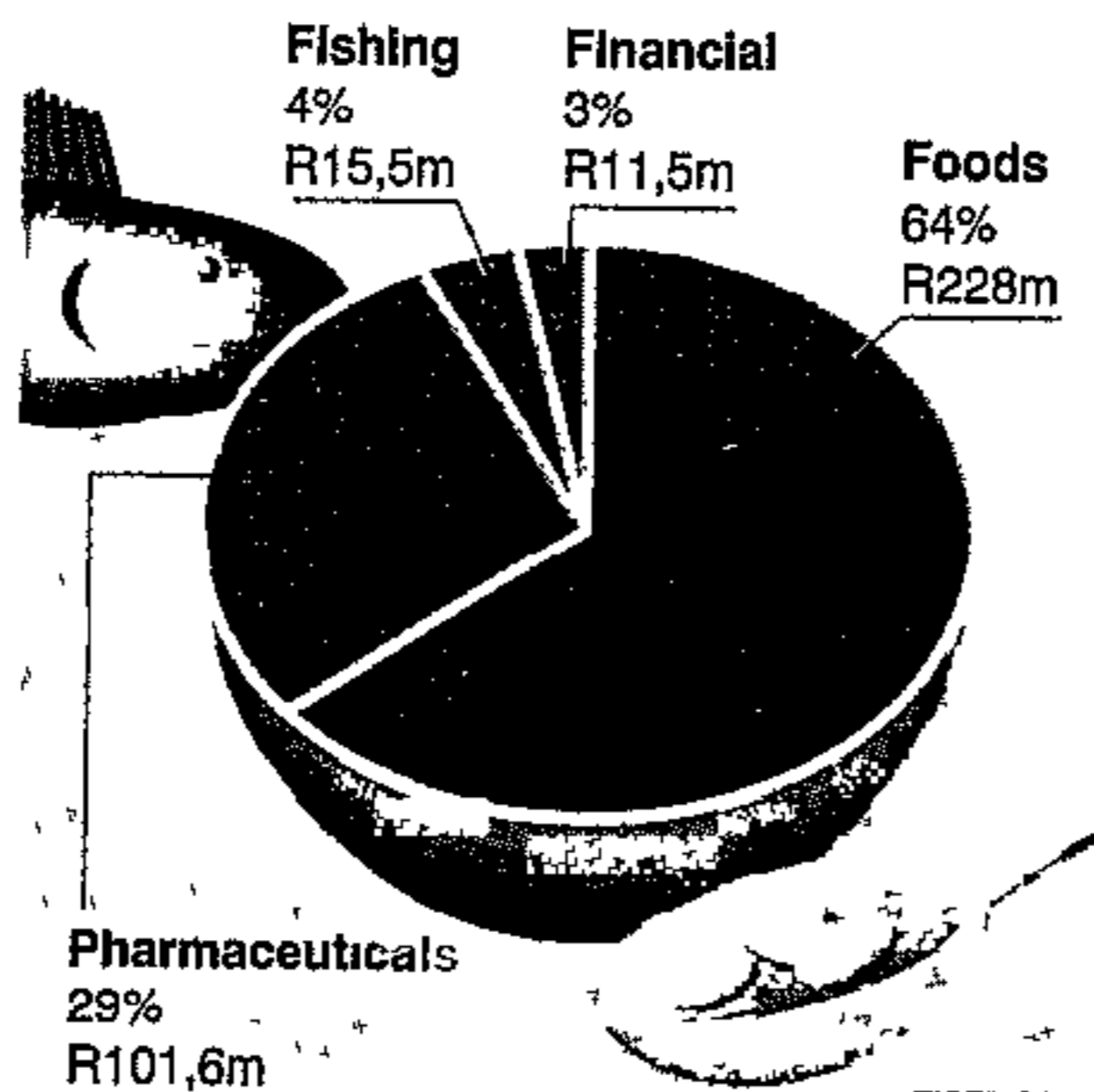
That Tiger has been able to improve efficiencies and strengthen its finances (cash holdings have more than doubled to R531m) during what has clearly been a trying year, offers encouragement for the future. With the first signs of an upturn in the economy, the staple food interests could grow strongly this year. Any improvement in the broiler industry, to which Tiger remains doggedly committed, will be cream on the top

Ratings are now not far off rival Premier, which this week reported EPS up 11%. Despite the firming price, Tiger's share may still have some way to go, offering value in the short term. Longer term, there could be considerable value in the share once the economy gets going

Shaun Harris

Tiger's mix

Contribution to earnings



Source: TIGER OATS

Employee buyout plan rejected by Rainbow

A proposal by the Food and Allied Workers Union (Fawu) that employees and black business interests buy two Rainbow Chickens plants that are about to be closed at eZakheni and Malmesbury has been rejected by the company.

Fawu said yesterday the proposal to transfer the plants to workers or put the plants on the open market was made in an attempt to break a deadlock between it and Rainbow on the issue of severance pay for those employed at the plants.

The parties deadlocked when Fawu demanded full disclosure of the

EDWARD WEST

plants' accounts even though Rainbow had indicated in a Labour Research Service report that the Malmesbury plant made a profit of about R20 000 over the past six months while the eZakheni plant had lost about R1m (186)

At the meeting Fawu raised the issue of whether Rainbow was laying itself open to allegations of anti-competitive behavior. Rainbow said in its rejection of the proposal that it did not want to create additional competition for itself. 21/12/93

The union has applied for an inter-

dict against Rainbow on the basis of an unfair labour practice.

The Labour Research Service report, commissioned by Fawu, said the closure of the plants would effectively destroy productive capacity at a time when SA could ill afford this.

It said Rainbow had taken the decision to close the plants for operational rather than financial reasons due to a regional imbalance in market demand and supply. The closures would save Rainbow R7m a year excluding closure costs. Rainbow Chickens group chairman Desmond Loch Davis could not be reached for comment yesterday.

Rainbow denies Fawu closure claims

RAINBOW Chickens has strongly denied allegations by the Food and Allied Workers Union (Fawu) that the closure of two plants at eZakheni and Malmesbury was against the principles of fair competition. **BINA**
A Rainbow Chickens human resources spokesman yesterday responded to an issue raised by Fawu as to whether Rainbow was laying itself open to allegations of anti-com-

EDWARD WEST

petitive behaviour by rejecting a union proposal that the two plants, due to be closed on January 7, be bought by workers and black business interests. 22/12/93

The spokesman said the allegation was rejected in view of the potential need for Rainbow to utilise the capacity at both plants in the future. (186)

COMPANIES

ICS, OTK close Earlybird deal

FOOD group ICS and OTK co-operative had signed the final agreement for a joint venture to run Earlybird Farm, announced on December 14, ICS said yesterday.

ICS sold its underperforming poultry division Festive Farms to Earlybird Farm, a wholly-owned OTK subsidiary. This sale, together with a cash payment of R10m, would give ICS a 50% interest in the enlarged Earlybird Farm. *B/DAY*

The transaction's effective date was October 1 this year, ICS said. *24/12/93*

Festive Farms poultry division was sold on the basis of its net asset value on this date of about R83m (~~222~~ 186)

CHARLOTTE MATHEWS

If the venture with OTK had been in place for the financial year to September 30, ICS's earnings a share would have been 15c higher at 179c. The effect on the net asset value a share on October 1 was "not material", ICS said.

The company warned that the poultry industry was a cyclical industry and that performance was linked to the availability of protein.

"The future impact on the earnings of ICS will accordingly be influenced by national surpluses or shortages of protein."

Chicken supplies low after viral epidemic

BIDAY 28 12 1993

INGRID SALGADO

CHICKEN producers were unable to meet consumer demand because a lethal viral epidemic had killed many chickens, a Rainbow Chicken Farms spokesman said.

A velogenic strain of Newcastle disease had appeared about midyear and had affected industry stock levels, lowering sales throughout the country. Producers were currently hit by a depleted stock level, he said.

"The disease has contributed to price increases in the past three months as it has affected a lot of operations, particularly in the Transvaal, and spreading into Natal and the Free State (18b) (S) ~~Free State~~

"Rainbow and most Transvaal producers are over the worst, and are currently on an improvement path."

However, consumers were now facing the result of the epidemic -- low supplies and higher prices.

The spokesman said 1993 prices should not be compared with the previous year's lower prices, as decreased spending this year had affected price setting.

The disease, which caused a throat infection in chickens, had taken hold of susceptible populations such as unvaccinated stock. Producers had to improve their vaccination programmes and those which were not vaccinating their chickens should start doing so, he said.

Chickens which had recovered from the disease were safe to eat as were those that had been slaughtered while infected. This was because the disease affected only organs removed from the chickens before selling.

However, chicken handlers exposed to the infection ran a risk of contracting conjunctivitis, he said.

SA last faced a chicken epidemic in 1989/90 when the infectious Bursal disease was introduced into the western Cape by transmissions from Europe.

JSE food sector share prices hit 7-year highs

BIDON

JOHN DLUDLU

SHARE prices in the JSE's food sector hit seven-year highs this month in what is widely seen as a significant turnaround in the industry.

Some counters in the sector rose as much as 17% in December alone to levels last seen before the 1987 crash, with Malbak subsidiary Foodcorp leading the race. The stock gained R5,50 or 16,9%.

Other shares on the food board followed the trend, with Premier Group stock appreciating 13% or R7,25. Tiger Oats gained R5,50 or 11,8% and sugar and maize milling company Tongaat surged R3,75 or 14,3% in December. 30/12/93

ICS, which announced a joint venture with the OTK co-operative last Friday, rose 10% or R2 this month.

This bull run boosted the food index to 7 819 points yesterday, 1,15% or 89 points up from a close of 7 730 points on Tuesday.

Share dealers said the sector was fundamentally strong, and looked under-supplied. "There are more buyers than sellers in this sector. And I don't think it's

only the Christmas shopping spree that we're seeing here," said one trader.

"This, to me, seems to be a long-term view of the players in this market. People are very bullish about food."

The sector has not only drawn the attention of local institutions, but overseas players as well. (186)

Market sources pointed to the recent multimillion-rand joint venture deal between Foodcorp and a US-based food group, shortly after the lifting of sanctions, as an indication of foreign interest.

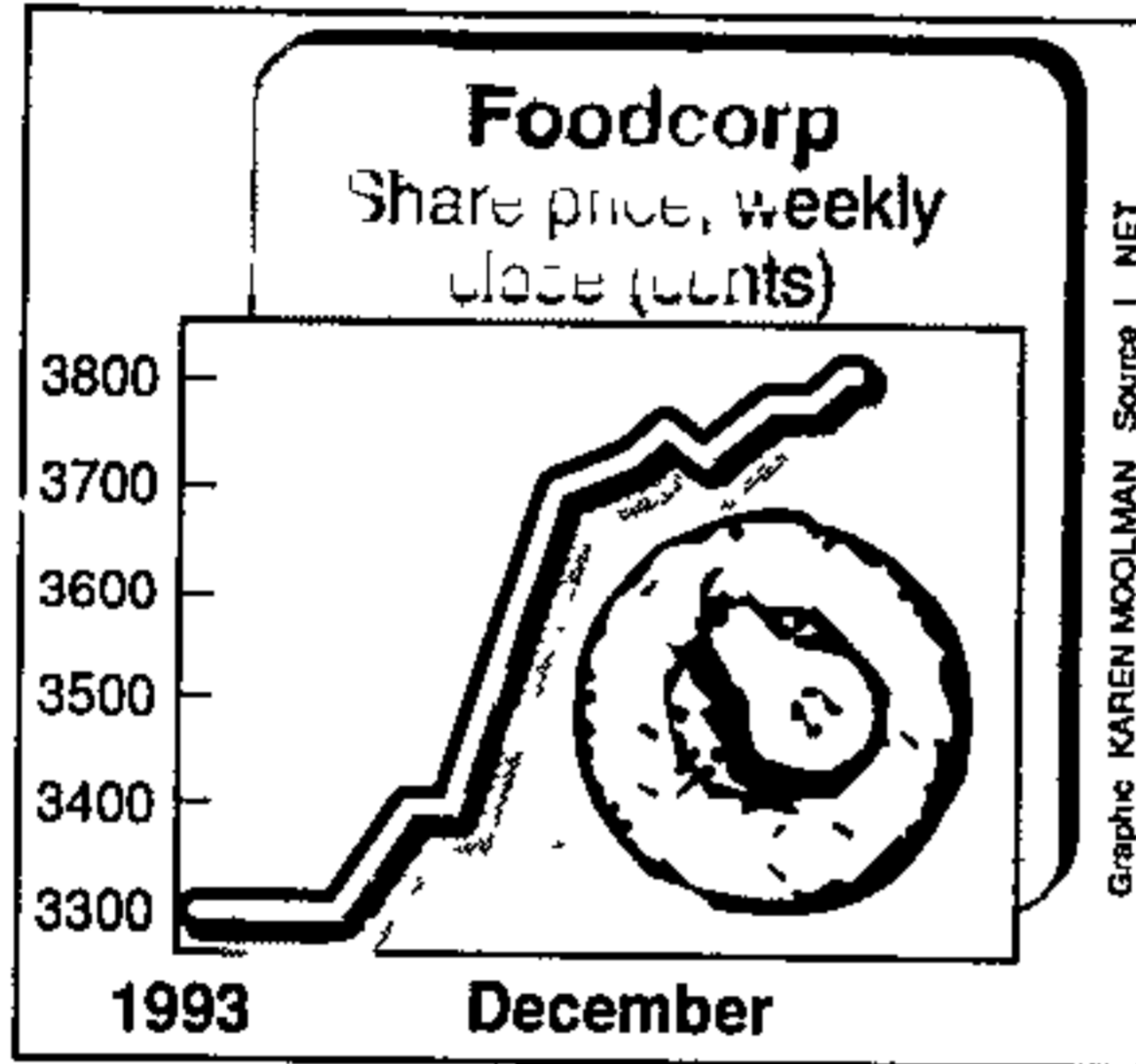
They said the multinationals were likely to flood the local market next year. "This is one area in SA which is very attractive to overseas companies. Although our food processing market is very small it looks good to outsiders," an analyst said.

The recent uptrend in the sector has formed the basis for widespread optimism about next year. Sources were confident food production and demand would continue improving.

A food sector analyst with a leading Johannesburg stockbroking firm said many crops looked set to benefit from the end of the drought in many parts of the country.

"We've had some good rains this year. So there's no reason why we should not have better maize and wheat harvests next year," he added.

According to research published this month by the University of Natal, food production in some agricultural sectors could soar more than 25% in the years to come. The study also projected a major improvement in lower-yield areas.



Langeberg on a growth path

Star 3/11/2/93

■ BY STEPHEN CRANSTON

The year to September proved to be a difficult one for food processor Langeberg, its first full year as a listed company.

Langeberg's competitors in deciduous fruits such as Greece, Italy, Spain and Australia all had good harvests and some had record crops

This combined with the continued weakness on the demand side, in spite of some recovery in the UK, which remains Langeberg's largest single export market

The weakness of the rand was not sufficient to offset the price decline in foreign currency terms. (186)

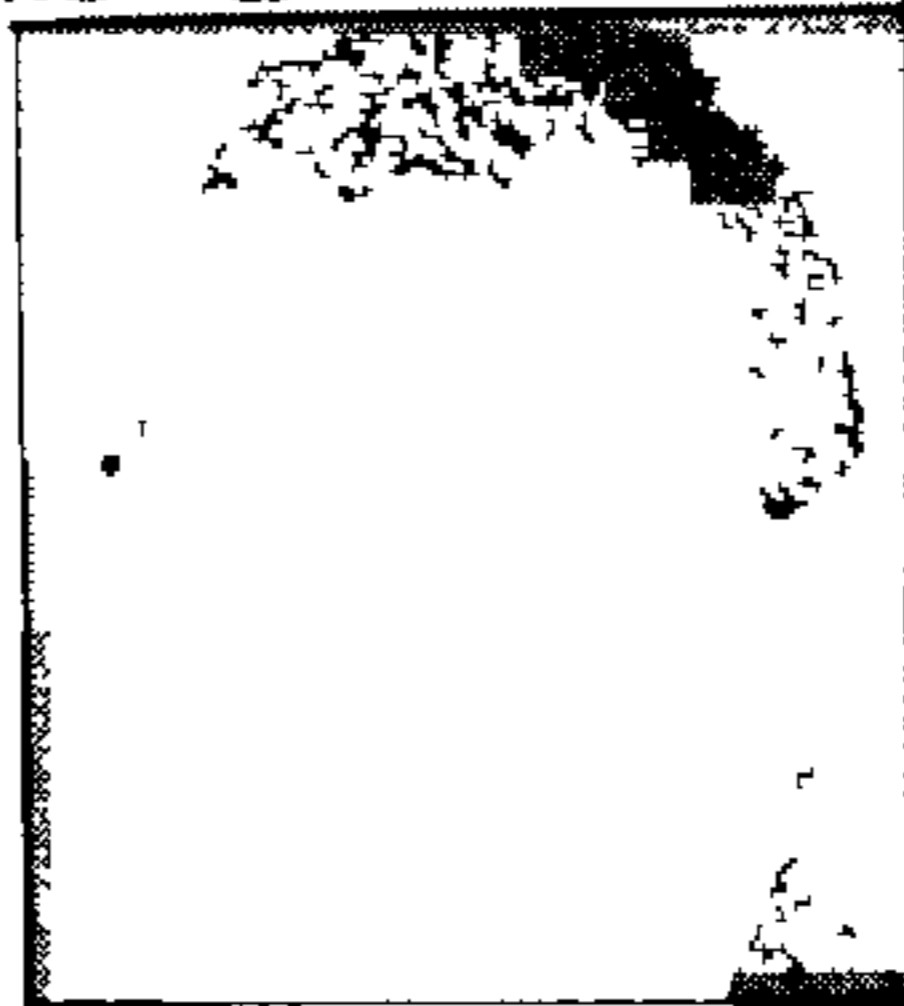
In the circumstances, which were exacerbated by losses in the pineapple division, Langeberg did well to hold the operating margin at 11,0 percent, which was still above the 6,6 percent for 1990 and 10,4 percent for 1989

Returns on equity and assets were also ahead of those in every year other than 1991 and 1992

MD Ray Brown is cautiously optimistic that there will be an improvement in operating results in 1994, with some justification

The pineapple canning facility has been sold to a consortium of local farmers, so the group is no longer trading in this heavily oversupplied market in which canned pine and concentrate prices declined sharply in dollar terms

The deciduous fruit packs in the northern hemisphere in October and November this year were considerably lower than in 1992. Brown cautions that pipelines are full but there is less pressure of supplies from new production than a



Brown . . . cautiously optimistic of improvement.

year ago and the possibility of quicker sales from South Africa exists

And Langeberg is working hard to open up markets, such as Scandinavia, Canada and the USA, from which it was excluded by sanctions

Domestically, several new products were launched such as Italian and Mexican tomatoes and Monsterghetti, and costs were contained to make up for reduced volumes. Prime costs were held below inflation and overheads reduced

The productivity of its tomato sauce and concentrate operations were improved by new facilities at Messina and Boksburg.

Competition from multinationals is hotting up. The recently formed joint venture between Foodcorp and Pillsbury will be launching Pillsbury's Green Giant range of canned vegetables

The world's leading canned food company Heinz is still on the sidelines but it plans to step up exports from its Zimbabwe plants

At 520c, which gives a p.e ratio of 12,4 Langeberg is one of the few pockets of value in the food sector.

MANUFACTURING - FOOD

1994.

Chicken farm battle to continue

RAINBOW Chickens and the Food and Allied Workers' Union (Fawu) would resume their battle over the fate of two chicken farms in the Durban Industrial Court today, Fawu assistant general secretary Ernest Buthelezi said yesterday.

The union's application for an urgent interdict stalling the closure of the Malmesbury and eZakheni farms on Friday revolves around full information disclosure and its relevance to Fawu's argument that Rainbow will not allow workers to take over the farms because it objects to increased competition.

If the farms close, about 800 workers — both members and non-members of the union — stand to lose their jobs. Some of these workers have been employed by Rainbow and its predecessors Farm

ERICA JANKOWITZ

Eare, Bokomo and Bonny Bird, for more than 20 years, Buthelezi said.

The union's proposal for workers and black business interests to take over the farms was viable, he said. The Malmesbury plant had made a R20 000 profit in the last six months of 1993, while the eZakheni plant had lost about R1m over the same period. *BIDAY 4/11/94*

Rainbow estimated it would save about R7m by shutting both farms and confirmed it did not wish to create additional competition by allowing the plants to continue operating. *(186) (1994)*

Buthelezi said Rainbow's East London and Rustenburg plants were expected to increase production to make up for losses due to the plant closures.

League to debate autonomy

REPRESENTATIVES of the ANC Youth League's 600 000 members face a pivotal decision at their congress next week on whether to become constitutionally independent of the ANC and thereby a watchdog body of the new government.

The league will also be forced to elect a whole new generation of leaders, following the departure from the organisation of at least six of its 15 national executive members, including leader Peter Mokaba, because they are too old. *BIDAY 4/11/94*

The organisation's top leadership is also expected to be gutted by a likely decision of the congress to bar league members elected to political office from being members of the league's executive structures. Information secretary Parks Mankahlana said the main debate in the ranks was on the league's relationship with the ANC, given the probability that the ANC would be SA's next government. *(186)*

The decision to form a government of national unity effectively postponed a "full blooded democracy" and would result in the ANC being forced to follow policies not entirely its own, he said.

In addition, because there would effectively be no substantial opposition group within government, organs of civil society would have to maintain a watchdog role

TIM COHEN

The league was bound by ANC policy, but whether it ought to continue to be so under the new dispensation was a hotly debated issue, he said.

Hence, one of the major issues due to be discussed at the congress would be whether to amend the organisation's constitution to give it greater autonomy.

It was generally agreed, however, that members who were elected to national or provincial office should not be eligible for executive positions.

This was mainly because these candidates would be elected to public office, and would be accountable to a wider electorate than league members, he said.

The congress, held once every two years, would also discuss the establishment of a youth ministry or youth parliament, political questions, relations with international bodies, violence and the elections.

The league was arguing for three out of every 20 candidates for national office to be league members, but this had not yet been decided finally by the ANC, he said.

The starting date of the four-day conference, which will be held in Johannesburg, had not yet been finally decided. About 1 500 delegates would attend, he said.

Clouds lift for resurgent HLH

Share 511194

BY STEPHEN CRANSTON

Among the features of the late December bull run was a R4 hike in food share Hunt Leuchars & Hepburn to R17 in one day.

The share touched that level even though the group had not met the high expectations generated by its pedigree as a Rembrandt subsidiary and by the reputation of its CE Neil Morris.

Earnings per share slumped from 81.5c to 28.1c, mainly because of mounting losses at associate Rainbow Chicken in the year to March.

Ironically, the purchase of a major stake in Rainbow in 1989 gave HLH a glamorous edge at the chicken producer flourished in the Eighties when poultry sales were increasing by seven percent a year in volume terms.

But without its founder Stan Methven, Rainbow's management proved unable to cope with the declining market, and expanded capacity at exactly the wrong time.

The market was unimpressed by HLH's passive approach to Rainbow, apparently playing no role in the management of its biggest investment.

HLH therefore lagged the market, and from a high of R18 in April 1992 it slumped to a low of 700c in February, largely trailing the fall in Rainbow's share price.

Yet HLH now has one of the highest prospective P/E ratios



Neil Morris took personal control

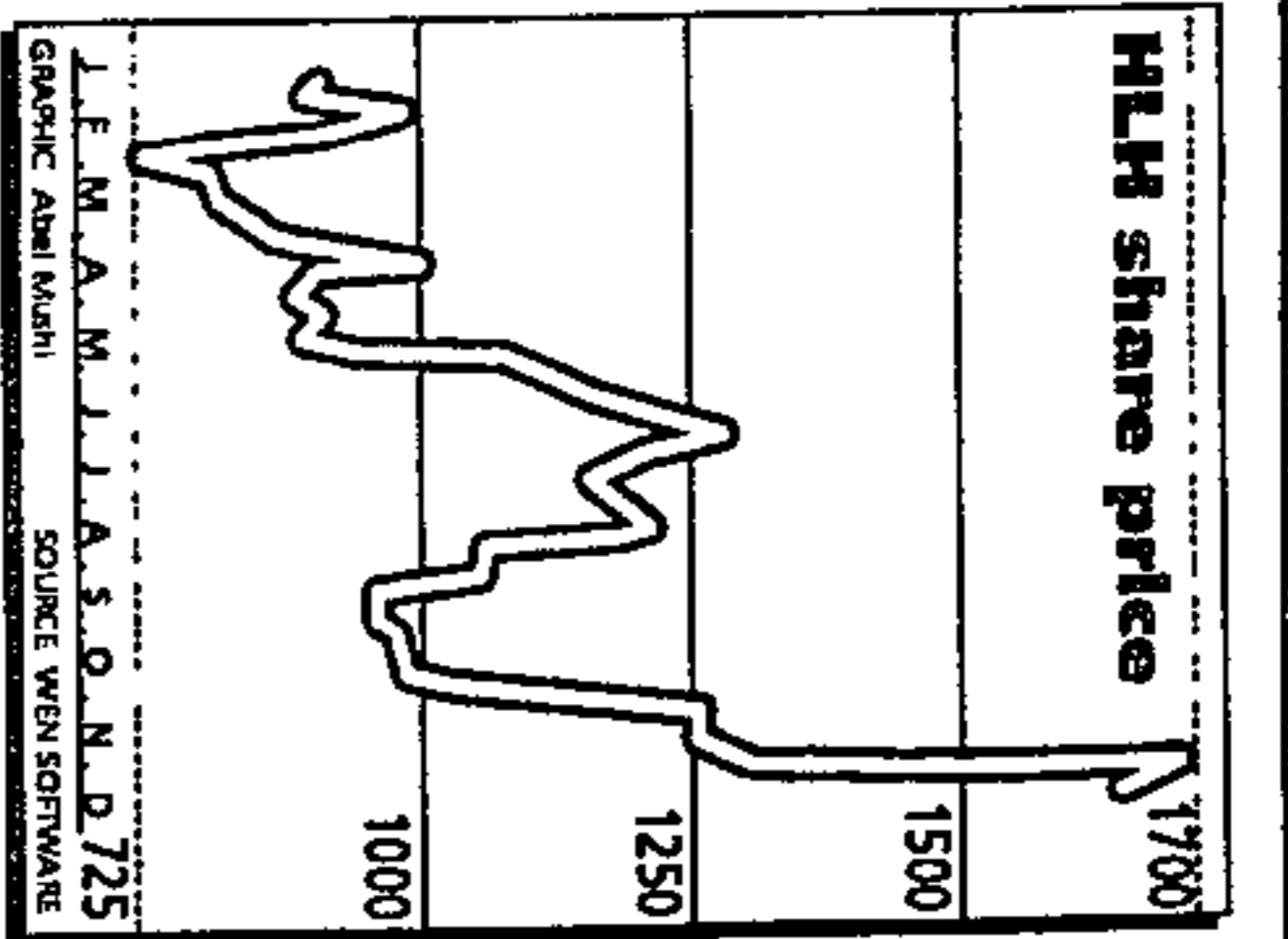
in the food sector. Analysts expect it to earn 68c to 72c in the year to March 1994, giving a P/E of about 25.

At present prices it has been discounted ahead to 1995, where earnings could reach 100c a share, giving it a more realistic forward P/E of 17.

A turning point in HLH's fortunes came when Neil Morris took personal control of the business.

Even though Rainbow's loss for the year was a catastrophic R77 million, the market accepted that HLH was putting a more professional market-oriented management into

Rainbow, culminating in the appointment of Rick Griffiths, one of the top dogs at Unilever, in the middle of last year. As much as anything, a pre-



HLH share price

sentation by Griffiths to the Investment Analysts Society in November was responsible for HLH's latest hike.

But HLH's recovery has outstripped Rainbow's by a considerable margin. HLH has more than doubled since its low point, but Rainbow has improved by little more than 50 percent to 330c, and is still a long way off its February 1992 high of 550c.

Other factors boosting HLH include brighter prospects for Transvaal Sugar, which will receive substantial capital allowances from the Komati Sugar Mill, leading to a low tax rate.

Another highlight of the HLH portfolio is the SilvaCel hardwood chipping plant at Richards Bay, commissioned in October 1992.

A major contract with Japan enabled SilvaCel to sell its full production for 1993 and the bulk of this year's production. Robertsons has been a consistent performer and there was some surprise when CPC, from which it licenses most of its products, signed a deal late last year with Tongaat Foods, which will manufacture CPC products.

Morris says that HLH was approached first, but did not wish to get into the edible oils business and did not find the terms offered by CPC favourable.

In the short term it has benefited from the deal Supplies of Knorr products by Tongaat to the Seychelles have been supplemented by stock from Robertsons.

HLH is a thin trader, but there is a reasonable market in the shares.

Three shareholders have a strategic stake in HLH — Rembrandt, which holds its investment through pyramid Huntcor, Sanlam and the Mines Pension Fund. The remaining 13 percent, worth about R330 million, is fairly readily tradeable, which, of course, encourages potential investors.

But analysts believe that HLH has now been overbought. Chris Gilmour of Senekal, Mouton & Kitchhoff says that there is now better value in other food counters, notably Foodcorp, which has been a more consistent performer.

'Victorious' Rainbow to go ahead with processing plant closures

ERICA JANKOWITZ

RAINBOW Chicken Farm's decision to close its Malmesbury and eZakheni processing plants tomorrow will go ahead after an unsuccessful Industrial Court application to stop the process, company advocate Willie Coetzee said yesterday.

If the union had succeeded in its claim and Rainbow had been forced to keep workers on its payroll despite having stopped the breeding of slaughter birds, it would have cost the company about R2,8m a month, even though no processing was taking place, he said. *BIDAY*

According to Coetzee, the Food and Allied Workers' Union (Fawu) application for an urgent interdict was refused by the court on Tuesday, probably because Fawu was unable to prove that full disclosure of the company's management accounts would influence the decision to close the plants. *61194*

About 800 workers will lose their jobs because of the closures and the union contended many would be unable to find alter-

native employment in the areas.

Coetzee said Rainbow had made extensive information available to the union during the consultation process. However, the union's misreading of a recent court decision in which full disclosure was ordered had led Fawu to believe it would win the Rainbow case. *(186) (225)*

As Fawu had been unable to show how the disclosure of four plants' management accounts would affect its ability to argue for alternatives to closure, the court had probably decided to dismiss the application. Fawu might, on the other hand, have lost the application on the urgency issue, as it could have gone to court six weeks ago when the retrenchment process began.

However, he was unable to speculate as to the exact reasons for the decision as they had yet to be handed down.

Fawu was not available for comment yesterday.

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ABI plans to counter boycott threat

ERICA JANKOWITZ

AMALGAMATED Beverage Industries (ABI), whose striking workers threatened a consumer boycott of its products, which include Coca-Cola, said yesterday it was planning an information drive to counter the tactics of the Food and Allied Workers' Union (Fawu) *Biday 7/11/94*

The company would prepare pamphlets for distribution in townships.

On Wednesday, Fawu and the Greater Soweto Chamber of Commerce agreed to suspend the proposed boycott for a week to give the parties time to resolve the dispute. The wage strike by about 2 500

union members entered its sixth day today, with the union holding out for a 15% across-the-board increase in contrast to the company's final offer of 10%.

Meanwhile, ABI applied for and was granted urgent Supreme Court interdicts at its West Rand and Benrose plants to prevent further intimidation and disruption of operations ~~(86) (86)~~

The spokesman said interdicts were now in force at seven sites, but not in Natal, where about half the workforce returned to work yesterday.

Union plans more legal action against Rainbow

ERICA JANKOWITZ *Biday*

THE Food and Allied Workers' Union (Fawu) intended to proceed with further legal action to oppose Rainbow Farms' decision to close two processing plants with the loss of 800 jobs, even though it had lost its Industrial Court application, its legal adviser said yesterday.

Cheadle Thompson and Haysom labour lawyer Stephen Hardie said although the Malmesbury and Ezhakeni plants would close on Sunday, according to union information, this did not necessarily mean future Industrial Court action would "not declare the resultant 800 dismissals to be an unfair labour practice" *7/11/94*

The action would be argued on the basis of the company's refusal to make management accounts available to Fawu "and that it consequently failed to consult meaningfully with the union concerning possible alternatives and ways of minimising the impact of the proposed retrenchment. Should this be the case, the Industrial Court may very well order the reinstatement of the dismissed employees" ~~(86) (86)~~

Hardie disagreed with Rainbow attorney Willie Coetzee's interpretation of the possible reasons for Fawu's urgent interdict being refused on Tuesday, namely that the union had misread a recent court decision concerning information disclosure

However, he said neither side could speculate accurately until the reasons were handed down

He cited the Labour Appeal Court Cape provincial division case between Atlantis Diesel Engines and the National Union of Metalworkers of SA, which was "clear and unequivocal in its dictum in relation to disclosure of information by a company during a consultation process concerning possible retrenchment"

In this judgment, the court had held that sufficient information to make consultation meaningful should be made available, as should "information that will assist the employees or trade union in making contributions about ways of avoiding retrenchments".

He said Rainbow had not met the Labour Appeal Court's requirement that companies had to prove that requested information was not relevant to the union attempting to make such suggestions

Mediation proposed

Biday 7/11/94
ERICA JANKOWITZ

IMPALA Platinum mine management yesterday proposed mediation to resolve a dispute with the NUM over the dismissal of two shaft stewards and retrenchments at the mine's Wildebeestfontein shaft near Rustenburg

Union spokesman Roy Sewnarain said yesterday the union had requested a mass meeting of its members to put the proposal to them before replying to management ~~(86) (86)~~

He hoped this meeting would be held prior to the scheduled discussions — due to be held this morning

However, he held out little hope of membership agreeing to mediation as it had never proved successful at Impala in the past

A company spokesman said production had not been affected by the disruptions at the mine, and the situation at both the hostels and work areas was quiet

Management said the working of additional shifts was also being discussed at the meetings

Sewnarain said the parties would meet on Tuesday on the retrenchment issue

Workers had demanded that downscaling be halted until after the meetings

Patients moved as strike looms

INGRID SALGADO

PATIENTS at Tshepong Hospital near Klerksdorp were discharged and transferred to other provincial hospitals yesterday in anticipation of a hospital workers' strike due to begin today, the Transvaal Provincial Administration said yesterday *Biday 7/11/94*

Workers were protesting against the R500 bonuses given to all Baragwanath Hospital workers for special contributions in adverse and violent conditions

Tshepong staff demanded they be given the "departmental specific award" too

Yesterday about 200 Tshepong patients were discharged and another 200 trans-

ferred to other hospitals.

The TPA said the hospital's casualty section would remain open for emergencies ~~(86) (86)~~

Negotiations between the Tshepong community and the hospital had been scheduled, but it was unclear when the hospital would begin operating again

The dispute follows this week's strike by Sebokeng Hospital workers and threats by all provincial hospital workers to strike if they were not given the award.

RED NAIL 4246/3

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Fm 7/1/94

Activities: Canning, freezing, drying of fruit and vegetables

Control: C G Smith holds control through C G Smith Foods

Chairman: C G van Veiieren, MD R G Brown

Capital structure: 160m ords Market capitalisation R840m

Share market: Price 525c Yields 2,7% on dividend, 8,0% on earnings, p e ratio, 12,5, cover, 3,0 12-month high, 750c, low, 455c

Trading volume last quarter, 1,25m shares

Year to Sep 30	'90	'91	'92	'93
ST debt (Rm)	38,2	14,9	23,9	17,3
LT debt (Rm)	75,7	50,4	50,5	81,7
Debt equity ratio	0,56	0,27	0,28	0,29
Shareholders interest	0,52	0,61	0,59	0,58
Int & leasing cover	2,0	4,6	6,7	7,5
Return on cap (%)	9,6	19,8	20,4	14,5
Turnover (Rm)	560	646	742	755
Pre-int profit (Rm)	36,8	79,4	102,9	82,9
Pre-int margin (%)	6,6	12,3	13,9	11,0
Earnings (c)	11,5	38,9	54,7	41,9
Dividends (c)	2,9	11,3	16,0	14,0
Tangible NAV (c)	125	152	185	207

ble for the profit deterioration

Langeberg has long depended on export sales and depreciation of the rand to boost its profitability. In financial 1993, neither materialised to the extent expected. Though turnover and volumes were maintained, firm orders for SA product were postponed, margins came under pressure and operating profit fell 19,4%.

Had net finance charges not been cut by 29% — even though year-end borrowings were considerably higher — pre-tax profit would have fallen more than the actual 17,8%. And, for the first time in six years, Langeberg had to pay tax. Though the rate was only 6,9%, the result was a 23,5% drop in earnings.

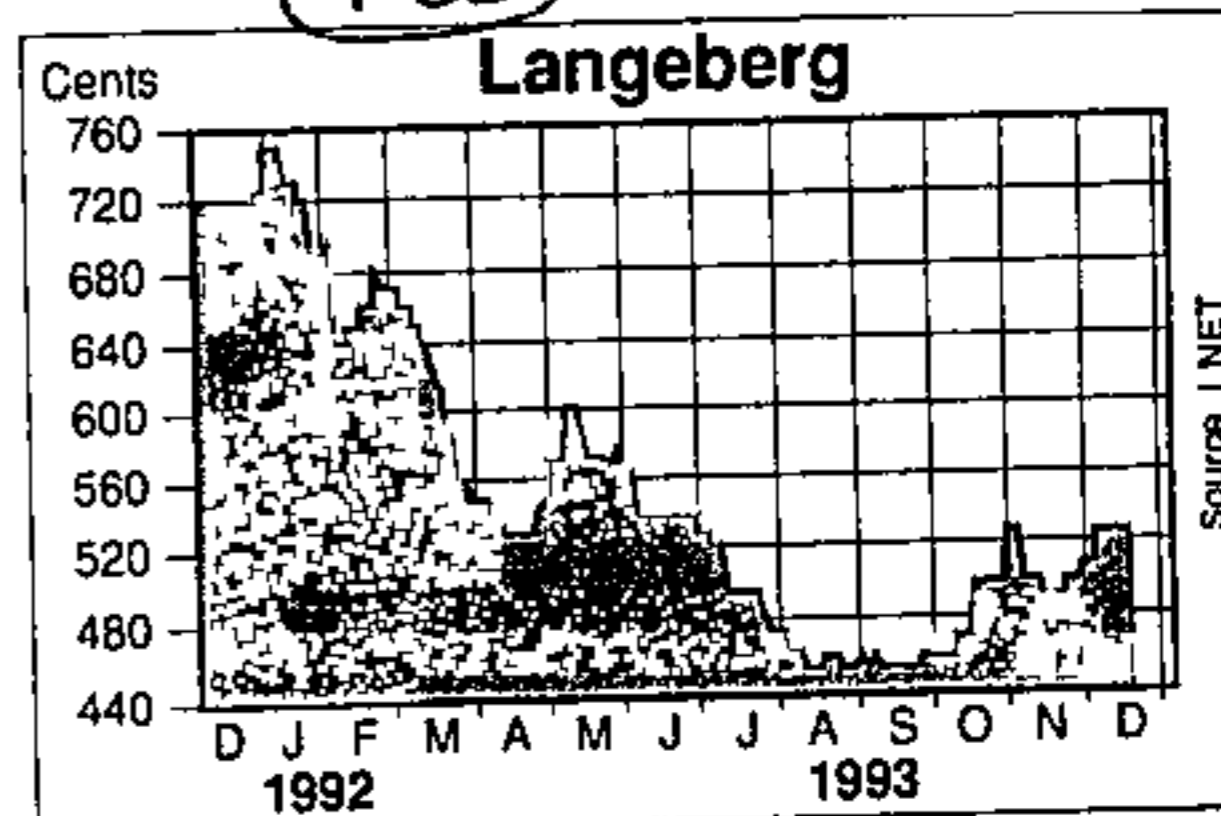
Rationalisation costs of R5,9m (charged against operating income) added to the squeeze on margin. In addition, the estimated R10,2m after-tax cost of closing the pineapple division (stated as an extraordinary item) reduced retained income.

In the past two years, Langeberg has written off R20,7m after discontinuing certain operations and closing manufacturing units. Some analysts believe such closures should be regarded as normal running expenses and deducted as operating expenses. If that approach had been adopted, attributable earnings would have been 9,9% lower in 1992 and 15,6% lower in 1993.

MD Ray Brown says overhead costs were contained well below the rate of inflation, thanks partly to the new tomato concentrate processing facility in Messina and the new bottling plant in Boksburg. Additional capital expenditure of R41m (before depreciation) invested in these is reflected in fixed assets, which have risen to R106m.

Even though the pineapple division increased its export volume sales, because the international market is heavily oversupplied and prices have fallen sharply, it was decided to withdraw from pineapple processing after December.

Brown believes prospects appear more favourable for an improvement in operating



profit in financial 1994. Overseas fruit packs are considerably lower after a normal season this year and this should promote repeat orders from SA. Moreover, with the lifting of sanctions, more markets are open to Langeberg and it's hoped local demand will improve too.

The share price has recovered from a 455c low reached after the fall from 800c set in August 1992. There is some cause for optimism but profit may not increase much this year. The share offers a thin dividend yield and looks fairly priced.

Gerald Hirshon

LANGEBERG Fm 7/1/94

Squeezed all round

The local recession was bound to affect Langeberg's sales, and it did. But recession in the US and Europe, with an unusually successful northern hemisphere fruit season in the summer of 1992, depressed SA export prices significantly. These factors, and rationalisation costs, were largely responsi-

186



FRONTLINE WITH FLAVOURS. Johannesburg shopowner Jorge Teixeira bites a bullet in the national ice cream war
Picture: CHRISTINE NESBITT

War hots up for the top spot in R880m ice-cream market

By JEREMY WOODS

A WAR for the biggest share of South Africa's R880-million-a-year ice-cream market has broken out among the top three manufacturers.

Nestlé, the world's largest food company, and multinational Unilever have been fighting each other in international markets for some time.

Last year Nestlé bought into SA market leader Dairymaid.

Unilever, owner of the Walls ice-cream business in Britain, bought a majority stake in Clover and started marketing Olá ice cream.

Then Premier Group stepped in with subsidiary Bonnita, a major supplier of milk and cream, and snapped up Cape-based ice-cream company Aylesbury, which supplies Woolworths.

Ian Donald, marketing director of Dairymaid Nestlé, says, "There is no doubt we have a war on our hands. Nestlé and Unilever are fighting each other in other countries. Nestlé is investing heavily in South Africa to win this battle."

Mr Donald says Dairymaid is the market leader "and that is the way we intend to keep it".

Nestlé executives have been moved to Dairymaid.

In addition to "substantial financial muscle", Nestlé provides marketing and technological expertise from abroad.

Moves by the ice-cream companies focus on cabinets — "you have to get your fridge in place" — impulse buying and the huge potential of the black market after electrification.

Mr Donald says, "Someone still has to crack the black market. The impulse market for ice-cream bars is exciting. The challenge is to put an exceptional product in the right packaging, in front of potential buyers. If you are successful, you sell the product."

Unilever, the largest ice-cream maker in the world, is also focusing on the impulse market because it is the most profitable.

A spokesman for Olá in Durban says "We're fighting for market share with excellent products. It's exciting and the competition is reacting."

Barry Sutherland, who started Aylesbury four years ago, says in Cape Town "We are building a R4-million manufacturing plant to keep up with demand."

"Premier bought a major stake in this business to expand it and that's what they are doing. The high level of competition that has suddenly hit the market must result in better ice cream."

Royal expands offshore arm

CF 18/11/94 (180)

By ARI JACOBSON

DEL MONTE Foods International, part of the SA controlled food giant Del Monte Royal Corporation, yesterday announced it would be expanding its base in Europe, the Middle East and Far East.

The SA based Royal group was involved in a mega-merger in December 1992, when with the help of Anglo-American it purchased the Del Monte group for a sum of R2,8bn.

However 1993 has been a tough year on the international scene, with Del Monte's core processed fruit products losing some 20% on its selling prices in European markets, said local spokesman Seton Thomson yesterday.

This he said was brought on by the lack of product demand but added that the expansion into other markets this year, was on the back of the much speculated upturn in global markets.

Del Monte moves into Far East

In Europe the company will be moving into France, Spain and Scandinavia to join traditional markets Britain and Italy

In addition chief operating officer Enrico Sola yesterday introduced a "sales strategy" for building a product profile in the Middle East and Eastern bloc countries

The Pacific rim will also become a targeted focus as a "burgeoning market" for the group

However Thomson mentioned that SA and Africa were not on the short term list as markets for the international arm

"SA is a tiny market and Africa in general will rather be a source of processed foods, than a sales market."

He mentioned that in Africa pineapples were being sourced from Kenya and SA was providing asparagus, through the recently acquired Free State-based Utopia Asparagus

"The group's Tulbagh fruit processing operation, Sapco, has also been upgraded at an investment of R30m"

The Royal group in recent times obtained the right to market well-exposed international labels Mars and Uncles Ben's rice in this country. Even with the successful launch of these name brands — the SA market has been a soft market, in 1993, based on consumer demand

Delcorp ended the day untraded at R7,75 a share, caught between its high for the year of R9,25 a share and its low of R6 a share.

Russians
CT 13/1/74
facing the
Crunchie (186)

Own Correspondent

PORT ELIZABETH —
Cadbury SA has been
awarded a multi-million
rand contract to export
South Africa's Lunch
Bar and Crunchie choco-
late brands to Russia

Managing director Mr
Piet Beyers said that the
company, with its head
office in Port Elizabeth,
had already started ex-
porting the chocolates

Russians are now able
to enjoy the "much more
munch" of the uniquely
South African Lunch
Bar. The Crunchie line,
an international brand,
forms the other part of
the contract

Mr Beyers also said
the US-based Wrigley
company had appointed
Cadbury as distributor
of its chewing gum
brands in South Africa

Union rejects wage offer

JOHANNESBURG — The Food and Allied Workers' Union turned down Amalgamated Beverage Industries' offer of a 10.5% increase during salary negotiations on Wednesday

21/1/94

(55)

(186)

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'Static year for Langeberg'

CAPE TOWN — ^{By Day} Un-
changed deciduous fruit ex-
ports by Langeberg would
probably offset a minor im-
provement in earnings
from local sales, MD Ray
Brown said yesterday

Speaking at an Invest-
ment Analyst Society pre-
sentation, Brown said the
group's export operating
arm, Langeberg Foods In-
ternational, foresaw no
early demand increase

EDWARD WEST

from its major markets in
recession-hit Europe (36)

Positive factors to affect
exports would derive from
measures taken last year to
improve productivity (60)

The group's earnings fell
23,4% to 41,9c (51,7c) a
share in the year to end-
September 1993 The oper-
ating margin fell to 11%
(13,9%) 25/11/94

186

Committed to pineapples

MARCIA KLEIN

DEL Monte Royal has confidence in its investment in pineapples, despite food processor Langeberg's decision to close its pineapple canning factory. **B/CAN**

Pineapple is one of Del Monte's main products, amounting to about 20% of group sales. **251194**

Chief operating officer Enrico Sola said Del Monte had invested "hundreds of millions of dollars" in plantations, high technology equipment and skilled management and staff, and it remained committed to the pineapple industry. **(186)**

Sola said canned pineapples had enjoyed a better sales season in Europe than other processed fruit.

Sola said Del Monte's supply came from its own plantations in Kenya and the Philippines. This enabled it to process all year round, while SA factories operated only on a relatively short seasonal basis.

ICS HOLDINGS

Food group finds focus

FM 28/1/94

The joint ventures are working and gearing is down

Investors clearly expect big things from ICS Holdings. The share price has nearly doubled from a low of R13 to R23. After major strategic change, EPS increased 11,6% to 164c in the 1993 year — an achievement in the problematic food industry.

The transition from producer of protein commodity products to one of premium brands has been crucial. ICS used to be exposed to branded products through associates, in particular Sea Harvest but also Fedics, Chandling International and Commercial Cold Storage.

MD Nick Dennis, who presided over the strategic change since he took over four years ago, says "ICS's problem was its total dependence on private consumption expenditure (PCE). The correlation between earnings growth and PCE is so tight that it can be tracked for the past 12 years."

Dennis has moved to change this relationship — but he won't be there to complete the job. Last week CG Smith announced his appointment as MD at Tiger Oats, once SA's food leader and now challenged by Premier and Foodcorp. Dennis is to be replaced at ICS by Roy Smither, chairman of the fresh meat division.

Exposure to the dairy and meat industries meant that ICS was in tune with the regulated environment in which it operated. But the environment changed and ICS was slow to adapt.

ICS was long regarded as a dog in the Barlow stable and its image was not helped by a string of CEs in the late-Eighties. The group was seen as directionless with underperforming assets.

Dennis's arrival in 1990 marked a turn that only recently became apparent. Having worked at Tiger Oats and Colgate-Palmolive in London, he gained essential experience in branded products. He aimed to address the imbalance of the portfolio, make ICS the lowest-cost producer and reduce the R143m debt.

Management certainly seems to be striving to ensure maximum usage of the asset base. Five joint ventures were concluded in calendar 1993. ICS's stake in fishing market leader and recently listed associate Sea Harvest was raised from 12% to 62%. Financial director Tom Pritchard says the timing of the deals was coincidental. "They are part of the long-term strategy formed four years ago when management decided to concentrate inward and stop the bleeding."

ICS had its humble beginnings in 1830 as a Cape butchery. Nurtured by the uncle of former United Party leader Sir De Villiers Graaff, Combrink Butchery withstood tough competition from De Beers Cold Storage by offering customers credit and delivery. In

Quality management

Going for margin

ACTIVITIES

Processes and distributes dairy products, meat, poultry, fish and frozen vegetables. Has investments in catering and meat canning.

CONTROL

CG Smith foods 69,1%, Barlow Rand has ultimate control. Chairman: RA Williams MD: N Dennis

MARKET DATA

Capital structure, 38m ord. Market capitalisation R4,07bn. Price: 2 200c. Yields: 2,3% on dividend, 7,5% on earnings; PE ratio, 13,4; cover, 3,3. 12-month high 2 600c; low, 1 300c. Trading volume last quarter 228 000 shares.

Year to September 30	'90	'91	'92*	'93
ST debt (Rm)	50,6	30,2	32,2	73,3
LT debt (Rm)	84,8	70,2	36,3	36,5
Debt: equity ratio	0,30	0,21	0,12	0,03
Shareholders' interest	0,46	0,50	0,49	0,46
Int & leasing cover	1,7	1,8	3,5	8,3
Return on cap (%)	4,4	3,9	4,4	6,6
Turnover (Rbn)	2,07	2,11	2,47	2,44
Pre-int profit (Rm)	33,5	32,5	42,3	78,5
Pre-int margin (Rm)	1,3	1,5	1,7	3,2
Earnings (c)	96,2	119,7	147,0	164,0
Dividends (c)	32	37	45	50
Tangible NAV (c)	1 007	1 091	1 204	1 149

*Restated to comply with revised standards for joint venture and associate companies. Source: ICS

1902 Combrink merged with Imperial Cold Storage and registered in Johannesburg.

The business flourished, largely by supplying meat to Cape-based British soldiers. The progression to other forms of cold storage was natural. ICS was listed on the JSE in 1936. Sea Harvest was created in 1964, followed by Fedics in 1971. Five years on, ICS acquired a stake in Bull Brand.

ICS was historically a meat business. Though management won't disclose profit sources, meat (fresh and processed) has always been the biggest profit contributor of the wholly owned companies. But Dennis says Renown Processed Meats (14% retail market share) was at best breaking even. Despite heavy asset investment and a strong foothold in delicatessen foods, plants needed to be upgraded and some even replaced. It was important for ICS to attack the problem of cost pressure and declining margins. The solution turned out to be a joint venture.

An example was the merger with Foodcorp's Enterprise. Though it was the dominant player in the processed meat market, with around 40% of industry sales, Enterprise's strength lay in the prepacked segment

186

rather than in delis. Its distribution system also needed upgrading and, with surplus capacity, returns were inadequate.

The merger produced a R500m sales business, Enterprise Foods. Hidden benefits were large: both could cope with rapidly rising costs and so contain product price increases, and they could meet competition from substitute products.

ICS and Foodcorp have done deals before. A few years ago, ICS sold frozen vegetables producer Harvestime to Fedfood, which merged it successfully with Table Top (though ICS's wholly owned distribution arm The Cold Chain retained the right to distribute the frozen product).

The subsequent formation of Foodcorp from the merger of Kanhym and Fedfood did not alter this.

ICS also took the opportunity to lessen its exposure in distribution by taking Foodcorp as a partner in the Cold Chain. Coincidentally, this gave Foodcorp the extra capacity needed to finalise its deal last year with Pillsbury US. ICS received R15m cash for the Cold Chain deal and promptly reinvested that in new Enterprise Foods.

Fresh milk processing has been among ICS's least successful ventures. Deregulation and low barriers to entry brought Dairy-Belle's market share under increasing pressure. That worsened the dairy company's difficulties, typified by the Clayville Dairy Management had struggled to make this business profitable but it notched up R200m in accumulated losses (including investments) over eight years. A solution was found when ICS completed a joint venture with Nels-Bliss (wholly owned by the Loubser family) to create D&B Foods, 74%-held by ICS. Significantly, management remains in the hands of Martin Loubser who reports to ICS. The merger is not expected to benefit ICS's earnings per share before 1995.

Poultry, specifically Festive Farms, has been the group's largest single loss-maker and provides management with its biggest challenge. The truth is unpalatable: poultry is a tricky industry and buyers are hard to find, so ICS did the next best thing by increasing exposure to the industry and expanding potential margins.

Since ICS's financial year-end, another joint venture has given it a 50% stake in an enlarged Earlybird. This involves the sale of Festive Farms and a cash payment of R10m to Eastern Transvaal Co-operative (OTK).

Earlybird Farm now has a market share of around 20%, much smaller than Rainbow's 47% but with a product mix and cost structure that analysts claim are more profitable.

Continued on page 33

P-10-7

(186)

Continued from page 29

Dominating 40% of the PWV fresh meat market, Festive supplied the top end of the market, especially the large retail chains. That's a good place to be, but lack of bargaining power limited margin growth in the past. The venture's increased muscle should change that.

On the other hand, Earlybird had a strong presence in the informal, small distributor market. As such, it is in a better position to maintain its price. Additional benefits stem from Earlybird's own animal feed sources and distribution network.

Benefits to OTK are less clear. But, with government subsidies likely to be reviewed soon, what is plain is the link it now has with blue-chip counter C G Smith. A thought occurs here: C G Smith controls Langeberg, the giant in the fruit canning industry. Formerly a farming co-operative, it is now a listed company. Could this indicate OTK's future path?

Dennis says the benefits of the poultry merger are immediate and pressure on capacity previously felt at Earlybird is now being diverted through Festive's plants.

The agreement with international food giant Nestlé differs from other joint ventures

because, in every other case, ICS was motivated by the need to turn around underperforming assets. This time, the alliance was forged because ICS recognised that Dairy-Maid had potential to be a star performer.

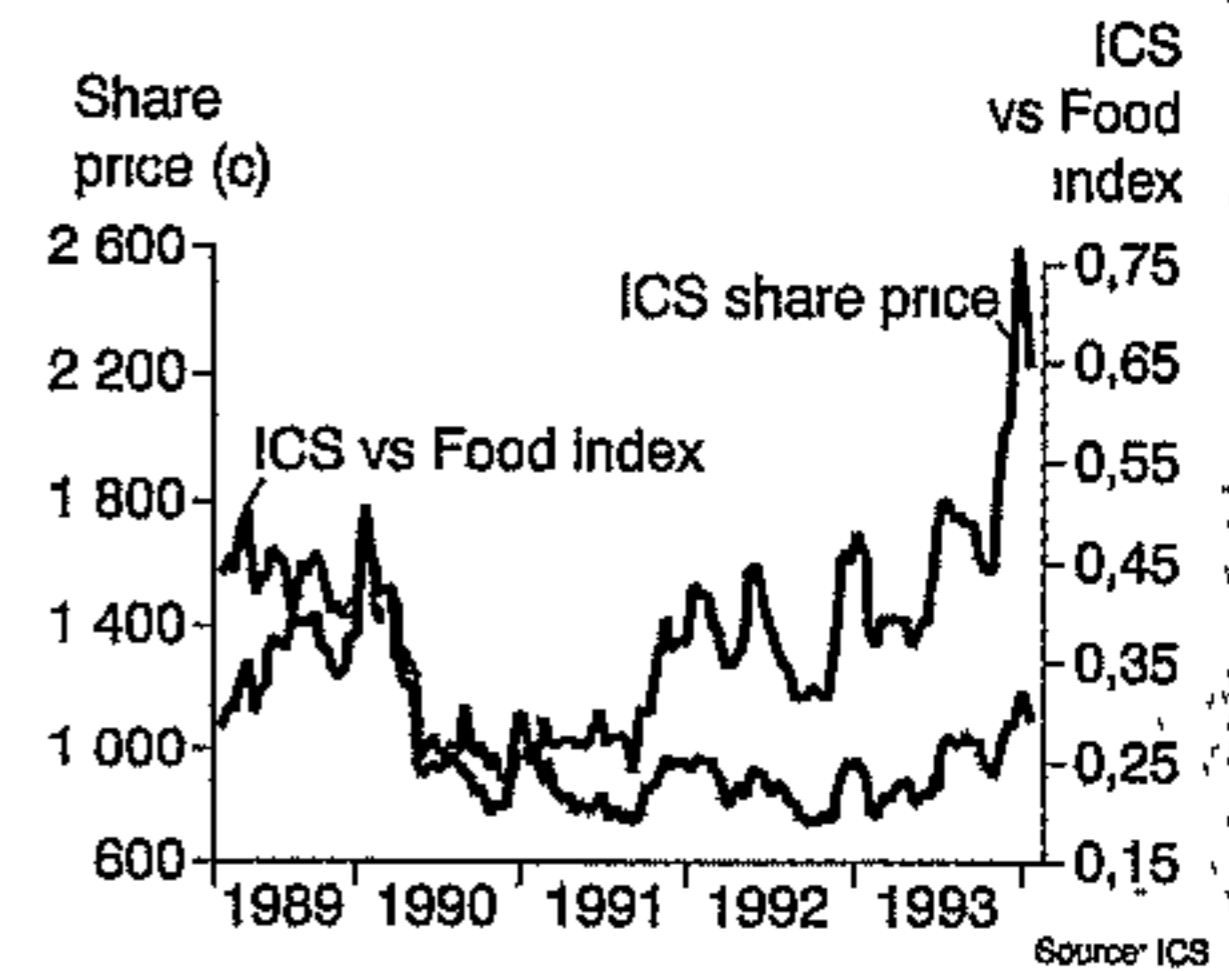
Evident synergies lay behind the decision to form a partnership with Nestlé, the world's second-biggest ice cream player, rather than with Unilever with which ICS also had extensive discussions. ICS gained access to Nestlé's ice cream and frozen confectionery products, trademarks, technical knowhow and, of particular significance, its marketing network.

For Nestlé, the cost of equal partnership was R50m and its position was strengthened by the secondment of key commercial and technical personnel. But, like the other joint ventures, it will need time for consolidation.

The aggressive stance taken by ICS to make its assets sweat appears to be succeeding. Results for the year to September reveal considerably improved profitability in some core businesses.

Though figures are distorted by the consolidation of Sea Harvest, the operating income of ICS improved from R38,6m to R67,3m. Turnover fell almost 1% to R2,4bn in tough trading but margins widened to

Beefing it up



2,8% (1992 1,6%). That is important and reflects benefits from internal rationalisation, tight management and financial control.

With most tax losses exhausted, the effective tax rate increased to 38% (32%). It is expected to stay at the 40% corporate rate.

The balance sheet is robust. With the 24% dip in interest paid to R9,3m, helped by improved cash flow after the joint ventures, gearing fell to a healthy 3% (1992 12%).

Exports, other than through Sea Harvest, account for a small part of sales and are not likely to become substantial because they are constrained by the perishable nature of products. ICS exports to the Far East on a minor scale.

Though problems facing the larger underperforming assets have been addressed, difficulties still remain in the fresh meat and tanning divisions. Deregulation of the meat industry has intensified competition in wholesaling. Barriers to entry are low, particularly in rural areas. Because margins are so thin, market share has shrunk from 35% a few years ago to around 22%.

Dennis says green hide prices have shot up and ICS has been unable to recover these increases from the shoe and fashion leather industries. Cost-cutting exercises have been carried out but Dennis says further joint ventures are unlikely.

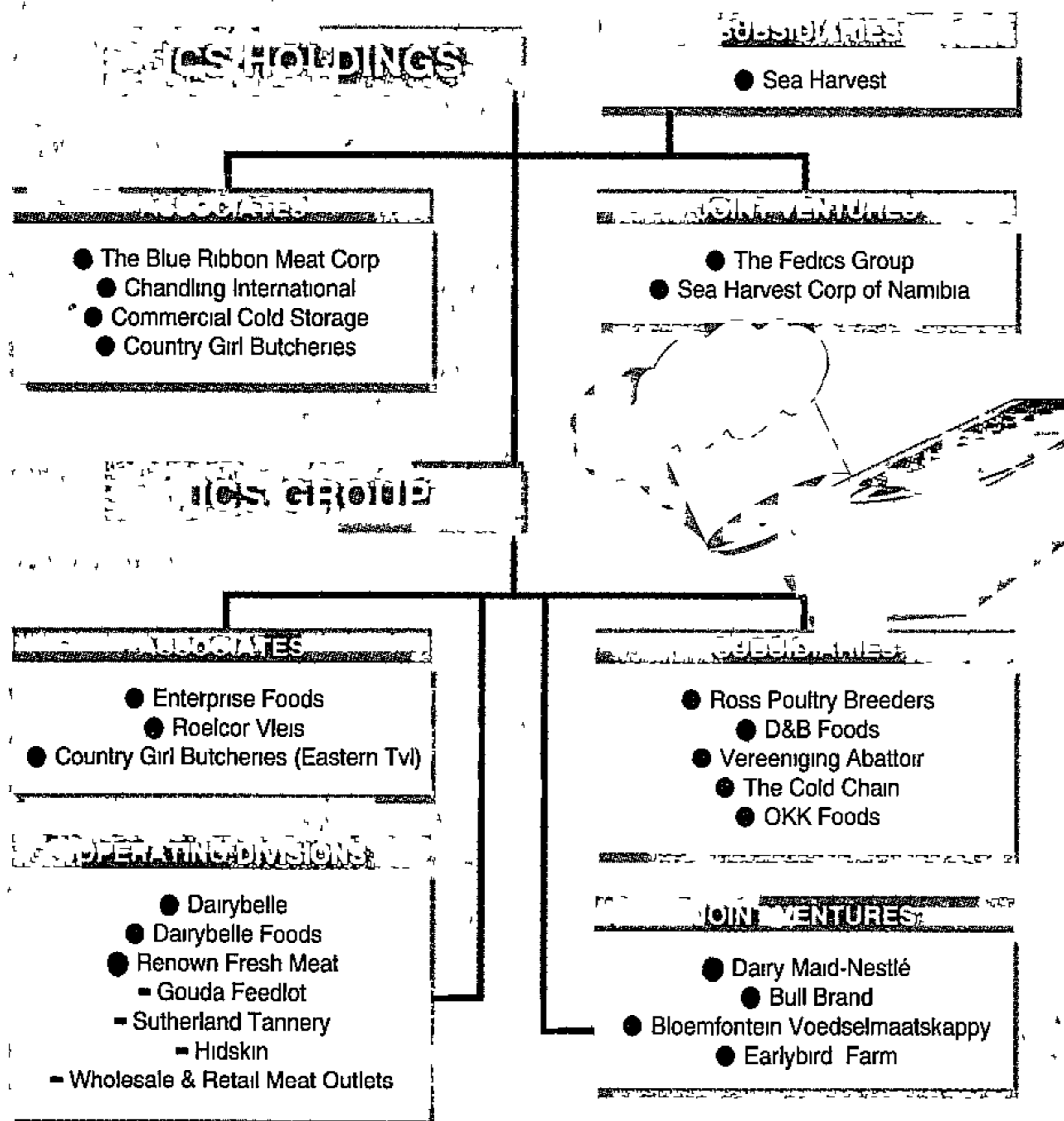
ICS is emerging rapidly from hard times. Much of this is due to management's joint venture strategy, which appears to be succeeding. The big issue for analysts and investors is whether this can be sustained and an uneven pattern of earnings smoothed.

New management looks capable of maintaining the turnaround. With the balance sheet ungeared, there is flexibility to make acquisitions. The caveat is that these joint ventures take time to mature, which is why the share now looks expensive. It seems the market has, as it often does with shares, overtaken ICS's ability to produce glittering results.

A setback in the share price has already occurred. But that doesn't mean serious investors should take fright or back away from a group that has sound long-term prospects.

Marylou Greig

Strategic restructuring



P TO 7

Unrest 'could hurt food sector'

MARCIA KLEIN

THE food sector is expected to have a year of mixed fortunes, as the benefits of an improved agricultural sector, consumer confidence and foreign investment could be diluted by unrest, analysts said last week.

In line with the industrial sector, the food sector has climbed steadily in recent months. However, it has lagged the industrial index in the past two weeks. *BIDAN*

Analysts said the end of the drought would benefit the food sector over the next year. Companies reporting in the next few months would not derive any benefit in the short term, but results for the second-half, and for financial 1995, would show a significant increase off a low base.

The positive effect on food companies manufacturing maize or wheat products would be immediate. Vegetable prices were expected to fall, and margins should widen for frozen food manufacturers.

The red meat and chicken industries were expected to improve, but some fishing companies had been affected by low catches. *Bill 194*

There was concern that unrest and stayaways in the run-up to the election could harm food manufacturers and retailers. An analyst said unlike semi-durable and durable sales, food sales could not be deferred. *(186)*

There have also been some top management changes which could affect the performance of the bigger groups. Nick Dennis of ICS Holdings is to head Tiger Oats and Dave Kennealy has taken over at Foodcorp after the death of CE Dirk Jacobs.

The year could also see more joint ventures between the local food groups and the major international companies like Heinz

Union enters into profit-sharing agreement

THE Food and Allied Workers' Union (Fawu) in Cape Town has entered into a profit-sharing agreement with the management of Bromor Foods and is renegotiating its targets and payments for each month, a Fawu spokesman said yesterday.

The union is negotiating a wage increase of 8% across-the-board from March 1.

Fawu shop steward Abie Plaaitjes said the incentive drive to "include workers in profit-sharing" was beneficial to management and workers.

"We score by going into this

BDay 11/2/94
JACQUIE GOLDING

scheme and it stimulates our otherwise mundane jobs," said Plaaitjes.

The incentive was that workers would get paid additional money when their production targets were achieved.

The targets were set after agreement between the union and management.

The scheme, which would reward workers on the shop floor for increased productivity, was based on a set of criteria *(186)* *(355) (152)*

If workers were more than 80% productive on their machines, an additional R20 was handed to each worker, and if customer service levels were higher than 95%, each worker received R20.

"This increases team effort within the factory environment," said Plaaitjes.

Workers also would be penalised from 10% to 50% per day for unauthorised absence from work. However, this had "driven workers to increase productivity and not stay recklessly at home", said Plaaitjes.

COMPANIES

DEL MONTE ROYAL CORP. STAYS FORECASTS

DESPITE the global recession and a sluggish European fruit market, Del Monte Royal Corporation (Delcorp) is expected to exceed its earnings forecasts for the year to November when it reports its results next week. *Biday 11/2/94*

Analysts said yesterday they expected Delcorp at least to meet its forecasts of earnings of 62.5c a share and dividends of 20.8c a share.

The forecasts were made by management in December 1992 when Royal, aided by Anglo, acquired Del Monte Foods International to become the Del Monte Royal group.

Analysts said that at an operational level, the results could be below expectations because of recessionary conditions in Europe for the year to November, and oversupply in the deciduous fruit market in Europe. However, it was expected to benefit from lower interest charges and lower taxation.

Despite relatively bullish forecasts, the share price of group companies has been sluggish. Yesterday Del Monte Royal Holdings fell 50c or 5.8% to 800c. The share reached a high of 920c a year ago, and dropped to a yearly low of 600c in October.

Delcorp closed unchanged at 800c, off a

MARCIA KLEIN

February 1993 high of 925c and a September low of 600c. Major operating subsidiary Delfood closed at 875c, off a January 1993 high of 950c and a September low of 600c.

Analysts said this was because of the sector in which it operated, as well as ignorance of what the group was really about. *(186)*

They said the scheduled presentation to investors next week should help to clear up some misconceptions about the group. A major problem was that SA investors did not have access to Del Monte products, which were market leaders in Europe.

Analysts said Delcorp's major asset was its brand name, but SA investors were not aware of the strength of its brand. The market was also scared that the Del Monte acquisition was too big to digest, and that it had happened too quickly.

In September, financial director Jacques Frags expected the group to meet its forecasts. Interim results to May had been better than expected, the group had taken certain steps and had rightsized a year in advance. These steps would place it on a good platform for the current year, he said.

DIAGONAL STREET

The time is ripe for LANGEBERG to bear fruit.

SITIMCO (RUSS)

6/2/94

186

114

LANGEBERG's Ray Brown says prices for deciduous fruit are bound to rise in Europe this year because of supply shortfalls. The question is, which month?

Timing is relevant to the company's share price, now languishing at a low of 400c. Once sentiment turns, the shares will pick up even without an improvement in earnings.

Mr Brown spoke to members of the Investment Analysts Society in Johannesburg this week about Langeberg's prospects.

Langeberg buys and cans fruit and vegetables. About 85% of its fruit production is exported.

It also makes soups, sauces, preserves and salads. Fruit makes up 42% of sales and vegetables 29%.

Leading brands domestically are Koo and All Gold. Turnover was R755-million in the year to last September.

Fruit is by far Langeberg's biggest export product. Quoting Almac figures, Mr Brown says SA had 7% of the world's deciduous canned fruit production — measured in basic cartons — in the year to June 1993.

Although this number is 1% lower than for the previous year, Greek exports jumped 3% to 22%. But Greece will probably not sustain this level.

Mr Brown says unconfirmed reports are of a cut this year, possibly as much as 25% to about 12-million basic cartons of product.

This will have positive effects on heavily stocked Langeberg because Europe accounts for more than half

of its export sales. A quarter go to the Far East and only 7% to America.

Almost the entire Langeberg crop is choice quality, whereas perhaps only half of the Greek product is premium.

Mr Brown draws a contrast between the lot of a Greek fruit company backed by European Union money and Langeberg's benefiting from SA's general export incentive scheme (GEIS).

In a nutshell, Langeberg nets R24-million net of European Union tariff barriers whereas the comparable Greek canner gets R41-million in agricultural subsidies and R8-million in export subsidies.

Langeberg suffers a disadvantage of R25-million by being on the southern tip of Africa instead of Europe.

Mr Brown says one Greek company's boast is of "Langeberg-quality fruit", something not wholly true.

Langeberg buys without obligation from the 1 000-plus producers that formed the co-operative. The co-op now owns 30% of the equity. Mr Brown believes the group's input costs are the lowest in the business and that improvements to productivity will enable costs to be held at current levels for several years.

Access to fruit and vegetables is a big barrier to entry for potential domestic competitors.

Expertise, a distribution network, market share and big brands also help Langeberg.

Brand-building ahead is one route Langeberg will take in expanding market share. Sanctions meant that most of the



RAY BROWN

packaging fruit and containing costs makes Langeberg a good long term investment

product sold in Britain was as supermarket house-brands.

The decline in Britain's import-tance to Langeberg has been sharp. Thirty years ago Langeberg sold almost everything there, now Britain accounts for 10% of Langeberg export sales.

Mr Brown says some British buyers do not always honour their contracts and are squeezing all international suppliers for lower prices because their own 8%+ retailing margins far exceed Europe's average 2%.

Mr Brown expects only a small economic recovery this year, but Langeberg will be cushioned by the benefit of a full year's contribution from new tomato-based products,

partly from fewer employees and greatly from the disposal of the pineapple operations which lost R10-million last year.

Langeberg remains a trader in pineapples, but sold the canning plant to growers.

Fruit-supply pipelines in Europe are full, says Mr Brown, and early price indications are poor. But a turnaround is inevitable. A deprecating fund will boost local earnings, but all assessed tax losses have been used up.

In short, Mr Brown says Langeberg will have to go some length to match last year's earnings unless export prices pick up soon. He says almost the whole Greek peach pack has been sold, but other

suppliers are battling to sell, except for lower-quality produce.

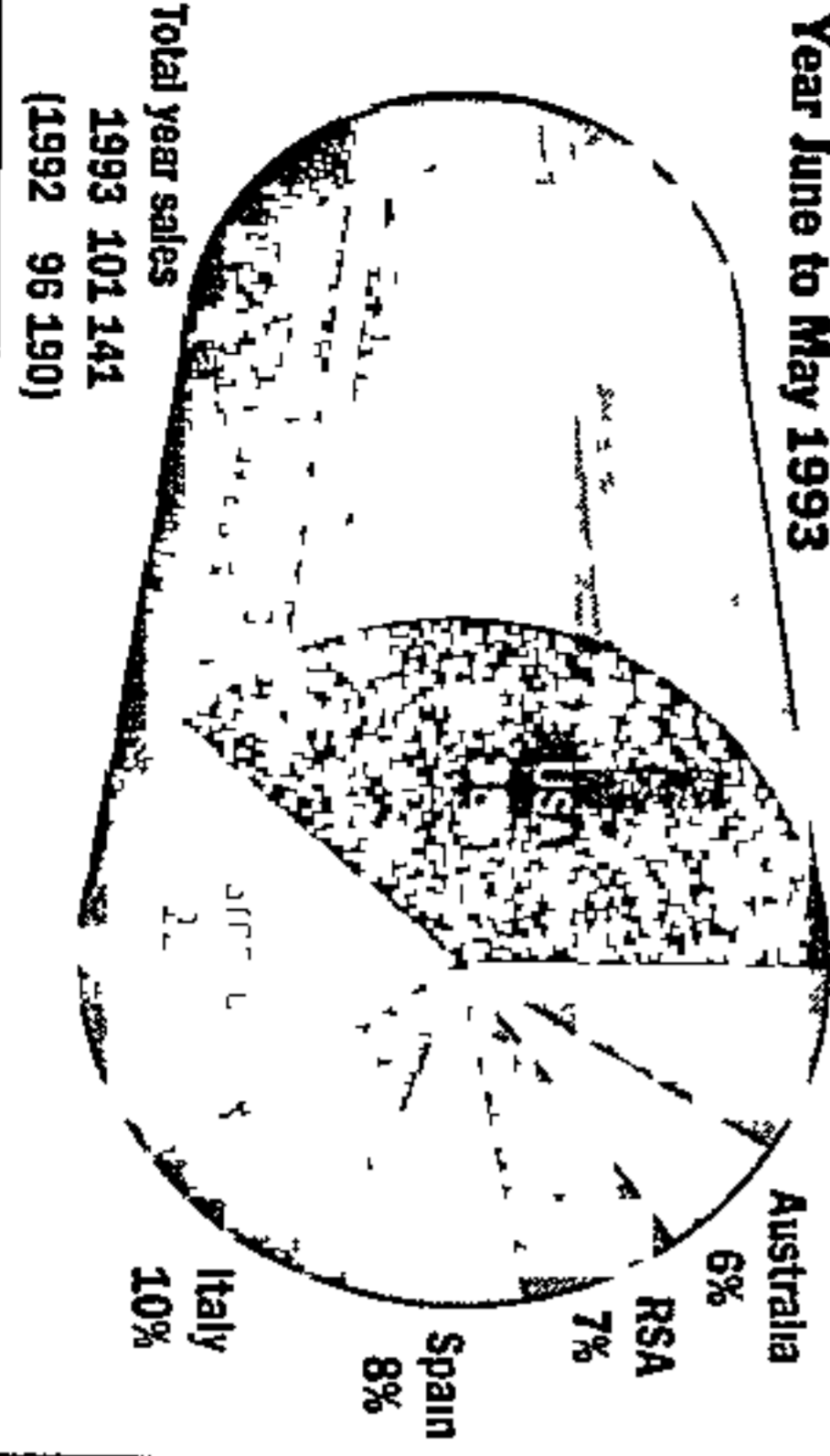
Demand for choice fruit will return. Consumers, especially in North America, Japan and Western Europe, prefer it and Langeberg has it to sell.

Nobody can contradict Mr Brown's summary. In the longer term Langeberg is an excellent investment. But time is money, as long as the customer can buy cheaply from Langeberg, so will investors be able to come by the shares at today's low price.

Interest is so high in Langeberg competitor Del Monte's presentation to analysts this Tuesday that the venue has been moved to the Carlton Hotel, Johannesburg.

World deciduous canned fruit production

(0000 basic cartons)
Year June to May 1993



Total year sales
1993 101 141
1992 96 190

Graphic: NOVA KRISCH

Source: ALMAC

NEWS Cosatu and Nactu affiliates fight for recognition ● Councils in *volksstaat* row

Sowetan 7/2/94 Volksstaat councils rapped

THE Transvaal Provincial Administration's executive committee yesterday strongly objected to city councils executing "mandatory orders" in which they were requested to swear allegiance to a "*volksstaat*".

Pretoria MEC for Constitutional Development and Negotiation (Local Government) Mr André Cornelissen was reacting to reports that certain town councils had recently accepted the mandatory orders.

Cornelissen said the orders requested councils to safeguard the infrastructure for a *volksstaat* and to use the entire infrastructure for acquiring a *volksstaat*. Other requests were to safeguard residents of the municipality concerned and to let councillors and officers swear allegiance to the *volksstaat*.

"The local Government Ordinance and other Ordinances pertaining to local government do not authorise a city council to make a decision of this nature." Such action creates an impossible situation for the town clerk and other senior officers, who are bound by legislation to perform certain duties and who now have to act in conflict with their employers.

Sowetan 7/2/94 Natal unions in clash

By Isaac Moledi

CONFLICT is looming between members of the Congress of South African Trade Unions and National Council of Trade Union affiliates at Rainbow Chicken in Natal.

Nactu affiliate Food, Beverage and Workers Union in Hammarsdale has accused the Food and Allied Workers' Union, a Cosatu affiliate, of intimidating its members. Fawu is also alleged to have given FBWU members a choice of either joining the union or "face death".

According to FBWU regional organiser Mr Eric Ndlovu, Fawu had accused the FBWU of being an affiliate of the Inkatha Freedom Party. He said his members had been ordered to vacate Georgetdale, a Mpumalanga township, and to go to IFP strongholds. But Fawu secretary in Maritzburg Mr Isaac J Ngcobo denied the allegations, saying it was a lie that "Fawu wanted to kill FBWU members". He said the FBWU had lost a secret ballot which proved that Fawu was in the majority at the company (186).

He agreed that his union regarded the FBWU as an IFP affiliate because "we hear that the majority of FBWU members are members of the IFP". Ndlovu claimed, however, that his members were being harassed because the Fawu was in the minority. He blamed the death of one member last December on the dispute and said another member, Mr Nyabulo Khanyile, was almost killed recently. Nactu has confirmed that the FBWU is an affiliate and that it was aware of the conflict at Rainbow Chicken.



R8,5-m tomato process plant

Business Editor

(186) ~~3/2/94~~

LANGEBERG Foods has opened a new R8,5 million tomato concentrate plant at Lutzville in the north-western Cape in the final phase of a R28,5 million tomato-processing expansion programme.

The other R20 million was spent on two factories in the Transvaal. **ARL 7/2/94**

Langeberg managing director, Ray Brown said the Lutzville plant would process tomatoes grown under irrigation in the Lutzville/Vredendal area.

Delfood income better than forecast at R208m

JOHANNESBURG — The newly restructured and enlarged Del Monte Royal Foods group yesterday reported attributable income of R208,5m for the year ended November 1993 compared to a forecast of R205,5m

(186) CT 8/2/94
Delfood's previous year's results were not directly comparable as Delfood raised R2,2bn at the end of 1992 to acquire Del Monte Foods International

This altered the structure and spread of the group significantly as illustrated by attributable income of just R35,5m in the 15 months to end November 1992

Turnover was lacklustre as a result of global recession, and earnings before interest and tax at R259,2m were lower than forecast of R331,5m

However, lower interest rates enabled earnings before tax to make up some of this ground to R227m against forecast earnings before tax of R270m

A much lower than expected taxation bill of R18,5m, forecast R64,5m, saw the international food group post the higher than expected attributable income

Earnings a share were 61c compared to an expected 60,1c while the group declared a final dividend of 13c a share, making a total dividend of 21c a share against a forecast 20c a share

Delfood is a subsidiary of the Del Monte Royal Corporation which reported yesterday attributable income of R100,2m and declared a final dividend of 12,9c a share pushing the total dividend to 21c (17,8c)

Delcorp holding firm, Del Monte Royal Holdings which depends entirely on it for income, declared a final dividend of 12,9c bringing the total dividends to 21c a share, while earnings a share amounted to 63,1c — Sapa

Delfood falls well short of operating profit forecast

Start 8/2/94

BY STEPHEN CRANSTON

The depressed canned fruit market meant operating profit of Del Monte Royal Foods (Delfood) was 22 percent below forecast for the year to November 1993

(186)
When Royal Corporation put in a bid for Del Monte Foods International in 1992, it forecast operating profit for the group of R331,5 million, but it came down to R259,2 million

Thanks to interest payments of R32,3 million and an effective tax rate of eight percent, attributable earnings of R208,5 million were R3 million ahead of forecast

CEO Vivian Imerman says a new corporate and capital structure enabled the group to reduce its tax rate and it is carrying a tax loss of R290 million

The group benefited from lower interest rates, particularly in the UK, while better exchange rates enabled it to save R192 million on the cost of the DMFI acquisition

Delfood president Enrico Sola says Del Monte has generally maintained its market share, despite the increase in private labels.

It continued to focus its pro-



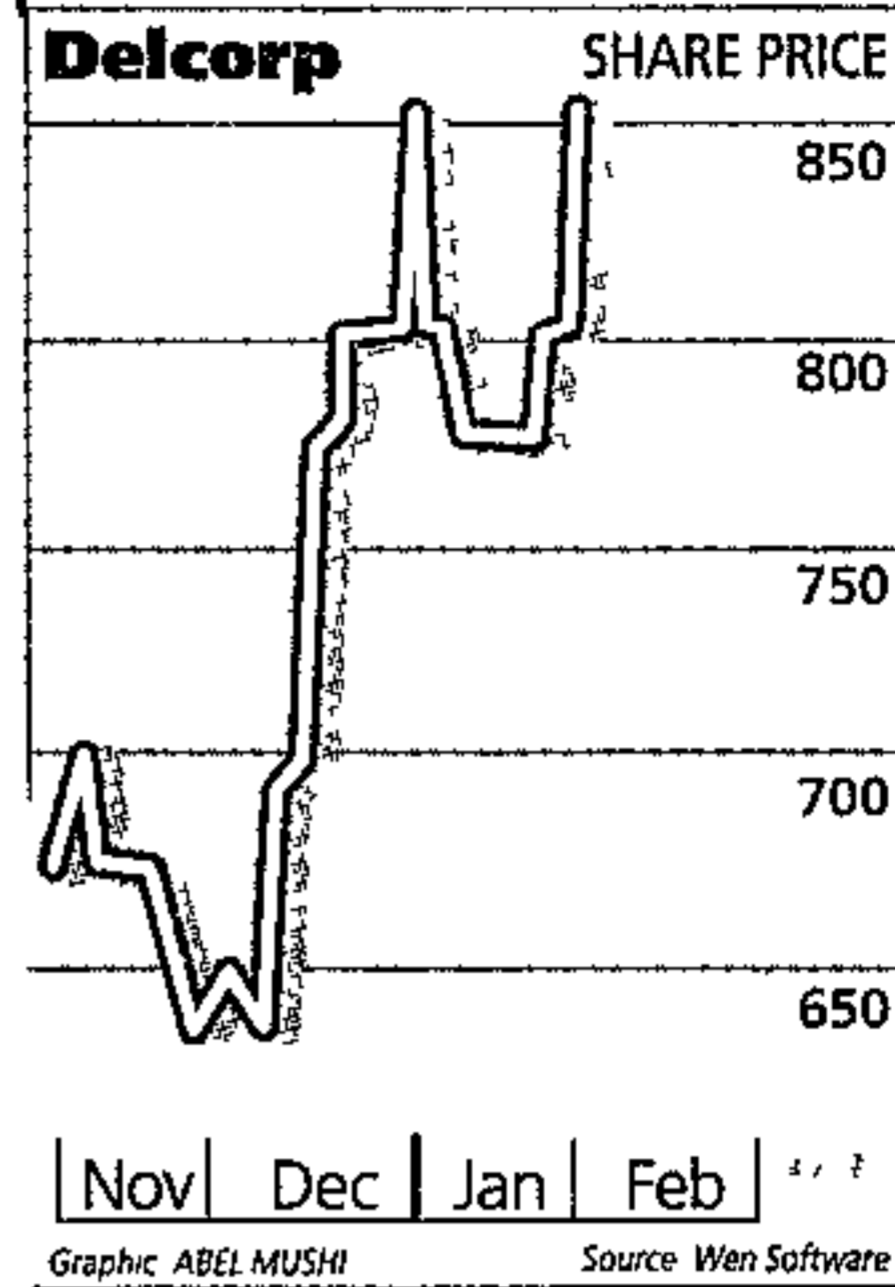
Vivian Imerman . . . new corporate structure

duction on the most cost-effective areas, making it the lowest-cost producer in the business

Delfood continued its policy of diversifying from its core markets in the UK and Italy, which account for 45 percent of sales, by making a greater marketing effort in France, Germany and Spain

It aims to penetrate the rest of the territory in which it is licensed to sell goods under the Del Monte label East Europe, Africa and the Middle East

In SA, it opened a 14 000 square metre distribution cen-



tre in Chloorkop and will launch the Del Monte range of canned fruits nationwide this year

Delfood briefly hit 950c after the takeover before falling to 600c last September

Even after the bull market of the last few months, the share is trading at 850c, still 30c below the issue price of the new shares

At a P/E ratio of 14,8, it is trading well below the food sector average, though ahead of the nearest comparable company, Langeberg at 9,5. Delfood nonetheless offers value

COMPANIES

Delcorp meets forecasts despite difficult conditions

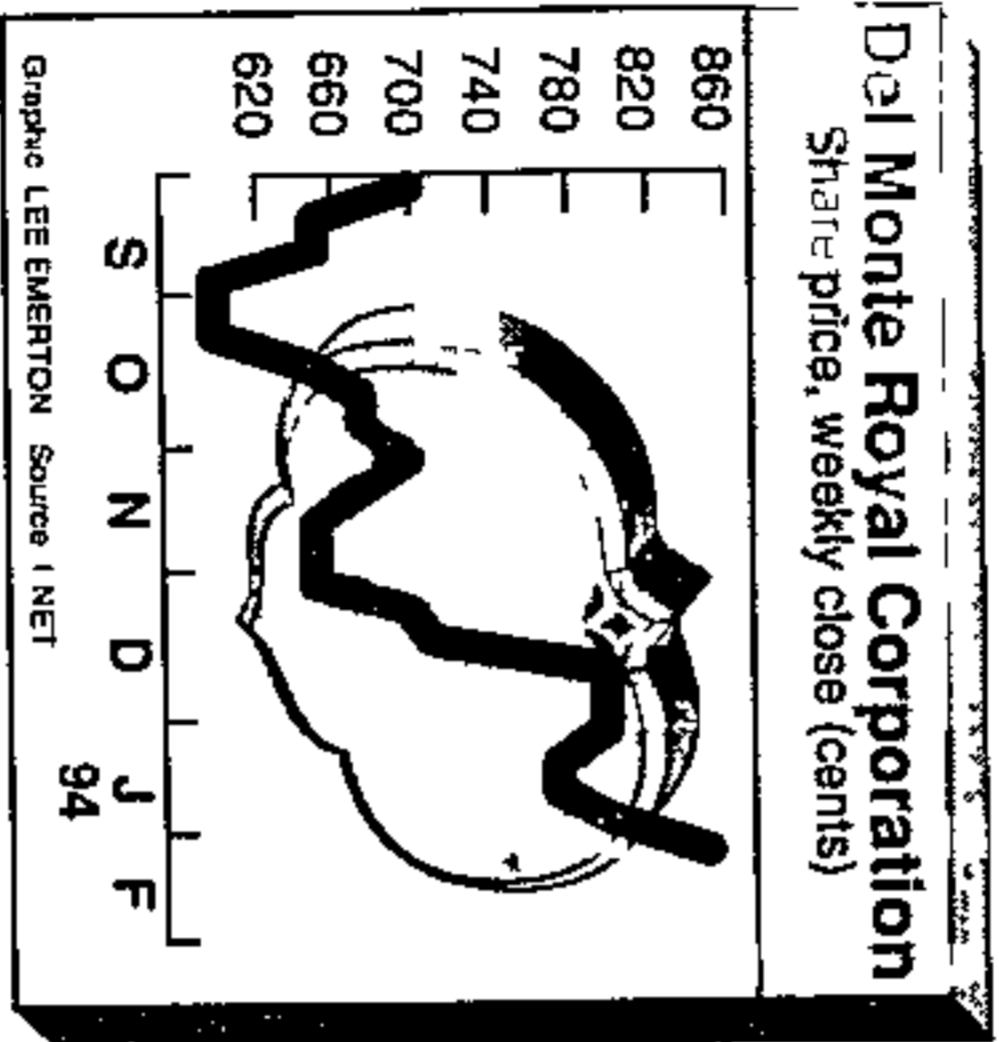
MARCIA KLEIN

DESPITE worse than expected conditions in the European and local deciduous fruit markets, lower interest and tax charges enabled the significantly enlarged Del Monte Royal Corporation (Delcorp) to meet its forecasts in the year to end-November.

The food group's earnings of 63.1c a share and its dividend of 21c a share were marginally above the forecasts made to shareholders soon after the Royal and Anglo groups bought Del Monte Foods International (DMFI) to form Delcorp in December 1992.

Results can not be compared with the previous period as the latter was for 15 months, and because the recent results incorporate for the first time those of DMFI.

Major operating subsidiary Del Monte Royal Foods reported earn-



Graphic: LEE EMERTON Source: I NET

ings of 61c a share and declared a dividend of 21c a share for the period.

Chief financial officer Jacques Fragas said turnover of R1.4bn (R374m) was well below forecasts due to difficult trading conditions and the adverse effect of exchange rate movements in Europe. Operating income was R233.3m (R53.4m). A lower than expected interest bill

of R30.9m (R13.7m) reflected a R192m reduction in the DMFI acquisition cost — due to the strengthening of the rand and 18% as well as lower interest rates.

Fragas said the forecast rate of taxation had been conservative. The effective tax rate was lower due to "a permanent change in the group's capital and corporate structures". This, as well as available tax credits, exempt income and tax losses of R289m carried forward, would see the low tax rate continue.

Chairman and CE Vivian Inerman said Delcorp would introduce new products, expand into new areas and look at acquisitions. It would launch Del Monte products in SA within the next few months.

The group, which sources 80% of its earnings from offshore, was looking at an offshore listing. Inerman said the share was trading at a significant discount to competitors on the local and international markets.

Del Monte Royal Foods chairman and CE Vivian Inerman, left, CEO Enrico Sala and chief financial officer Jacques Fragas at Anglo American's headquarters at yesterday's presentation of the group's results.



Picture: ROBERT BOTHA

Reorganised Bidvest lives up to expectations

BIDAY 9/2/94

MARCIA KLEIN

A REORGANISED and considerably enlarged Bidvest group more than doubled attributable income to R41,4m (R17,3m) in the six months to end-December — living up to market expectations evident in the hike in its share price during the past year

The services, packaging, catering supplies and food group's share closed yesterday at R115, just off its R116 high and nearly double its February 1993 low of R58. Yesterday Bidvest announced that shareholders would receive a 45% higher interim dividend of 142c (98c) a share for the interim period.

Results reflect the effect of various major changes in the previous year, including the R263m acquisition of freight clearing and forwarding company SA Freight Corporation (Safcor) and the acquisition of minorities in subsidiaries Crown Food Holdings and Afcom Group.

Chairman Brian Joffe said the results reflected the group's successful

reorganisation, organic growth and positive contributions from recent acquisitions. Most divisions had performed satisfactorily.

Turnover of R1,2bn was more than three times higher than the R383,4m reported in the previous year.

Joffe said pressure on margins, and the traditionally high-volume low-margin nature of the Safcor business, saw the operating margin drop to 4,4% (9,2%). Operating income was up 53,5% at R54m (R35,2m).

The group earned interest of R1,8m after paying a R10,1m interest charge in the previous period.

Although the groups' attributable income was more than 200% up on the previous year, earnings were 56,5% higher at 410,2c (262,1c) a share on a large increase in the number of shares in issue.

The group has net current assets of R329,8m, of which R244m is in cash. Joffe said Bidvest's cash resources

together with its strong capital base would enable it to look at acquisitions of considerable size and scope.

During the six-month period, the group acquired Prestige office cleaning and pest control company for R31m and disposed of cosmetics company Justine ~~(177)~~

Prestige has been incorporated into a new division Bidserv, "which has been created to accommodate the group's future growth activities in the industrial, commercial and leisure service sectors". Bidserv also includes Steiner Services ~~(186)~~

The group created another division, Combined Foods, incorporating the bakery supplies division and Crown National, "to focus on developing the group's interests in the food ingredients industry".

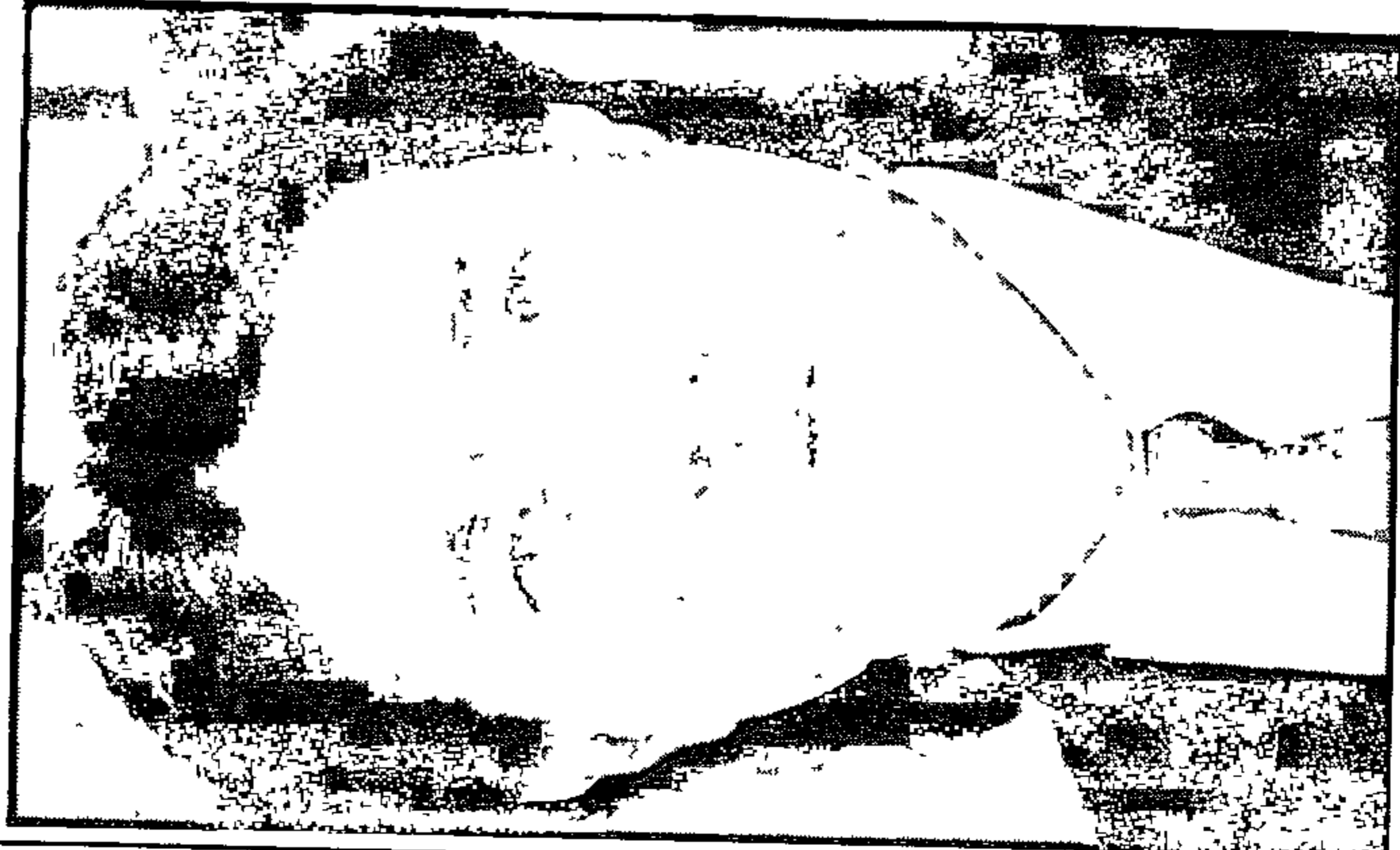
Joffe expected Bidvest to maintain its performance in the second half.

Bidcorp, which has a 74% stake in Bidvest, reported earnings of 213,2c (136,2c) a share and declared an interim dividend of 74c (51c) a share.

DIAGONAL STREET

Del Monte Foods ripe for picking

SITIMCO (BUSD)



VIVIAN IMERMAN profit margins will not be sacrificed

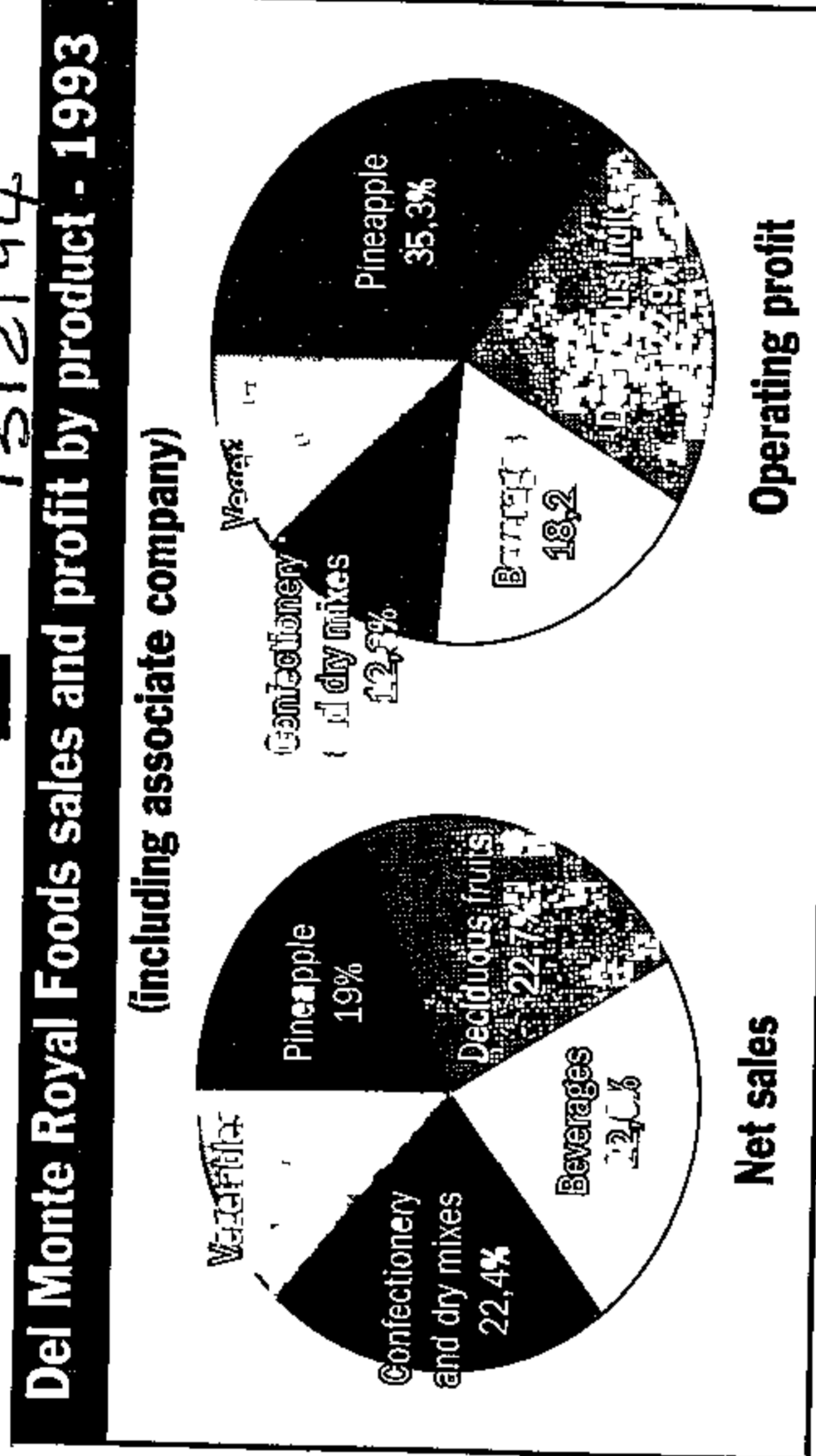
DEL Monte Royal Foods' 150 products brought sales of R1,5-billion in more than 100 countries in the year to December 1993.

Although R400-million below the forecast made a year ago when South Africa's Royal food and chemicals company joined the first league with a successful bid for Del Monte Foods International (DMFI), a tax bonusella helped the group beat its earnings and dividend projections.

At a presentation to 300 analysts and shareholders in Johannesburg this week, chief executive Vivian Imerman said profit margins would not be sacrificed for sales. About half of the R400-million shortfall in the forecast was due to currency fluctuations. About R200-million of sales were lost because prices would have been too low.

It was a tough maiden year for the enlarged group which won the financial backing of Anglo American Corporation in the Del Monte bid.

Earnings of R259-million before interest and tax were more than R70-million short of expectations. But an internal group restructure after the DMFI deal meant a halving in the forecast interest bill to R32-million, a



Graphic: FIONA KRISCH

reduction in gearing to only 15% and the surfacing of tax losses totalling R290-million. Only once the management got inside the acquired DMFI could it see what was possible.

Tax of R18.5-million was barely a quarter of the projection, allowing Del Monte to declare attributable income of R208.5-million and beat the forecast.

Mr Imerman says the low tax rate is the norm among multinational competitors and it can be expected to continue about this level for the foreseeable future.

Mr Imerman says Del Monte has bases in nine countries, mostly in Europe, and produces food at 10 plants - four in SA, two in Italy and one each in Greece, the Philippines, Kenya and England.

South Africa provides about half of the deciduous fruit sold in the group. The group's Chloorkop and Isando factories respectively make food, confectionery and biscuits on the Highveld and there is a modern fruit cannery in the Cape at Tulbagh.

The SA Preserving Co (to be renamed Del Monte SA) cans peaches, pears, apricots and fruit cocktails. Donald Cook does broccoli and fruit drinks.

The group has bought asparagus company Utopia in the Eastern Free State and is looking for other businesses.

Del Monte's thrust has several prongs. It will launch more products in the current year under the Del Monte label.

It also seeks to diversify geographically and to strengthen its presence in European countries where its distribution is weak. The countries are France, Spain and Germany.

Mr Imerman closed the presentation with statistics about Del Monte's share rating compared with other food groups.

Against both domestic and international competitors, the group has the worst price-earnings ratio and the highest dividend yield.

The shares have suffered from an overhang of sellers, especially those reluctant to look beyond the short term. Misconceptions about Del Monte's prospects in recession also contributed to the poor image.

Del Monte Royal Foods' shares picked up 25c to 850c on the results, but are 70c short of last year's February peak.

Above it in the group structure come Del Monte Royal Corp and Del Monte Royal Holds, controlled by the Imerman-Anglo American consortium.

Shares in the latter pair should trade at the same price because their earnings and dividends will be equal under the restructure. Del Monte is 875c and Delhold 850c.

Michael Spriggs of London securities house SG Warburg rates the group a buy.

Many of its costs are incurred in weak-currency areas whereas sales are in hard ones. I believe it is time for an upward re-rating, particularly since 80% of income is of a rand-hedge nature. The group looks a good buy ahead of expected improvements in markets and earnings.

Premier sets great store by Bonnita

BY STEPHEN CRANSTON

Premier has identified the R3,2 billion dairy industry as an important growth sector says deputy CE Gordon Utian.

Utian says Premier likes to operate as a dominant player in whichever industry it operates, and ideally would have liked to acquire control of National Co-operative Dairies, which has 40 percent of the market.

But he says Premier was particularly glad to acquire the No 2 company, Bonnita, with a 22 percent market share. Bonnita is the largest

player in the added-value sector of the dairy industry.

It produces more than a third of SA's Gouda and over 50 percent of long-life milk.

Bonnita will be one of the most significant new listings on the JSE this year and is expected to start trading in August or September.

It is currently 51 percent-owned by Premier, 48 percent by members of the Cape Dairy Co-operative, to which its suppliers belong, staff and the employee trust and one percent by the Cape Dairy Co-operative

Star

Bonnita MD Louis Duplessis says raising money is a secondary consideration in the listing. There are 210 million shares and perhaps a further 20 million will be offered, either directly to the public or through a public placing.

The shares trade internally at 180c, which is a fairly conservative P/E ratio of about 13, compared with a food sector average of 20, and 23 for its parent company Premier and 15 for ICS, which has large dairy interests.

Utian, who is also chairman of Bonnita,

22 Feb 1994

says Premier is a strong believer in mass market brand development

Bonnita already has well-established brands such as Long Life and Everfresh in the ultra-pasteurised milk market. Steri Stumple, a flavoured low-fat milk sold almost entirely to blacks, Montali and Bon Blanc cheese and Dewdrop juice.

The mass market is also starting to acquire a taste for yoghurt, having been large consumers of Maas, a cultured sour milk, for many years

At the top end of the market Bonnita recently

acquired Aylesbury, a range of ice cream and frozen confectionery.

Bonnita has shown considerable growth in recent years.

Turnover rose from R169,1 million in 1989 to R695,8 million in 1993

Premier paid R100 million for its shareholding on March 1 1993, and materially strengthened Bonnita's balance sheet in the process.

Interest payments amounted to R26,8 million in the 14 months to April 1993 and are forecast to be no more than R3,1 million in the year to April

Nestlé hit by snap strike

By Day 24/2/74
JACQUI GOLDING

ABOUT 3000 Food and Allied Workers' Union members downed tools at seven Nestlé plants yesterday to support their demand for centralised bargaining and a minimum wage of R1 800, a union official said yesterday.

The affected plants are in Maritzburg, Estcourt, Bethal, East London, Mossel Bay and Bellville.

A company spokesman said the parties were to meet today in a bid to resolve the unprocedural stoppage.

The spokesman said wage increases of between 9% and 11% had been granted in most areas, close to the demanded minimum wage, but the union felt R1 800 for the lowest-paid categories was not excessive. (S)

He said negotiations had been continuing and it was unclear what the reason for the stoppage was. (S)

The union spokesman said the company had agreed in principle to centralised bargaining, but had split the divisions according to function and proposed three forums be established. The union initially agreed to this, but now felt one forum was more appropriate. (S)

I&J halts slide in earnings

Star 22/2/94

■ BUSINESS STAFF

Frozen fish and foods group Irvin & Johnson (I&J) achieved a four percent rise in attributable earnings to R31,6 million in the six months to December from R30,4 million in the first half a year ago (186)

The group has thereby reversed last year's slide, which saw earnings fall by 24 percent.

Market conditions were weak and prices continued to fall, resulting in I&J reporting only a two percent increase in turnover to R886,4 million.

Apart from weak markets for its own fish and frozen vegetable products, the market remained depressed for Rainbow Chicken, which I&J distributes.

However, margins were generally maintained through productivity improvements.

Operating profit rose four percent to R45,4 million (R43,5 million).

A 30 percent increase in interest paid to R9 million (R7 million) was offset by a lower tax charge, resulting in the slight bottom-line improvement.

Although earnings a share rose four percent to 109,9c (105,6c), it is not paying an interim dividend

I&J says international white fish prices remained under pressure and there was no indication of a reversal in this trend

Nor has there been an improvement in climatic conditions so far this year, which has given rise to poor fishing in South African waters

I&J expects modest earnings growth in the second half, but warns that the volatility in world seafood prices and domestic uncertainty before April's elections could affect the forecast

US firm takes up R92m Tongaat stake

B/Day 11/3/94

VERA VON LIERES

US FOOD company CPC International has exercised its option to buy a 50% stake in SA's Tongaat Consumer Foods for R92m, in one of the largest US investment deals since the lifting of sanctions. (232)

The joint venture, to be called CPC Tongaat Foods, will combine CPC's internationally known brands with Tongaat's established range of foods to produce branded consumer foods locally and in countries across sub-Saharan Africa. (186)

The Tongaat-Hulett Group and CPC International signed a joint technology and licensing agreement in October which granted Tongaat Consumer Foods (TCF) the rights to manufacture and market various CPC food brands under licence in SA and to export CPC brand products to sub-Saharan Africa. CPC had been given the option to purchase 50% of the equity in

TCF within an 18-month period. CPC Tongaat Foods executive chairman Simon Dougherty said the joint venture, which was looking to expand through new products and acquisitions, should achieve a turnover of R1bn in its first year.

Tongaathulett Group MD Cedric Savage said the venture "offers the greatest advantage for competitiveness as we don't have the time to become internationally competitive without major outside input".

Tongaathulett was looking at similar partnerships for other divisions, including a R1,4bn expansion of its aluminium rolled products facility and joint venture opportunities in its sugar, starch, glucose and property divisions. The group was also ex-

To Page 2

Tongaath

B/Day 11/3/94

From Page 1

amining a R10m extension to its Klerksdorp plant, to be commissioned by the year-end to manufacture CPC products. (233)

CPC Europe consumer foods vice-president Mohammed Wahby said the reinvestment showed a commitment to the current political and economic initiative. (186)

In terms of the deal, Knorr, Hellmann's,

Bovril, Marmite, Napolina and Maizena will be marketed in sub-Saharan Africa. When CPC withdrew in 1987, it sold the rights to its brands to the Tongaathulett Group, but confined the territory in which they could be marketed to SA and Namibia. SA and sub-Saharan African states will also be able to market CPC brands.

Workers' protest at ABC enters fifth day

ABOUT 300 workers from the Food and Allied Workers' Union (Fawu) enter their fifth day on strike today at three Amalgamated Beverage Canners (ABC) plants (186) (152)

About 50% of the workforce was striking at plants in Wadeville, Epping (Cape Town) and Pinetown (Durban), an ABC spokesman said yesterday. However, the company said an agreement was reached with Fawu enabling management to continue

production throughout the strike

Fawu assistant general secretary Ernest Buthelezi said the strike would "intensify" if management failed to meet workers' wage demand of a 12% across-the-board increase over 12 months. Deadlock was reached between ABC and Fawu last month when management extended the period for payment of a 12% increase from 12 months to 18 months.

JACQUIE GOLDING

COMPANIES

Four firms bid to buy Willards

FOUR major food companies have submitted tenders to acquire Utico's Willards Foods division, market sources say. *Biden*

Although it was not clear who the four were, analysts said yesterday that most of the major food groups would be interested in acquiring Willards. *16/3/94*

Companies tipped to have made offers included Cadbury Schweppes, Anglovaal's National Brands, Hunt Leuchars & Hepburn, Tongaat-Hulett, Tiger Oats and Royal Beech-Nut. It was also possible that a foreign company might have submitted a tender. Willards represented an investment in a well-managed, profitable business with established distribution chains.

Speculation on the sale of Willards followed a cautionary announcement issued by Utico on January 28.

But it was still unclear why Utico wanted to sell a highly profitable division.

MARCIA KLEIN

Although Utico does not supply separate figures for its tobacco and food interests, one analyst said he believed that Willards' earnings were R16m, or 43% of group earnings of R37m. Another estimated Willards had about 30% of a market which was worth about R600m a year. *(186)*

Generally, analysts said it appeared Utico wanted to focus on its core tobacco business. In 1992 it sold its Fresh-Up juice division to Royal Foods. *(186)*

At the current share price of R102, Utico is at a price to earnings ratio of nearly 17%. Analysts said they believed Willards could be sold at a significantly higher PE. Initial estimates that prospective buyers could pay R250m were thought to be high but they could, in fact, be too low.

TONGAAT-HULETT

Taking a partner in consumer foods

In fewer than six months, Tongaat-Hulett has repositioned its food operations from being largely commodities-based to the more profitable, and probably more stable, consumer foods end of the market

Tongaat could also become a significant exporter of foods through its new joint venture company CPC Tongaat Foods, after last week's announcement that the multinational US-based CPC International had taken up its option to buy half the equity of the new company for R92m

Group MD Cedric Savage traces developments back to what he describes as a "change of mindset" about a year ago, when Tongaat-Hulett decided joint ventures were the route to follow to become internationally competitive. He says the CPC deal is important because with the "removal of protective barriers, the SA food industry will become more competitive and we believe that only those companies with strong international backing will survive in the long run"

The timing is interesting. When Tongaat and CPC — which have a long relationship previously centred around Tongaat subsidiary African Products' wet milling activities — signed a joint technology and licensing agreement in October, the US-based company had 18 months within which to exercise its option to buy 50% of the newly focused Tongaat Consumer Foods. This was basically the old foods division minus less synergistic businesses like cotton, animal feeds, eggs and poultry and commercial caterers Supervision Services

CPC could have waited for developments after next month's general election — instead it decided to come in before, which says as much about its view of the economy as it does about its faith in Tongaat as a partner

Mohammed Wahby, CPC's vice-president of consumer foods for Europe, says his group believes the first steps have been taken to build a new SA. Before signing the first deal in October, Wahby and CPC International board member Alain Labergère were in SA, and with Tongaat chairman Chris Saunders and senior executives they met government, ANC and IFP leaders. That apparently convinced them it was time to return to the SA market, from which they disinvested in 1987

The joint venture will add considerable weight to Tongaat's basket of branded products, though the rights to leading brands like some Knorr products and Marmite still belong to Hunt Leuchars & Hepburn (HLH) in SA. Tongaat can export these brands to sub-Saharan Africa, target market for the joint venture company, but cannot market them in SA. Wahby says rationalisation with HLH subsidiary Robertsons, which markets the other CPC brands in SA,

is not on the agenda, though he admits the idea makes sense and options will be kept open

Apart from the advantages of the new CPC brands and access to its advanced, global technology, CPC Tongaat Foods has the potential to become a sizeable player in SA's food industry. Chairman of the new company, Simon Dougherty, says he expects turnover of about R1bn in the first year of operation

It will also absorb cash in its start-up phase. An amount of R10m has already been budgeted to expand Tongaat's factory at Klerksdorp to accommodate the manufacture of the new CPC products. Investment is likely to be substantial as acquisitions are sought to grow the business

But capital should not be a problem — Tongaat has a strong balance sheet and is a good cash generator, and with turnover of US\$7bn expected from CPC in its current financial year, nobody is going to question its ability to fund its latest joint venture

The old foods division contributed about a quarter of Tongaat's turnover, fractionally less than the sugar division, but at the 1993 year-end was only contributing about 13% of profit (compared to sugar's 37%). That could be the big advantage of the joint venture — with an expanded portfolio and the move downstream into higher value consumer foods, returns should show a strong improvement

The deal could also indicate further joint venture arrangements for Tongaat — Savage says options available for both the aluminium and textiles divisions include the possibility of international partners



Tongaat-Hulett's Savage other joint ventures possible

Last week's deal is being seen as the beginning of growing investment in SA companies. Stephen Levenberg, the partner at Werksmans who represented CPC in the deal, says the joint venture could start a "whole new investment trend in SA". He adds that other multinationals are looking at direct investment through options or joint ventures, particularly in consumer products, manufactured goods and computer services, and are investigating instruments such as debt-equity swaps

But Tongaat has been the first to benefit. The share price has doubled from around R19,50 when the deal with CPC was mooted in October to R39 — just below the record R40 set last week. Ratings are now higher than the average for the food sector. But the possibility of more joint ventures, with a recovery of the sugar crop and potential for the building materials division, should keep investor interest high

Shaun Harris

Utico (86)
CT 22/3/94
confirms
foods sale
to AVI
subsidiary

NEGOTIATIONS for the sale of Utico's Willards Foods division — which market sources have put at well over R300m — are well advanced

In a cautionary announcement published yesterday, Utico confirmed that arrangements were being finalised for the sale of its Willards Foods business to Anglovaal Industries (AVI) subsidiary National Brands

National Brands, AVI's 98%-owned fast-moving consumer goods division, has a wide range of branded products housed in Bakers, Becketts (tea, coffee, soft drinks and cereal), spices and Yardley cosmetics. Its 'Pleasure Foods' division includes Wimpy, Milky Lane, Golden Egg and Juicy Lucy

It also has a distribution division

Yesterday, Utico's share reacted to the news, adding to recent gains by climbing 50c or 0,4% to close at a new high of R106,50

While speculation about the possible buyer is now over, there is still no indication of how much the deal would be worth to Utico

It is now estimated that National Brands would pay R300m to R350m to acquire the business

Utico wrapping up its sale of Willards

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It is now estimated that National Brands would pay R300m to R350m to acquire the business

An analyst said although the price earnings ratio would be quite demand-

MARCIA KLEIN

ing at this level, it would probably include a revaluation of brands and this would wash out in the earnings.

It was still unclear why Utico would sell a good business, and what it could possibly do with the money it earned from the disposal *(252) (186)*

It was earlier speculated that Utico would want to focus on its core tobacco interests, but market sources said they could not understand why it would want to dispose of what seemed to be a good business *22/3/94*

Although Utico does not separate the financial results of its interests, it recently said in its annual review that Willards had increased market share and reported real growth in the year to December

One analyst said that the sale was possibly a decision taken by Utico's UK-based holding company, BAT Industries, which was rationalising its activities worldwide

"It seems Utico is not its own boss in this matter," the analyst said

No mention is made of speculation that Willards was offered to prospective buyers on tender.

If this was so, National Brands evidently made the most attractive offer

Willards a tasty snack

Star 23/3/94

■ BY STEPHEN CRANSTON

It is no surprise that National Brands (NB), Anglovaal Industries' unlisted subsidiary, has been identified as the buyer of snack foods company Willards from Utico

John Bryant, NB managing director, says NB has long identified salty snacks as an above-average growth sector NB is already dominant in biscuits via Bakers, owner of the Baumann's and Pyott's brands.

One of Willards' main attractions was its distribution network, one of the three best in SA.

Investors may be disappointed that the deal will not lead to a listing of NB, one of Anglovaal's best performers.

At June 1993 it had net cash of R142,8 million — not enough to buy Willards, believed to have accounted for half of Utico's profits. And Utico's market cap is more than R600 million.

Even so, a price of R300 million shouldn't stretch NB's gearing

Food giant struggles to maintain profits

□ Half-year marked by weak consumer demand

ALIDE DASNOIS
Business staff

FOOD giant Foodcorp struggled to maintain profits in a half-year marked by weak consumer demand

At R48 million, attributable earnings in the six months to February were lower than forecast, but four percent up on year-ago figures

Chief executive Dave Kennealy said this was satisfactory considering the background of pressure on margins as manufacturers competed for falling volumes

If the distorting effect of the joint ventures set up last year was excluded, turnover was up just over five percent. Operating income was static at R85 million but Foodcorp managed to reduce financing costs from R14 million to R10 million, mainly as a result of lower interest rates and the sale of the frozen foods businesses to the Pillsbury Brands Africa joint venture

Mr Kennealy said demand for frozen vegetables had been hit by the better agricultural crop Simba's products had been affected by aggressive competitive pricing, but this

had been offset by good performances from Nola and Protein Resources

The merger of Enterprise and ICS's Renown into Enterprise Foods in June was showing benefits earlier than expected, he said

Pillsbury Brands Africa, the joint venture with international food giant Pillsbury, would launch its first products on the South African market this year. Meanwhile access to Pillsbury's international network was boosting Foodcorp's export drive

The fishmeal plant in Chile came on stream in January and production was beating expectations

Mr Kennealy said trading conditions in the second half were difficult to predict but earnings growth should be maintained at the same level

The dividend is unchanged at 23c

■ Paper and packaging company Harwill boosted turnover 25 percent to R22 million in the six months to December. However pressure on profit margins reduced growth in attributable earnings to 16 percent at R1.3 million

Directors said trading condi-

tions were not expected to improve in the second half and the year would show only moderate earnings growth

■ Plastics company Fransaf, listed on the JSE in December, posted a generous 50 percent rise in attributable income to R4,16 million in the year to December on a 17 percent rise in turnover

The company makes plastic injection moulding and road traffic signs through its subsidiary Safety Technologies Limited (Safetec), acquired in December

Safetec, whose results are not incorporated in the figures, showed a loss of R366 826 in the six months, of which R346 173 was attributable to Fransaf

Directors said the company traditionally traded at a loss during this period

Safetec should contribute to earnings in 1994, they said. Fransaf was well on track and earnings in the current year should show an improvement on 1993

Sentrachem had taken up its option to buy further shares, injecting R2 million into the company earlier this month and Fransaf's financial position was strong, directors said.

186

ARG 23/3/94

BUSINESS

Weak consumer spending hits Foodcorp

Star 23/3/94



CE Dave Kennealy

BY STEPHEN CRANSTON

Faced with depressed trading conditions, Foodcorp won't meet its forecast of 12 to 18 percent earnings growth in the year to August

In its interim results to February the diversified food manufacturer has posted a 3,6 percent increase in earnings to 98,3c a share. Chief executive Dave Kennealy predicts similar growth in the second half

The interim dividend has been held at 23c.

"If there is an upturn, companies in the construction business and capital projects have seen it first. The upturn in consumer spending is some way down the track," says Kennealy

Turnover **186**

Turnover increased by just 1,7 percent to R1,32 billion, though this is distorted by the sale of 50 percent of Table Top to Pillsbury to form Pillsbury Brands Africa.

On a comparable basis, sales increased by 5,2

percent and volumes grew at the level of food inflation (4 to 5 percent)

Foodcorp's value-added interests were hit as consumers traded down. Low demand forced Prime Roast, a deboned roast product, to suspend production

Simba was hit by severe price and product competition in a declining market. Both Simba and competitor Willards saw their market share eroded by cheaper unbranded chips. A good agricultural crop reduced demand for frozen vegetables but frozen food sales should increase after the introduction of Pillsbury pre-sauced pasta products

Pillsbury is probing the viability of a canned vegetable plant. A decision will be made in mid-May. Next year PBA should launch Pillsbury's frozen dough products, involving investment in a hi-tech process

Enterprise

Enterprise Foods, an ICI joint venture, is ahead of expectations. There have been cost-savings from the rationalisation of Enterprise and Renown, which has included the closure of the Renown Newtown plant. The venture is expected to make a positive contribution in the second half.

Margins in the bread market, including those for Foodcorp's Sunbake, remain unacceptably low as volumes are down and bakers struggle to maintain market share

The maize market is also flat, although Ruto Mills and Nola are

achieving better extractions from the maize crop. Kennealy is hopeful that after the year's bumper maize crop the maize price drop

There were encouraging improvements from Nola, which increased market share in both Bobtail dog food and Nola Mayonnaise

The agri-business, which has been a brake on group profitability in the past, did better and meat prices started to firm in January

Fishmeal plant

The fishmeal plant in southern Chile was brought on stream in January and the new canning plant will be commissioned in April.

The balance sheet was strengthened. Lower interest rates and cash from Pillsbury enabled finance charges to fall from R14 million to R10 million. Gearing fell from 32,3 to 30,0 percent

Foodcorp's results are not out of line with other food companies. I&J, for example, recently reported growth of about 5 percent in the six months to December. Premier Group and Tiger Oats may well do better because of their spread of non-food interests

At R40,50 Foodcorp has a p/e of about 19, which is almost level with I&J but below Tiger and Premier

As long as current trading conditions persist Foodcorp is not exactly a steal but in the longer term its well-balanced portfolio does have growth potential

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Foodcorp earnings edge up

From MARCIA KLEIN

JOHANNESBURG. — Mixed results from its branded and commodity food interests saw Foodcorp report a 3.6% rise in earnings to 98.3c (94.9c) a share in the six months to end-February.

CE Dave Kennealy said although the results were lower than forecast, they were satisfactory against a background of declining volumes and pressure on margins. He said that when the original forecasts were made, Foodcorp was relying on a turn in the economy, but this had not happened.

There was little volume growth in the industries in which the Malbak subsidiary operated. Food price inflation was 4% to 5%, and this low level reflected weak consumer demand and strong competitive pricing.

Group turnover was marginally higher at R1.3bn, although it would have risen by 5.2% if it excluded the distorting effect of the various joint venture agreements which Foodcorp entered into last year. Apart from

Results dip on forecast as economy 'fails to turn'

linking up with international group Pillsbury, it also entered into joint venture agreements with ICS in the prepared meats business (Enterprise) and the distribution business (Cold Cham).

Pressure on margins saw operating income come down slightly to R85m (R86m). Financing costs were reduced to R10m (R14m), largely as a result of lower interest rates, the redemption of preference shares and the sale of the frozen foods businesses to the Pillsbury Brands Africa joint venture.

Attributable earnings were 4.3% higher at R48m (R46m), and the interim dividend was maintained at 23c a share. Kennealy said results reflected the

benefits of Foodcorp having its operation spread between value-added and commodity products. Price increases were contained, so there was no inflationary growth. But costs were tightly controlled.

Simba, a major contributor to profit, came under pressure from trading down and from competitive prices. It dropped some market share, mainly to the lower end of the trade. The bakery business made a profit, but was under pressure, and the good agricultural crop led to a weaker demand for frozen vegetables.

But subsidiary Nola did well and picked up market share, and the protein resources businesses benefited from a better season.

(186)

CT23/3/94

Commenting on Pillsbury, Kennealy said the new joint venture company had done initial market research, and would launch new frozen vegetable-meal products in August. The dough products, which would probably require the erection of a new factory, would form stage two of the process.

Access to the Pillsbury international network was already boosting the group's export drive.

The fishmeal plant in Chile was commissioned on time and within budget, and the canning plant would come on stream in April.

Kennealy said that in the second half, trading would be affected in April in the run-up to the election. But he added that there had also been disruptions last April.

He expected earnings growth in the full year to be comparable with that achieved in the first half.

Commenting on future strategic moves, the group had been talking to a few major international players, but would have to evaluate if there was synergy.

Foodcorp satisfied with mixed results

Bilay 23/3/94

MARCIA KLEIN

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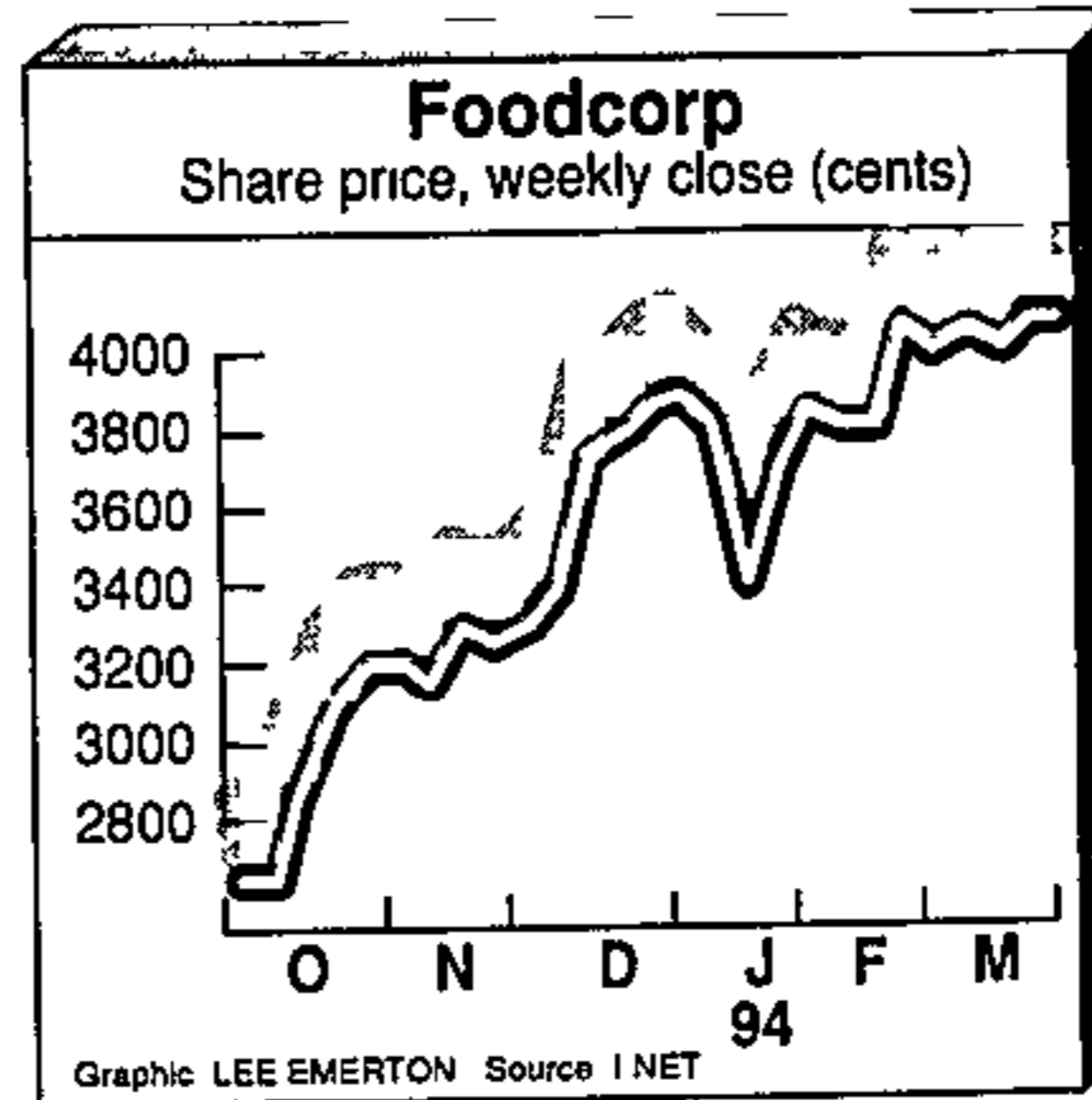
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SAME MENU

Six months to	Feb 28 '93	Aug 31 '93	Feb 28 '94
Turnover (Rm)	1 303	1 354	1 325
Operating income (Rm)	86	95	85
Attributable (Rm)	46	56	48
Earnings (c)	94,9	115,8	98,3
Dividends (c)	23,0	37,0	23,0

FM 25/3/94
 incurred which affected operating profit Renown's Head Office and its Newton factory were closed. A new Enterprise factory will open in the western Cape in August.

As for the pressure in the snacks division, Kennealy says the SA snack market declined 3% in volumes last year and placed enormous strain on Simba's prices. Simba lost some market share to the bottom end of the market. He adds that this has been recaptured and margins are turning. A decline in the group operating margin is not expected at year-end.

Conceivably, Kennealy is expecting to find sustenance from one of several joint ventures undertaken last year. In September, Foodcorp signed a joint venture with Minneapolis-based food giant Pillsbury. The vehicle is Pillsbury Brands Africa (PBA) and benefits will gradually filter through to Foodcorp's bottom line over three years. The lag between the signing of the joint venture deal in September and introduction of new products is because of the difference between SA and American markets. "Careful marketing, price and taste testing has had to be carried out," says Kennealy.

The Cold Chain, a chilled and frozen distribution company now jointly held by Foodcorp and ICS after a deal in July, distributes the Table Top and Enterprise ranges. While the farmers are happy with the recent good agricultural crop, PBA is not. The demand for frozen vegetables declined in the six months. The Cold Chain will see an improvement in fortunes as it takes on more of the distribution of Enterprise/Renown, which were merged late last year. Benefits from this merger will be felt fully only in 1995.

What of the fact that food prices are increasing at a decreasing rate? Kennealy says this should be putting more money in consumers' pockets. "But volumes are just not coming through. Demand is not improving." At the end of the 1993 year, value-added foods accounted for 55% of Foodcorp's business, with staple foods responsible for the rest. Kennealy says though this has dropped, he expects it to rise to 55%-60%. He bases this on Pillsbury coming on to SA shelves in spring this year and an improvement in Enterprises' and Simba's perform-

FOODCORP FM 25/3/94
On a leaner diet

Operating as a food group specialising in both staple and value-added goods, in a country with an expanding urban population, should equate to good turnover and earnings growth in a normal economy. In the six months to end-February this did not apply to Foodcorp. Turnover rose 1,7% to R1,3bn and operating income fell 1,2% to R86m while finance charges were reduced 29%. This left pre-tax profit up 4,2%. Adjusting for joint ventures entered into last year, turnover rose 5,2%.

CE Dave Kennealy says costs can't be cut any further without biting into the fabric of the company — something he is not prepared to do. Also, the Simba snacks division, which came under the most pressure because of severe price competition, hardly increased prices over the past 12 months. Shareholders might be concerned about this dilemma: inability to cut costs, and product prices recently rising at a rate below inflation. But Kennealy sees this as temporary.

Further, he says the weak operating margin partly reflects costs of rationalising Enterprise. In July, after the merger with Renown a number of once-off costs were

FOX

FM 25/3/94
 ance
 Grain-based foods & edible oils contributed 31% to operating income, Prepared foods and snacks 37% and Protein resources chipped in 32%. Snacks' contribution dropped two percentage points.
 The share, on a p e of 19,2, is creeping closer to the sector average of 21,5. However, it is still below Premier's 23,8 and Tiger Oats' 22,6. Perhaps this is because investors feel the other two food groups have diversified interests including pharmaceuticals on which to fall back. But investors, it seems, are looking past the latest interims and towards the future, when full contributions from the joint ventures will come on stream. The shares are worth accumulating for the long term.

(186) Kate Rushton

Consumer spending lag puts pressure on Malbak

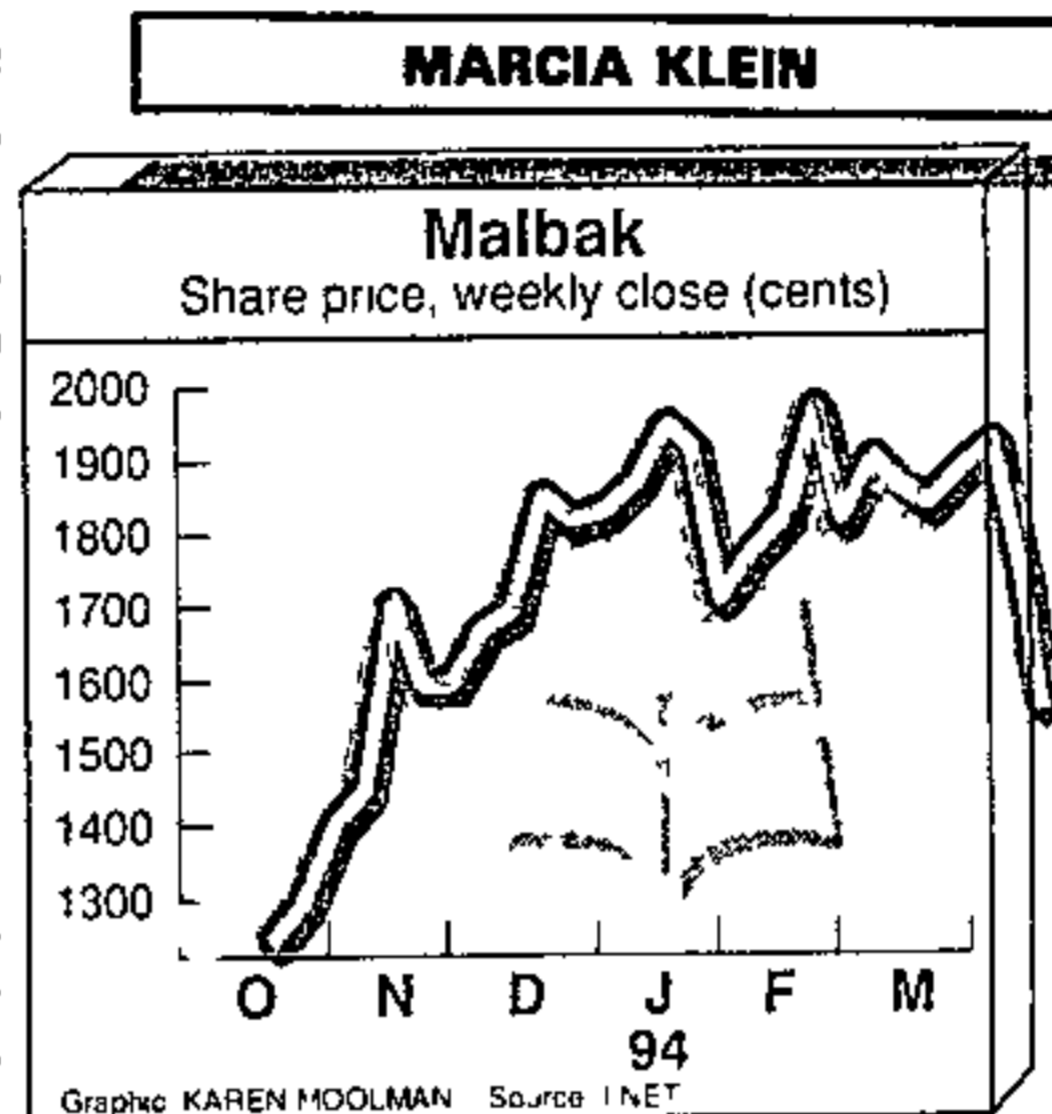
FOOD, packaging, health care and branded consumer products group Malbak lifted earnings 5% in the six months to February, as consumer spending was slow to react to improved economic conditions.

The group, whose major listed subsidiaries include Foodcorp, SA Druggists, Holdains and Ellerine, increased its turnover 8% to R5,8bn (R5,4bn).

But pressure on sales volumes and operating margins resulted in a marginal decline in operating income to R384m (R388m). Executive chairman Grant Thomas said the margin was also depressed by the group's high level of cash, with cash balances earning less than a year ago because of lower interest rates.

Thomas said the economy had begun to show signs of a return to real growth, but the effects had not filtered through to the consumer.

"The past six months have been characterised by sporadic short bursts of consumer spending interspersed with periods of stagnation." This drop in consumer demand caused pressure on sales volumes and operating margins "and has been the major influencing factor on operating performance"



Management had applied itself to those areas of the business which it could control.

The interest bill dropped to R43m from R64m on the back of reduced borrowings and lower interest rates. This, together with a lower effective tax rate, saw income after tax rise by 11% to R233m (R209m).

Attributable earnings were 5% higher at R179m (R170m), equivalent to 58,2c (55,5c) a share. But the interim dividend rose by 12% to 14c (12,5c) a share, partly to reduce the disparity between the interim and final dividends which had emerged over the past three years.

Commenting on divisional per-

formances, Thomas said branded consumer products, which now contributed 21% (13%) of group earnings, had an excellent first half. Furniture retailer Ellerine increased its earnings, while Tedex returned to profitability. Malbak Motor Holdings' results were "pleasing", despite a shortage of new vehicles.

Food group Foodcorp, which made up 19% of earnings, reported "a small but satisfactory increase" in earnings. Packaging group Holdains felt the effect of competition, restructuring costs and a Carlton Paper strike.

SA Druggists increased its earnings 25% as it gained market share in a declining market and improved operating efficiencies. Its contribution to group earnings grew to 15% (12%). Offshore arm MY Holdings expanded its operations through the acquisition of a folding carton business in the UK.

Corporate earnings were affected by the sale of its interest in Standard Engineering in the second half of last year and lower results from Haggie.

While the economy should show real growth in the current calendar year, Thomas said, it would take some time for the benefits to translate into consumer spending. The group expected a modest rise in earnings for the full year.

Business Report

AVI subsidiary pays R100m more for Willards

Own Correspondent

JOHANNESBURG — Anglovaal Industries' (AVI) subsidiary National Brands is to pay R411m for Willards, nearly R100m more than expected. Yesterday's announcement of the deal followed speculation that Utico subsidiary United Tobacco Company would sell its Willards Foods division by tender, and a cautionary announcement that it was talking to National Brands in this regard.

Market sources initially pegged the deal at R250m, but said later Willards could attract a buyer at well over R300m. The agreed R411m came as a surprise.

A National Brands spokesman said the rumours "did not reflect the valuations which emanated from our valuation and those of leading merchant banks". The price "does not include a huge premium considering the value of all the trademarks of Willards which come with the deal".

National Brands' interests include Bakers, Baumann's, Pyotts, major tea and coffee brands, breakfast cereals, powdered beverages, groceries and cosmetics. Through subsidiary Pleasure Foods, it is also a franchisor of Wimpy, Milky Lane, Golden Egg and Juicy Lucy. Last year its turnover was just over R1bn and earnings were R88,5m — 25% of those of AVI.

Willards' brands include Willards, Crinkle Cut, Big Korn Bites, Cheasnaks, Cheese Curlys, Flanagan's, Hula Hoops and Flings, as well as Stimorol's distribution rights.

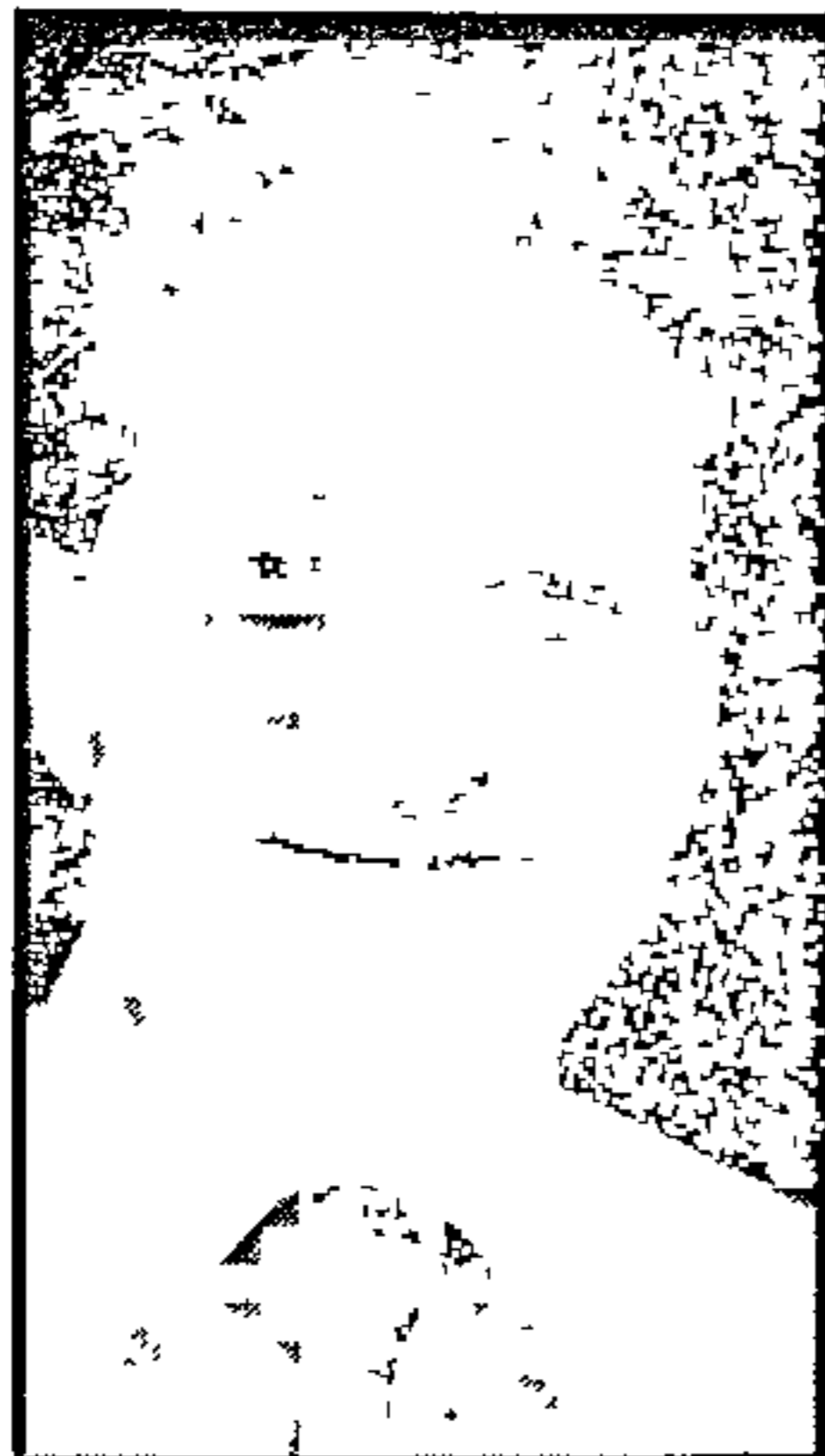
National Brands said the acquisition would give it an enhanced portfolio of dominant brands, and a meaningful share of the huge snack food market.

Other gains were "a significantly extended distribution capability, participation in a developing, growth-orientated market segment", and strategic links and synergistic benefits within National Brands. It would also have an international alliance with a global snack food company.

The acquisition would not affect AVI's earnings in the short term, but Willards would become a significant contributor

There was a mixed reaction to the deal. One analyst said the price was "ludicrous" and "ridiculously expensive". It was believed that Willards' operating profit would be R27m this year and its earnings R16m. This meant that its price to earnings ratio was "double the internationally acceptable numbers."

But another analyst said the deal, which he estimated placed Willards at a price to earnings ratio of 26 times, offered National Brands significant synergies



RAIMUND POULIART

Baking group wins bread with exports

ARC 23/4/94
MARC HASENFUSS

EXPORTS have been an important breadwinner for baking supplies group Macadams Manufacturing.

The Blackheath-based group exported nearly one-third (R12,3 million) of its total R41 million turnover for the year to end December. Exports have grown consistently from R7,6 million in 1992 and R4 million in 1991.

These performances secured Macadams a place amongst the Weekend Argus/Cape Chamber of Industries 'Exporter of the Year' finalists every year since the competition's inception in 1991. Macadams were deserved winners of the prestigious award in 1992.

Chief executive Raimund Pouliart expects the group to consolidate its export drive next year. "We hope to at least maintain exports at last year's levels or even move up to R14-R15 million."

The group exported to Chile, Congo, Malawi, Israel, Germany, Canada, Mozambique and Mauritius last year. New markets have emerged in Poland, Spain, Thailand and Zambia this year.

He attributes the export success to the group's ability to compete with any overseas manufacturer. "Our customers recognise us as a force in world industry as regards quality and price competitiveness."

Mr Pouliart says the group has also remained flexible in its trading attitude. "We are able to give our clients a turnkey operation, which very few companies do."

The group's big sellers — Rotary Rack and Deck ovens — sell for around R30 000-R40 000 a unit, while a complete turnkey operation sells for R100 000-R120 000.

■ The 'Exporter of the Year' will be announced at a special dinner at the Mount Nelson Hotel on June 2. The guest speaker will be Clem Sunter.



MALBAK LIMITED

(Registration number 05/22234/06)

INTERIM REPORT

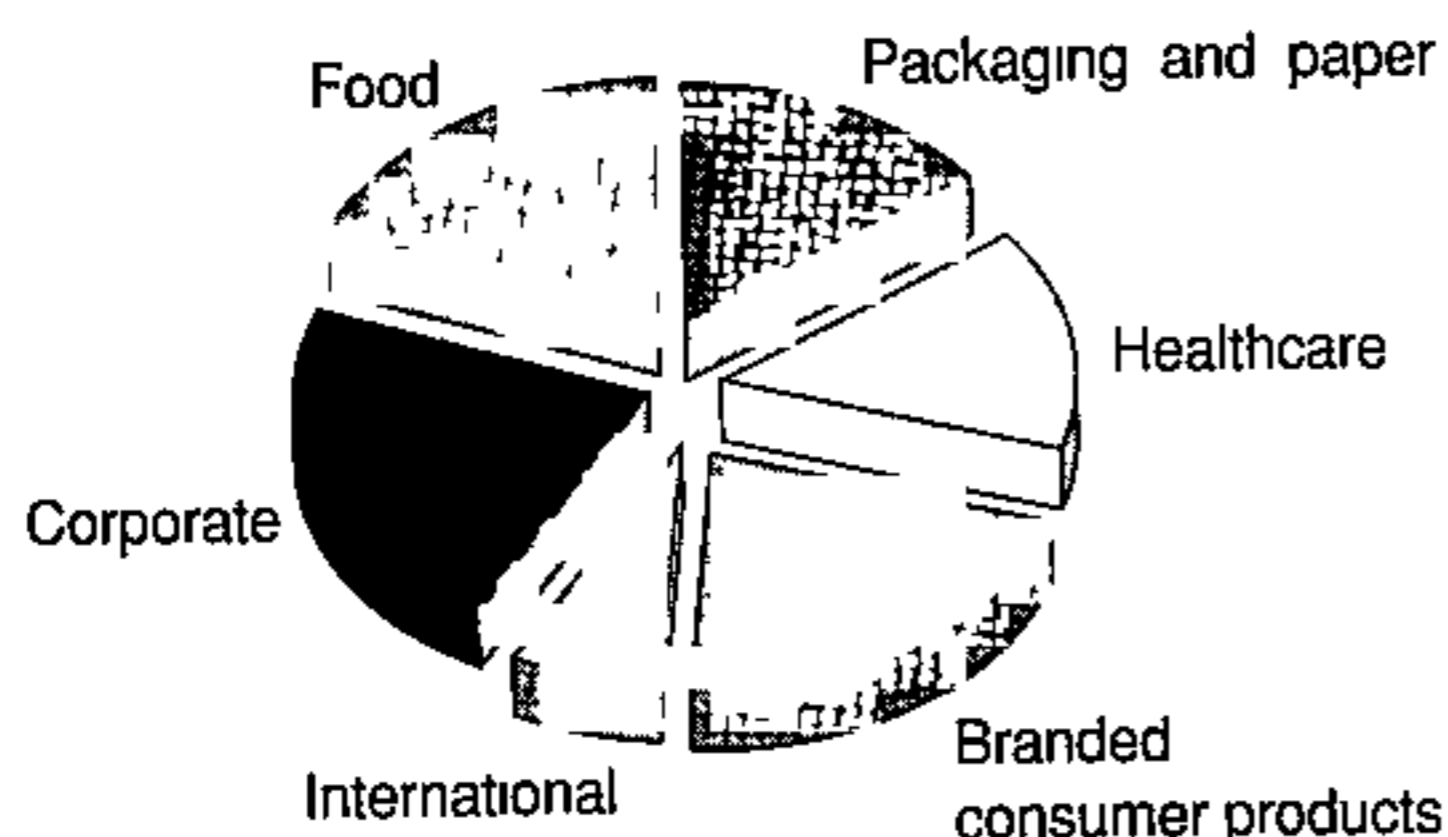
for the six months ended 28 February 1994

(232) 186

	Six months ended February		% change	Year ended 31 August 1993
	1994 Unaudited Rm	1993 Unaudited Rm		Audited Rm
Sales	5 808	5 393	8	11 002
Operating income	384	388		820
Interest paid	43	64		132
Income before taxation	341	324	5	688
Taxation	108	115		209
Income after taxation	233	209	11	479
Attributable earnings of associates	11	22		33
	244	231	6	512
Outside shareholders' interest	65	61		138
Earned for ordinary shareholders	179	170	5	374
STATISTICS				
Earnings per share (cents)				
- weighted average	58,2	55,5	5	122,4
- fully converted	58,2	55,2	5	121,7
Dividend per share (cents)	14,0	12,5	12	35,0
Number of shares in issue (000's)				
- at 28 February	307 674	305 478		305 478
- fully converted	307 674	307 674		307 674
Operating income/sales (%)	6,6	7,2		7,5
Interest cover (times)	8,9	6,1		6,2
Effective taxation rate (%)	31,7	35,5		30,4
Dividend cover (times)	4,2	4,4		3,5

	February		% change	August 1993
	1994 Unaudited Rm	1993 Unaudited Rm		Audited Rm
Total assets	6 649	6 006	11	6 572
Fixed assets	1 837	1 642		1 741
Investments	288	509		270
Current assets	3 637	3 180		3 560
Cash	887	675		1 001
Non-interest bearing debt	2 110	1 894	11	2 259
Total funds employed	4 539	4 112	10	4 313
Permanent capital	3 778	3 240	17	3 598
Ordinary shareholders' funds	2 882	2 493		2 741
Compulsorily convertible debentures	—	6		6
Outside shareholders' interest	896	741		852
Deferred tax	137	101		133
Borrowings	624	771		851
Total source of funds	4 539	4 112	10	4 313
STATISTICS				
Borrowings/permanent capital (%)	16,5	23,8		16,2
Permanent capital/total assets (%)	56,8	54,0		54,7
Current asset ratio	1,7 1	1,5 1		1,7 1
Value per share (cents)				
- historic net asset value	937	816	15	897
- market price	1 825	1 600	14	1 450

	February 1994		February 1993	
	Rm	%	Rm	%
Food	34	19	33	19
Packaging and paper	27	15	29	17
Healthcare	27	15	20	12
Branded consumer products	37	21	23	13
International	12	7	16	10
Corporate	42	23	49	29
Total earnings	179	100	170	100



	Six months ended February		Year ended August 1993
	1994 Unaudited Rm	1993 Unaudited Rm	Audited Rm
Cash generated from operations	506	500	1 053
Interest and taxation	(144)	(151)	(313)
Increase in working capital	(177)	(65)	(86)
Replacement of fixed assets	(108)	(155)	(293)
Cash available from operations	77	129	361
Dividends paid	(69)	(64)	(102)
Cash retained from operations	8	65	259
Net investment activities	(152)	(56)	143
Net cash (utilised)/generated	(144)	9	402
Shareholders' funds provided	—	—	116
Borrowings raised/(repaid)	30	(103)	(286)
(Decrease)/increase in cash	(114)	(94)	232

COMMENTS

Results

Although the economy has begun to show signs of a return to real growth, the effects have yet to filter through to the consumer in a meaningful way. The past six months have been characterised by sporadic short bursts of consumer spending interspersed with periods of stagnation. This general drop in consumer demand caused pres-

Fun 114/94 (186)

■ Earnings +5%

■ Earnings per share +5%

■ Dividend +12%

sure on sales volumes and operating margins and has been the major influencing factor on operating performance

As a result, group operating income has remained static. However, a combination of reduced borrowings and lower interest rates contributed to significant savings in interest paid which, together with a lower effective tax rate, enabled the group to increase income after tax by 11% to R233 million

Earnings for ordinary shareholders increased by 5% to R179 million, equivalent to 58,2 cents per share

Divisional comment

The table on the left shows the contribution by each division to group earnings

Food

The spread of Foodcorp's product range proved beneficial as consumers continued to buy down. Weak consumer demand continued to put pressure on margins, with manufacturers competing for declining volumes. The small increase in earnings per share was satisfactory in these circumstances

Packaging and paper

Holdains' turnover increased marginally during the period. Operating margins came under pressure as the group strived to maintain market share in highly competitive markets. One time restructuring costs were incurred, and a strike at Carlton Paper in February also reduced its operating profits. Consequently operating income declined despite the fact that other core businesses in the group performed satisfactorily. The estimated closure costs of the US operation of R28 million (R19 million attributable to Malbak) will be treated as an extraordinary item in the second half of the year

Healthcare

SA Druggists produced excellent results and gained market share in a declining market. Margins were maintained and operating efficiencies improved which contributed to a 25% increase in earnings per share. This was a highly commendable performance in volatile and competitive market conditions

Branded consumer products

Ellerines again performed well to increase earnings by 13%. This included the receipt of interest on the settlement of a long outstanding tax dispute, but is based on a solid trading performance in a very difficult market

Malbak Motor Holdings produced very pleasing results despite a shortage of new vehicle stocks. Recent acquisitions all performed well, while early signs of a recovery in the motor industry are evident

Tedex has returned to profitability, despite extremely tough market conditions. This has been achieved through internal restructuring and cost reductions, and was aided by increases in market share in some areas

International

MY Holdings plc expanded its operations by the acquisition of a folding carton business in England. In order to improve the tradeability of its shares and to enable MY Holdings to move to the main board of the LSE, Malbak took a strategic decision to reduce its interest in MY Holdings to 65%. These transactions resulted in a significant increase

in the share price from 45 pence to 61 pence

Corporate

Corporate earnings were affected by the sale of Malbak's remaining interest in Standard Engineering during the second half of last year and the depressed result already announced by Haggie. Although the corporate cash resources benefited from this sale, this was more than offset by following rights issues in Holdains and SA Druggists in the second half of last year. Earnings on corporate funds were reduced by lower interest rates prevailing during the period

Cash flow

Cash available from operations benefited from lower interest and taxation. However this was offset by increased working capital requirements, which was due mainly to the effect of acquisitions and joint ventures. Working capital levels remain under constant scrutiny and subject to tight control. Net investment activities comprised expansion capital expenditure (R106 million) and acquisitions (R46 million)

Balance sheet

The balance sheet is strong with borrowings/permanent capital at 16,5% (down from 23,8% a year ago), and the group is completely ungeared if the group cash is taken into account. Most of this cash is held at the centre, pending suitable opportunities for investment within the group's consumer focus

Prospects

Whilst the economy is expected to show real growth in the 1994 calendar year it will take time for the benefits to translate into consumer spending which is likely to be sluggish for the remainder of the financial year

Results in the second half of the financial year are difficult to predict in view of the uncertainty surrounding the election period. Given reasonable stability the board anticipates a modest increase in earnings per share for the year to August 1994

DIVIDEND

Your board has declared an increased interim dividend of 14 cents per share (1993 - 12,5 cents). The increase is in part to reduce the disparity between the interim and final dividends, the latter having increased over the past three years. This dividend will be paid on or about 20 May 1994 to shareholders registered at the close of business on 6 May 1994

On behalf of the board

GS Thomas
BP Steele

29 March 1994

Registered office
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off Fredman Drive
Sandown
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Sandton, 2146
Tel (011) 783-4480

Directors: GS Thomas (Executive Chairman), PJJ Benningfield, HF Brown, SR Bruyns, TJ Chalmers, MH Daling, PG Joubert, DP Kennealy (Insh), RL Lloyd, DS McGlashan, D Prins, DB Riley, AA Routledge, BP Steele, E van As, I Willis

R411m price tag on Willards

BIDAY 22/4/94
MARCIA KLEIN

ANGLOVAAL Industries (AVI) subsidiary National Brands is to pay R411m for Willards, nearly R100m more than expected.

Yesterday's announcement of the deal followed speculation that Utico subsidiary United Tobacco Company would sell its Willards Foods division by tender, and a cautionary announcement that it was talking to National Brands in this regard.

Market sources initially pegged the deal at R250m, but said later Willards could attract a buyer at well above R300m. The agreed R411m came as a surprise.

A National Brands spokesman said the rumours "did not reflect the valuations which emanated from our valuation and those of leading merchant banks". The price "does not include a huge premium considering the value of all the trademarks

of Willards which come with the deal".

National Brands' interests include Bakers, Baumann's, Pyotts, major tea and coffee brands, breakfast cereals, powdered beverages, groceries and cosmetics. Through subsidiary Pleasure Foods, it is also a franchisor of Wimpy, Milky Lane, Golden Egg and Jucy Lucy. Last year its turnover was just over R1bn and earnings were R88,5m — 25% of those of AVI.

Willards' brands include Willards, Crinkle Cut, Big Korn Bites, Cheese Curls, Flanagan's, Hula Hoops and Flings, as well as Stimorol's distribution rights.

National Brands said the acquisition would give it an enhanced portfolio of

□ To Page 2

Willards

BIDAY 22/4/94

□ From Page 1

dominant brands, and a meaningful share of the huge snack food market.

Other gains were "a significantly extended distribution capability, participation in a developing, growth-oriented market segment", and strategic links and synergistic benefits within National Brands. It would also have an international alliance with a global snack food company.

The acquisition would not affect AVI's earnings in the short term, but Willards would become a significant contributor.

Financing options had not been finalised. A listing of National Brands was not expected in the immediate future, but was not excluded, a spokesman said.

There was mixed reaction to the deal.

An analyst said the price was "ludicrous" and "ridiculously expensive". It was believed Willards' operating profit would be R27m this year and its earnings R16m. This meant its price to earnings ratio was "double the internationally acceptable numbers".

But another analyst said the deal, which he estimated placed Willards at a price to earnings ratio of 26 times, offered National Brands significant synergies in terms of distribution and advertising, and a tax break on the trademarks. National Brands obviously believed it could extract higher earnings from Willards than it was currently making.

IRVIN & JOHNSON

FM 22/4/94

Steady after rough seas

Group strategy is to go for the sophisticated end of the business

186

For some years there has been an aura of invincibility around the offices of this Anglo-vaal subsidiary. But the 24% fall in Irvin & Johnson (I&J)'s EPS in fiscal 1993 showed its management that even they cannot buck the basic economic trend for long.

I&J's profit history from 1978 to 1992 was so good it was almost certain to create complacency among its masters. In that period, EPS rose almost uninterruptedly from 14,7c to 258,4c, compound growth of 21%. The share price advanced at an annual compound rate of 33%.

In 1990, EPS fell 12,3% — a portent of things to come. The market soon forgave that. But, as 1993 progressed and it became clear that results were going to be squeezed by local and international recession, investors became disdainful.

From its record high of 4 850c in early 1993, the share fell 43% to a low of 2 775c in November. That was while the JSE Industrial index was rising rapidly. It pleased nobody, least of all the managers, who are now running hard to improve matters. Since then, despite the recent earnings tumble, the share price has recovered. But some analysts are now saying that because of its commodity-based activities — and, therefore, its cyclical nature — I&J no longer merits its rating of a 19 p e, close to its highest.

Questions now are: can management return I&J to its former earnings growth trend and justify its current rating? Or is it doomed to mediocre returns for some time and should it be down-rated accordingly?

Deputy chairman and CE Jim Williams remains confident that the group will resume an enviable profit record. He claims the earnings drop last year was not the fault of management but became inevitable because of poor local and international economies.

That fits neatly with the analysts' opinion about the stock's cyclicity. Williams is confident that the innovations being introduced to the product lines, with the reconstruction

I&J is undergoing, will enable it to outperform those cycles in future.

Fishing activities account for an estimated 30% of group turnover (Williams and financial director John Morrison won't disclose divisional turnover or profit contributions). Local fish sales account for an estimated 17% of sales. Another 4% is exported and 9% is "over-seas trading".

The term "overseas trading" arises firstly because part of the I&J fleet is registered offshore and secondly because of revenues generated by a joint venture operation with three Soviet-registered fishing companies. These were sensitive facts during sanctions. The venture fished from Namibian waters, with only horse mackerel quotas. Exports were mainly to Nigeria and Zaire.

White fish catches, almost exclusively hake, have been restricted locally by an unchanged quota for the past two years. That has constrained production volumes. But the recession in Europe in particular has weakened I&J's international fish trading operations and exports.

Hake consumption in Europe, especially in the traditional hake consuming countries of southern Europe, has declined, accentuated by the waning tourist trade. Massive unemployment in Spain, a country that consumes large volumes of hake, has worsened demand there.

And, instead of taking their catches back to Russia, the former Soviet fishing fleets operating around the North Sea have discovered it is far better to sell their fish for dollars — or any other Western currency — than roubles. Their catches have poured into Europe, where prices have fallen by as much as 40% over the past 18 months. Effects have backwashed all the way to SA.



Williams

worse, the Namibian white fish industry is making a remarkable recovery. It was "fished out" before Namibian independence enabled that country to police its extended 200 nautical mile exclusive economic zone and to protect the hake biomass with carefully selected quotas. This year the Namibian hake quota exceeds SA's and it's likely to do so to a much greater extent in future years.

Williams says the catch per unit of effort for hake fishing in Namibia is significantly higher

than the SA fleet can manage in SA waters. Namibia, rated a developing country, has Lome convention privileges in Europe which qualify its hake exports for duty-free entry to the EC. SA has no such dispensation.

The cost of landing fish in Namibia is less than in SA. Yet Namibia is in the SA customs union, with unrestricted access to the SA market. Namibian activity is helping to depress seafood margins in SA. That may be good for consumers but not for I&J and its local competitors. As Williams says, the Namibian industry is a major competitive threat to the SA industry.

What is I&J doing to cope with this increasingly tough and competitive environment? It appears to be ahead of the game, it should be, having been in it for longer than most.

Focus is being applied to wet rather than frozen fish, to make use of cheaper, on-shore factory facilities for exports. Large savings are expected to flow from this. Extensive retrenchments have taken place throughout the organisation.

On the Namibian front, in terms of an agreement reached last year, Kuiseb Fish Products, a Namibian company previously 100% owned by I&J, is now 51%-held by Namibians. I&J plans hefty capital investment in Kuiseb's processing and catching facilities.

The agreement with the 51% Kuiseb shareholders consolidates I&J's foothold and expansion in the growing Namibian hake industry. It enables I&J to enjoy continuing growth in the fishing industry, which it couldn't do if confined to static SA quotas.

I&J is maintaining its competitive edge by keeping its fish catching facilities up to date and by restructuring its shore-based facilities to produce high-quality, high-margin products for the domestic and international markets. Williams is conscious that with sanctions gone, opportunity exists for imported products to compete with I&J's in SA.

Lesser SA fishing operations no longer export because of reduced demand for the product in Europe. Even if they could export, low prices there make it unprofitable. Consequently, white fish prices have declined in SA as their stocks have had to be liquidated to maintain cash flows. Margins in the industry have deteriorated rapidly.

To make matters

Dwindling growth

Year to June 30	1988	1989	1990	1991	1992	1993
Turnover (Rm)	1 890	1 094	1 257	1 414	1 638	1 649
Operating profit (Rm)	82	103	89	97	107	84
Earnings (Rm)	51	66	58	67	74	56
EPS (c)	179	232	203	235	258	196
DPS (c)	55	70	70	78	86	86
Return on capital %	40	40	30	29	26	16
5-year compound EPS growth	34	35	25	27	16	2

Source: I&J

That is why, he says, the group strategy is to position itself at the sophisticated end of the business. I&J is using high technology to produce a quality product, mostly of the food service variety, that can compete globally. Capital intensity, research and development and skills are lofty barriers to entry for potential competitors.

As long as 28 years ago, I&J began its relationship with Rainbow Chicken. It distributes Rainbow's poultry throughout the country, an activity that now produces the largest slice of I&J's revenue. Payment for the service is a flat percentage of selling price, an important fact because the price of chickens directly affects I&J's fortunes. Analysts estimate these operations constitute as much as 47% of I&J's turnover, down from about 50% in 1990.

The chicken industry, at least for the big players, has been in a torrid state for the past few years. Because of the recession and depressed consumer spending, demand for broiler chickens has withered.

Williams says volumes are 10% down on a year ago and the previous year was 6% down on the year before that. Early in the decade, chicken prices declined. Only since February 1993 have they firmed, but off a low base. I&J's real distributable income from this source has been shrinking. It shows clearly in turnover and margin.

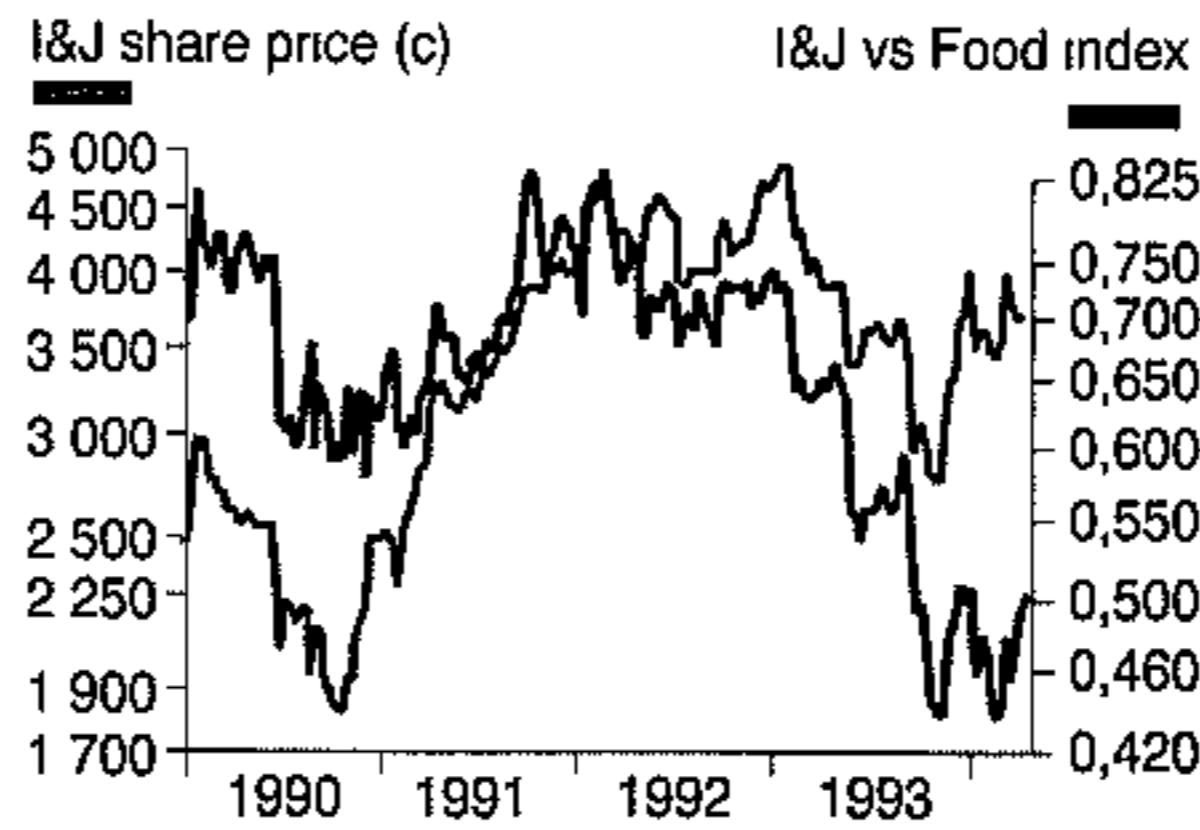
The outlook for the broiler chicken industry is better now than it has been for some time, but that comes off a low base. The drought pushed up the maize price sharply and chicken food prices rose accordingly. Now that the drought is over, the industry has been battling with high mortalities. That has been brought under control.

But another threat looms — not for the producers but for I&J. Possible deregulation of the maize industry could lead to a substantial reduction in the cost of maize to the benefit of poultry producers such as Rainbow. If that cost benefit is large enough, then, with the possible removal of import controls on imported poultry, domestic poultry prices could fall sharply.

Again, I&J's distribution revenues would suffer unless volumes recover correspondingly. So the poultry-related activities cannot be viewed as an encouraging source of long-term growth. Short-term prospects for an improved 1994 are better because chicken prices have risen. If the improving economy translates into increasing volumes this year, I&J's revenues from this source will rise. Rainbow's interim result is indicative of this. It showed year-on-year turnover up 3%, though volumes were 10% lower.

That is why Williams feels it is essential to identify growth areas within I&J's activities. In the frozen vegetable sector, prepared foods account for an estimated 12% of turnover. In this division, Williams's quest has led to the development of the most sophisticated processing plant of its kind in SA. It produces the largest selling product in the frozen food sector — french fries (colloquially known as "slap chips"). In November,

Low energy diet



I&J opened its new R47m frozen french fries factory near Delmas. Williams says it's the best in the world. It is producing 6 t-7 t of chips an hour now but is running at less than half of capacity.

The frozen chip market in SA offers the best growth opportunities in fast foods. Internationally, the chip market is larger in volume than the chicken and fish market combined. In the US, the volume of potato chips sold exceeds the combined total of all green vegetables sold there. In SA, slap chips are the nation's most popular vegetable.

For the housewife or the commercial fast food producer, these frozen fries offer irresistible qualities: consistency (size and quality), cost-effectiveness and reduced preparation time. Williams is expecting "a significant contribution from the new plant. It's a major growth area in an underdeveloped sector in this economy."

He is much less frank about the other growth area I&J has identified. It involves the rest of the frozen vegetable production. The recession has affected volumes and margins, especially in the prepared food sector where value is added. These have come under intense pressure and volumes have declined markedly. I&J has acted to spur innovation and intends to market more frozen vegetables to international markets. "Our export volumes will escalate from now," Williams says.

In short, the fishing sector can be expected to produce better results because prices overseas have begun to harden. It suggests this commodity's recent down-cycle has ended and prospects for an extended rise are encouraging. There will be a time lag before I&J's financial results show the benefits but exports of fish products will make a growing contribution to operating profit.

The same can be said for the excellent value-added frozen food packs — fish and

vegetable product ranges — that the group continues to supplement with innovations. More important, the SA market is showing signs of revival. If maintained, a reversal of downtrading by consumers can be expected. The frozen chicken market will improve as the economy advances.

Analysis of I&J's activities produces the conclusion that Williams is correct: the lacklustre 1993 profits should not be attributed to inadequate management. The results were relatively poor because a combination of forces — softer hake prices locally and internationally, the drought and its effect on agriculture, the local recession that has savaged disposable incomes and forced consumers to trade down, costs that have continued to rise faster than sales prices — came together at the same time.

Yet, since 1987, return on average capital employed has fallen continuously from 33.7% to 16%.

Return on shareholders' funds has dropped from 29.8% in June 1989 to 11%. If these trends continue, they offer good reason for the share to be down-rated.

But, though fishing in SA waters in January and February was poor and there is the danger that Namibia's growing catches will hold prices of hake down in the longer term, the same forces that combined to depress profits appear now to be marshalling themselves to improve together. If that occurs, I&J's results could improve over the next two to three years, provided politics and the economy don't weaken. Relative to the industrial market, the share price is about as low as it is likely to go and in this respect shows potential for recovery.

Earnings for the year to June 1994 are likely to improve off the present low base but not significantly. Analysts estimate EPS will be 210c-220c. That would rate the share on a prospective P/E of about 17, probably fair in this market.

Though the group is moving to diversify further away from fishing, it is difficult to see that returns in the next few years will be considerably better than mediocre.

The share, therefore, does not deserve to be re-rated now.

Gerald Hurshon



Morrison quiet on divisional shares

Sea Harvest less buoyant

Biday 25/4/94

MUNGO SOGGOT

SEA Harvest corporation — an ICS subsidiary which trawls, processes and markets deep sea fish — saw attributable profit drop to R18,4m (R18,8m) for the six months to March on sales up 3% to R158m (R153m)

Operating profit slipped to R26,2m from R30m the previous year, and profit before tax sank to R30,9m from R33,6m

Earnings a share fell to 18,4c (18,8c) and an interim dividend of 7c a share was declared This was the first interim dividend since Sea Harvest was listed in July last year The company has changed its year end from June to September, making dividends comparisons ir-

relevant

The directors said no material change in trading conditions was expected for the remainder of the financial year Catch rates had improved and earnings for the year were expected to match those for 1993

Capital expenditure almost halved to R7m (R12,9m), and the company had contracts for capital commitments of R10m

Sea Harvest saw its debt cut to R2,7m from R4,8m Short-term borrowings slipped to R1,3m from R1,4m The company's net current assets rose to R100m (R89,4m) (186)

Gatt heralds hefty cuts in food prices

S I Times (Buss)

By SVEN LUNSCHE

LOWER food prices could be in store for consumers, says a recent government report.

The Department of Agriculture says in the document that average protection on more than 900 farm products will be cut by almost 40% by the end of the decade.

This follows on the implementation of SA's offer to the General Agreement on Tariffs and Trade, which will be formalised this week.

The department also says that state support for farmers, which averaged R40 000 each in 1991, will be scaled down as a result of Gatt.

Finance Minister Derek Keys will sign the Gatt protocols this week in Marrakesh, Morocco, subjecting most SA's farmers and manufacturers to lower tariffs.

The surprisingly frank report by the department shows that in 1991 state support for agriculture was R4,15-billion, 17% of farm production of R24,43-billion that year.

Of state aid of R4,15-billion, market price support (the difference between the SA and the world price of a product) accounted for R2,42-billion.

The state also offered export incentives under GEIS (R200-million) and so-called "green factors", which include development assistance,

drought relief and financial back-up for training and housing.

Although small in relation to the amounts paid in many developed countries, the subsidies are enormous when compared with SA's per capita income, says the ANC-aligned Land and Agriculture Policy Centre (LAPC).

In a recent report the LAPC encourages reductions in protection beyond the current Gatt minimums.

"The high costs of protection in pursuit of self-sufficiency (which has failed to prevent malnutrition and hunger) have benefited a tiny minority at the expense of the majority in the form of higher taxes and food prices," the LAPC says.

The Department of Agriculture is surprisingly critical of subsidies and asks whether SA can afford to support farmers at this cost.

"However, as tariffs are reduced to more realistic levels, local producer prices will tend to fall in line with international prices."

SA's agreement with Gatt will hasten the process because market price support will be reduced in real terms by 20% to R2,02-billion in six years.

More importantly, average tariff

protection on 906 agricultural goods must be cut by 36% by the end of the decade from the level that applied in the base period of 1986 to 1988.

To illustrate the mechanisms involved in toppling protective walls, the department's economist William Helm uses the example of wheat.

Converting subsidies and other protection into tariff structures, the only subsidy allowed under the latest Gatt rules, 120% was added to the world price of wheat in 1986-88 to protect SA farmers.

Under the rules this protection (the base rate) will be reduced to 72% (the bound rate) by the year 2000.

Mr Helm stresses that the bound rate is merely a ceiling. In reality, he expects the average rate, to be set by the Board on Tariffs and Trade, to drop well below the ceiling rate.

For example, if the bound rate for maize is set at 50%, down from 68% in 1986-88, he estimates that the actual rate of protection could be as low as 10% by the end of the decade.

These are some of the protective tariffs applied in 1986-88: cheese 190%, butter 158%, sugar 124%, and 1494% for alcohol. The ceiling bound rates on some products are still high — cheese 95%, butter 79%, sugar 105% and alcohol 597% — but at least they are below the previous high levels.

Rainbow Chicken crowing

Star 5/13/94

BY STEPHEN CRANSTON

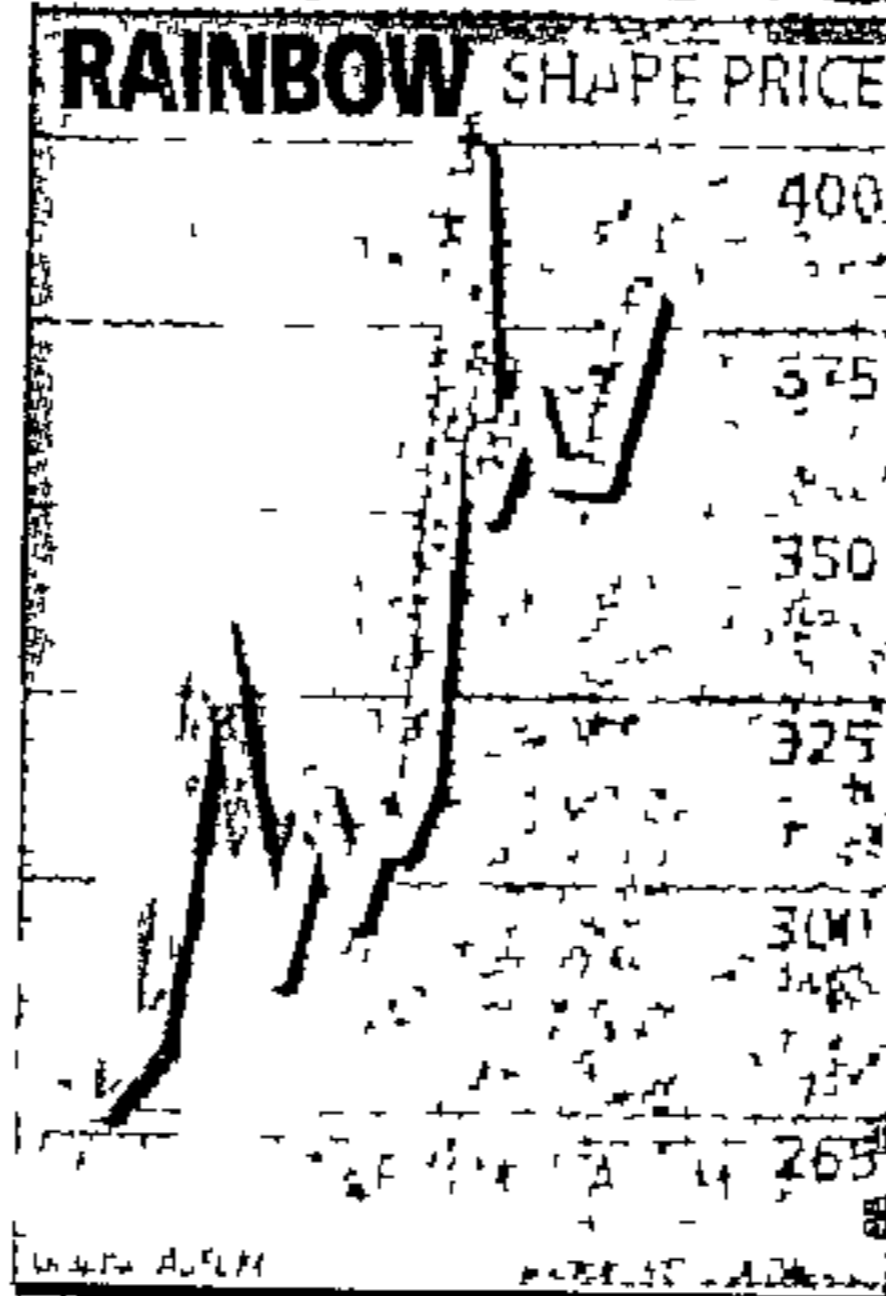
Under the auspices of recently appointed MD Rick Griffiths and the management control of Hunt Leuchars & Hepburn, Rainbow Chicken has turned around from a catastrophic R76,7 million loss to a R17,4 million profit in the year to March

A dividend of 1,65c has been declared, the first for 18 months. This is covered almost three times by earnings per share of 4,7c

This was achieved even though chicken volumes fell by almost 10 percent

Overall turnover was up 5,9 percent to R1,64 billion and that of the chicken operations by 8,2 percent. (186)

Griffiths says that price realisations from chicken increased by almost 20 percent. But only half of this came from higher prices and the rest from a switch in the mix of products away from whole frozen birds to frozen chicken pieces and fresh birds.



The cost base of the group has been reduced substantially by the closure of two smaller plants at Malmesbury in the Cape and at Ezhakeni in Natal, both of which were acquired when Rainbow bought Bonny Bird three years ago

Rainbow sold its fleet of trucks to Autonet to improve its focus on the core business.

Epol, a joint venture with Premier, contributed a profit of

R2 million, compared with a R2,2 million loss in the previous year

There was a decline in feed demand and low price increases, but loss-making mills were closed and a cost reduction programme introduced.

Griffiths says Rainbow does not plan to increase its market share, which is already a dominant 45 to 47 percent, but plans to raise the proportion of higher value products in its mix.

It will soon advertise the Rainbow brand on television for the first time

Griffiths hopes that the maize price will be reduced after the bumper crop and that attempts by farmers to increase prices will be curbed. Feed accounts for more than half of Rainbow's costs

Rainbow expects its profitability to increase significantly in the current year

It still has an assessed tax loss, which it expects to use up some time in its 1997 financial year.

Peatty

World fruit oversupply knocks Langeberg

CAPE TOWN — Fruit processing group Langeberg Holdings' earnings dropped just under a fifth in the six months to March because of the weak domestic economy and oversupplied world markets

The company, which processes just under half of SA's deciduous fruit products, pushed sales up 6,9% to R385,2m (R360,5m), but operating income was 14,3% lower at R31,9m (R37,2m)

Interest paid was the same at

8/10/94
615194
EDWARD WEST

R4,4m and tax was slightly lower at R2,8m (R3,3m) Taxed profit was 19,3% lower at R24,2m (R30m) Earnings fell 19,3% to 15,1c (18,8c) a share and the first-half dividend was lowered to 4c (5c) *(~~5c~~ 18c)*

Finance director Johan Ciliers said results were affected by a lower intake of certain fruits Peach and pear harvest tonnages were more than 20% down on last year, resulting

in underrecoveries on overheads

Additional rationalisation and streamlining costs of R3,6m were charged against operating income

The sale of the pineapple factory had a negligible impact on taxed profit

Directors expected no immediate improvement in export markets although there were indications of an upturn in 1995

Directors said the group was poised to take advantage of an economic upturn

Del Monte to launch canned fruit range on local markets

Star 18/5/94

■ BY STEPHEN CRANSTON

European consumers are still prepared to pay a premium for the Del Monte canned fruit range, says Del Monte Royal Foods chairman Vivian Imerman

That range will soon be launched in SA, and Imerman and his team will be relying on the consumer's well-known attachment to strong brands names, though they face a formidable competitor in Langeberg with its Koo and All Gold brands

It is initially aiming for a fairly modest eight percent of the market

Writing in Delfood's annual report for the year to November, Imerman says a number of steps have been taken to improve cost control, both at head office and at operating units

Over R30 million has been invested in the past two years to increase the

SA processing capacity, principally at the Preserving Company at Tulbagh and the Donald Cook vegetable canning operation.

It has also spent significantly in Italy and Kenya to update technology in pineapple and fruit juice processing. The pineapple processing facility in Kenya is already more cost effective than any of the local pineapple operations

Langeberg's inability to process pineapples cost effectively forced it to sell off its plant in the Eastern Cape

Imerman says the launch of the Del Monte range in SA is compatible with the group strategy of adding new products to ranges in markets where its brands command a premium.

Its local subsidiary Royal Beech-Nut maintains a dominant market share in baking powder, chewing gum and dry-mix puddings and has a reasonable share of the

squash and cordial markets

There has been a significant increase in exports to African and Far Eastern markets

It also launched the Mars confectionery range under a distribution agreement during the year and, less successfully launched Uncle Ben's rice, another Mars product, with disappointing results (186)

In the UK, sales of Del Monte products fell by three percent and in the fruit juice market, economy brands selling at considerable discounts proliferated

The gross margin nevertheless improved and volumes of pineapple and deciduous fruit were in line with 1992

Del Monte is still an under-developed brand in France, Spain and Germany

But more penetration of the French national chains was achieved dur-

ing the year, and there was a significant improvement in gross margins

A direct distribution company was established in Spain where volumes were up 52 percent

In Germany, volumes grew by 15 percent and gross margins improved substantially

Chief operating officer Enrico Sola says that prices of pineapple concentrate, fruit purees and diced peaches were very soft in the second part of the year.

But he expects the worldwide oversupply will correct itself by the middle of this year

During the year a range of ethnic cooking sauces was launched in the UK and Sweden, the new range of Royal biscuits in South Africa and quality pure fruit juices in Sweden.

Del Monte entered the Eastern European and Pacific Rim markets

WILLARDS/NATIONAL BRANDS

Overspiced meal?

fm 29/4/94
Though management of tobacco and snacks group Utico flatly refuses to say why it sold its Willards Food division, it's probably taking a lead from UK parent BAT Industries' plans to reorganise and focus on its core businesses of tobacco and financial services

The reason for secrecy is unclear. What is clear is that AVI's unlisted subsidiary National Brands (NBL) paid well above market expectations. For R411m cash — the market believes a more appropriate number would be around R300m — NBL, which embraces names such as Bakers, Becketts, Pakco and Yardley, is believed to have bested other local contenders such as Cadbury Schweppes, Tongaat-Hulett, Tiger Oats and Royal Beech-Nut.

NBL MD John Bryant denies the price is too high. "When valuing a business, it is not sufficient to look at just historical figures. Account must be taken of future potential."

Ed Hern, director Sydney Vianello estimates Willards is worth around R220m, on earnings potential. He believes NBL saw an opportunity to enter an above-average growth sector. So it decided that in an environment where there is a scarcity of assets it was worth paying a hefty premium for a company which needs no development and is increasing market share. Benefits will come from SA's tax quirks whereby large sums can be written off trademarks. Willards, with assets of R60m, is estimated to have market share of 38%, somewhat smaller than competitor Simba's 52% or so.

The gearing is unlikely to stretch NBL. At financial 1993 year-end, cash of R185m was set against debt just short of R13m. Bryant says NBL, unlike Utico, has an international alliance and long-standing relationship with United Biscuits, a leading UK biscuit and snacks company. This, he says, gives access to technological resources. NBL being primarily in the fast-moving consumer goods market, there are a number of synergies with Willards which, he says, will enhance its portfolio of dominant brands. *(18b) ~~18b~~*

Utico's snack group sale follows that of its Fresh-Up Juice division to Del Monte in 1992. In financial 1993, Willards contributed an estimated R15m to Utico's earnings and cigarettes the other R21m. Gearing at financial 1993 year-end was a negligible 2,2%, giving management flexibility to pay a

fm 29/4/94
special dividend equalling approximately 75% of the cash consideration of R411m. Vianello says the key problem for Utico will be how to remit funds to BAT. Assuming a special dividend of R50 per share, R32 can be taken out through the financial rand, and the rest through the commercial rand, though both will be taxed at 15%. Vianello adds that on a share price of R100, remaining earnings of R3,50 per share place Utico on a p/e of 14, slightly below Remgro's 15,1. With Remgro and Utico now more comparable, the question is which investors should be exposed to. Market share is traditionally not disclosed and both are in a state of transition. Investors may wish to wait until more is known about Utico's tobacco business. *(18b) ~~18b~~* Marylou Greig

Oceana operating profit sinks 6%

BY EDWARD WEST

CAPE TOWN — Oceana Fishing Group lifted sales 14% to R207,1m (R182m) in the six months to March, but operating profit fell and earnings rose only 2% to 155,1c (151,8c) a share

MD Dave Behrens said a change in the profit mix had cut operating profit, and investment income declined due to lower cash reserves and interest rates. The first half dividend was lifted to 46c (42c) ~~(18c)~~

Operating profit fell 6% to R24,1m (R25,6m) while investment income fell to R3,5m (R4m). Pre-tax profit was 6,9% lower at R27,6m (R29,6m), but tax was lower at R10,8m (R13,1m) leaving taxed profit 2% higher at R16,8m (R16,5m) ~~(R16,5m)~~

Behrens said the change in profit mix was due to substantially higher sales volumes through its trading and shipping division which traditionally produced lower margins than its cold storage and fishing divisions.

The fishing division contributed R3,2m or 22% of attributable earnings, lower than last year's 35% contribution. The shipping and trading division's contribution was 46%, well up from 26% last year.

The cold storage division's contribution to earnings dropped to 16% from 20% due to a decline in occupancy. 215194

INTERIM REPORT AND DIVIDEND DECLARATION FOR THE SIX MONTHS ENDED 31 MARCH 1994

The unaudited consolidated results of the group for the six months ended 31 March 1994 are set out below. There have been no changes in accounting policies during this period.

186

GROUP INCOME STATEMENT

	Six months ended		Change	Year ended
	31 March 1994	31 March 1993		30 Sept. 1993
	R'000	R'000	%	R'000
Turnover	207 140	181 995	14	362 342
Operating profit	24 055	25 640	(6)	41 978
Income from investments	3 516	3 978		8 867
Interest received (net)	3 055	3 375		7 716
Dividends	461	603		1 151
Profit before taxation	27 571	29 618		50 845
Taxation	10 755	13 143		23 247
Profit after taxation	16 816	16 475	2	27 598
Share of associate companies' retained profits	125	243		382
Profit of the group	16 941	16 718		27 980
Attributable to				
- Outside shareholders in subsidiaries	2 078	2 285		4 055
- Shareholders of Oceana Fishing Group Limited	14 863	14 433	3	23 925
Extraordinary items	4 598	398		(1 192)
Profit after extraordinary items	19 461	14 831		22 733
Dividends	4 408	4 035		14 946
Retained surplus for the period	15 053	10 796		7 787
Number of shares upon which earnings per share is based (000's)	9 582	9 505		9 523
Number of shares in issue (000's)	9 584	9 514		9 571
Earnings per share (cents)	155,1	151,8		251,2
Dividends per share (cents)	46,0	42,0		156,0
Extraordinary items (R'000)	4 598	398		(1 192)
Surplus on disposal of fixed property	5 453	398		944
Goodwill on acquisitions	(855)	-		(2 136)

Segmental Analysis

	31 March 1994		31 March 1993		30 Sept. 1993	
	R'000	%	R'000	%	R'000	%
Contribution to attributable earnings						
Fishing division	3 247	22	4 979	35	6 072	26
Trading and shipping division	6 776	46	3 843	26	6 253	26
Cold storage division	2 457	16	2 922	20	5 320	22
Investment income	2 383	16	2 689	19	6 280	26
	14 863	100	14 433	100	23 925	100

OTHER GROUP SALIENT FEATURES

	31 March 1994	31 March 1993	30 Sept. 1993
Capital expenditure (R'000)	21 786	5 444	15 024
Capital commitments (R'000)	27 135	18 947	41 407
- Contracted	13 580	4 800	16 795
- Approved	13 555	14 147	24 612
Net asset value per share (cents)	1,241	1 182	1 151
Borrowings total shareholders' funds (%)	3	5	4
Total liabilities total shareholders' funds (%)	81	80	88
Current ratio (1)	1,4	1,6	1,5
Non-interest bearing debt (R'000)	-	5 700	1 650

GROUP BALANCE SHEET

	31 March 1994	31 March 1993	30 Sept. 1993 (Audited)
	R'000	R'000	R'000
Capital employed			
Share capital and premium	342	5 768	6 491
Non-distributable reserves and retained surplus	111 880	99 836	96 827
Own shareholders' interest	112 222	105 604	103 318
Interest of outside shareholders in subsidiaries	9 193	9 151	7 115
Total shareholders' funds	121 415	114 755	110 433
Long term loans	3 600	5 700	4 500
Deferred taxation	-	216	-
	125 015	120 671	114 933
Employment of capital			
Fixed assets	76 393	58 705	62 597
Investments	12 455	6 987	3 047
Current assets	131 385	141 489	141 788
Stock	49 223	54 636	40 654
Debtors	68 069	65 787	60 086
Deposits and cash	14 093	21 066	41 048
Current liabilities	95 218	86 510	92 499
Creditors, provisions and shareholders' for dividend	36 167	54 979	49 289
Net current assets	125 015	120 671	114 933

GROUP CASH FLOW

	Six months ended		Year ended
	31 March 1994	31 March 1993	30 Sept. 1993 (Audited)
	R'000	R'000	R'000
Cash generated by operations	31 649	33 890	64 855
Requirements for continuing operations	(31 284)	(43 763)	(49 047)
Working capital requirements	(2 242)	(19 983)	(7 536)
Replacement of fixed assets	(9 831)	(4 613)	(12 671)
Taxation paid	(19 211)	(19 167)	(28 840)
Cash available from operations	365	(9 873)	15 808
Dividends paid	(10 911)	(8 550)	(14 692)
Cash retained from operations	(10 546)	(18 423)	1 116
Other movements	7 124	1 808	6 061
Cash available for investment	(3 422)	(16 615)	7 177
Investment in future operations	(22 809)	(3 448)	(7 711)
Expansion capital expenditure	(11 954)	(831)	(2 353)
Increase in investments	(10 855)	(2 617)	(5 358)
Increase in funding requirements	(26 231)	(20 063)	(534)
Funds provided.			
Shareholders funds	176	584	1 307
Long-term loans	(900)	(3 942)	(5 142)
Cash movement	26 955	23 421	4 369
Net increase in funds provided	26 231	20 063	534

COMMENTS

Financial results

Turnover increased by 14% however a substantial change in the profit mix resulted in a reduction in group operating profit and investment income declined due to lower cash reserves and interest rates. Earnings per share increased by 2% due to the lower tax charge. The extraordinary income arises from the sale of an investment property less goodwill on acquisition of shares.

Fishing

The availability and quality of lobster has been good and the group has already landed 78% of its quotas. Demand and prices for product on the export market remained depressed during the period under review, however an improvement in realisations in the second half of the year is expected. Oceana's current season pelagic landings are on par with those for last year, but profitability in the period under review was lower due to the balance of the 1993 quota not being landed. Although the initial anchovy total allowable catch (TAC) for 1994 was reduced from 260 000t to 220 000t, it is subject to review in May when further scientific data becomes available. The pilchard resource shows strong signs of recovery, with the TAC being increased from 43 000t to 67 000t. Local demand for canned fish is firm, with industry sales ahead of last year.

Trading and shipping

While trading conditions on the local market have been difficult, export market sales have improved considerably on last year with increased activity in most areas of business. The cleaning forwarding and shipping company also achieved good results.

Cold storage

The high occupancy levels experienced in 1993 declined during the period under review. The expansion of Walvis Bay Cold Storage has been completed and the additional capacity is being taken up in line with expectations.

Prospects

Subject to pelagic landings meeting budgeted expectations, earnings in the fishing division should improve in the second half. Performance in the cold storage division is likely to be at a similar level as that achieved in the first half, while the trading and shipping division is anticipating a somewhat slower rate of growth. For the group as a whole earnings for the full year are expected to show a satisfactory improvement.

On behalf of the board

R A Williams (Chairman)

D F Behrens (Managing Director)

DECLARATION OF DIVIDEND

Notice is hereby given that the interim dividend No 101 of 46 cents per share, in respect of the year ending 30 September 1994, has been declared payable to shareholders registered in the books of the company at the close of business on Friday, 3 June 1994, payment to be made on or about Friday, 1 July 1994. The dividend is subject to the deduction of non-residents shareholders' tax at the rate of 15.0% in the case of shareholders whose addresses are outside the Republic.

By order of the board

J D Cole Secretary

29 April 1994

OCEANA FISHING GROUP LIMITED

(Incorporated in the Republic of South Africa) Registration Number 04/01730/06

Directors R A Williams (Chairman), D F Behrens (Managing Director), B P Connellan, D E Cooper, L H Conradie, D W Dyer, R M Kramer, C F Liebenberg, R G Nicol, M G Potgieter, P L van der Merwe, A V van Rensburg, A W S Visagie, M C Wallace

Registered Office 20 Lower Burg Street, Cape Town 8001

Transfer Secretaries Rand Registrars Limited, Block "C", 100 Northern Parkway Ormonde 2091 (PO Box 82549 Southdale 2135)



Member of the
CC SMITH GROUP

Food stocks growth is no longer a sure bet

BIDay 2/15/94

MARCIA KLEIN

THE performance of the food index, which includes blue-chip counters, was reflecting mixed perceptions on the growth potential of major food companies, analysts said

Food stocks had always found favour on the assumption that no matter what happened people had to eat, but more recently there had been an unprecedented volume decline in the sale of food products

This was because people were eating less, as well as eating more cheaply

Last month Foodcorp posted results for the six months to February which were below its forecast, with earnings edging up just 3.6% for the period

CE Dave Kennealy said there was little volume growth in the markets in which Foodcorp operated — the group has branded, value-added interests as well as com-

modity interests Food price inflation of 4%-5% for the six months to February indicated weak consumer demand and competitive pricing (186)

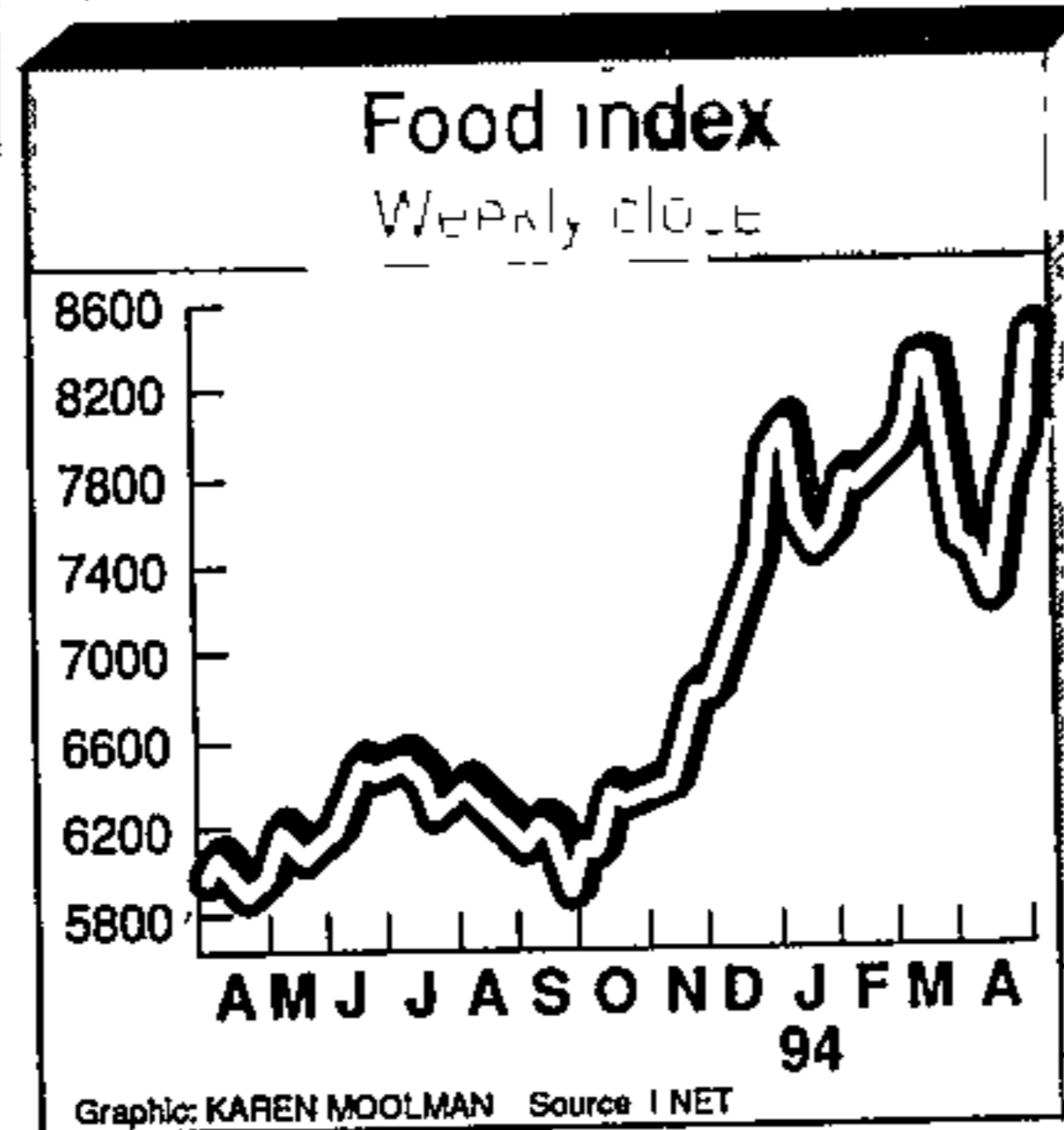
Major food groups, including Tongaat, Tiger Oats, Rainbow Chicken, Hunt Leuchars & Hepburn and CG Smith, will report results this month

Analysts said their food interests should feel the same pressures as Foodcorp had "Demand just isn't there and both branded and commodity products may suffer," one said Another said there were two tiers of shares, staples and proteins. The proteins had been faring worse

Margins remained depressed for protein producers Two counters — Tiger Oats and Premier — had continued to outperform others in the sector Analysts said this was largely because they also had pharmaceutical, retail and fishing interests.

Much of the recent profit growth was coming from these other interests Analysts said it was difficult to extract the food aspect of the Tiger and Premier share prices in order to see what would be a reasonable food price earnings ratio.

Rainbow Chicken, which reports results next week, would benefit from actions taken during the past year to return it to profitability. Analysts said the company had suffered from falling volume demand, heavy costs and poor acquisitions The latter two had been corrected But it needed protein prices to work in its favour



COMPANIES

ICS overcomes market adversity

FOOD group ICS Holdings increased earnings 6% to 86,8c (82c) a share in the half year to March, despite a decline in spending on perishable protein foods — a major part of the group's business.

Newly appointed MD Roy Smither, previously chairman of the fresh meat division, said comparison with the prior year was distorted because of the consolidation of the results of former associate Sea Harvest and a number of significant joint venture agreements.

Turnover was 11% higher at R1,39bn (R1,24bn), and operating profit was R56,7m (R25,5m). Attributable earnings increased 6% to R33m (R31,2m). ICS would pay a 6% higher interim dividend of 18c (17c) a share for the period.

Joint venture agreements included the sale of Festive Farms to Earlybird, and a deal with OTK co-operative to run Earlybird farm. Other deals were with Foodcorp for joint control of its processed meat interests and with ICS's frozen food distributor, Cold Chain. ICS also pooled some interests of its Dairybelle operations and Nels-Bliss Dairy Products to form D&B Foods and half its Dairy Maid division was sold to

MARCIA KLEIN

Nestlé for access to Nestlé's trademarks and technical expertise *B/Dau*

Smither said the full benefits of these joint ventures would not materialise for about a year. *3/5/94*

The poultry industry had shown its first upturn in some time, and Earlybird had shown a profit.

He said the meat division's profits had been lower as higher prices had affected consumption. *(186)*

Nels-Bliss had not yet aided performance and Clayville dairy had shown a loss

And Cold Chain had had a difficult six months, but was expected to do better in the second half *(186)*

Sea Harvest, now consolidated as a subsidiary, reported lower profit because of tough local and international market conditions

Smither said full-year earnings should be higher than the previous year's, due in part to a recent reduction in the level of protein surpluses which had led to a better balance between supply and demand.

Oceana keeps afloat

■ BY STEPHEN CRANSTON

Oceana Fishing had a two per cent increase in earnings per share to 155,1c in the six months to March ~~Star~~

An interim dividend of 46c has been declared (42c last year) ~~315194~~

Turnover was up 14 percent to R207,1 million, but MD Dave Behrens says there was a substantial change in the profit mix, which led to a six percent fall in operating profit to R24,1 million (186)

Fishing's contribution dropped from R5 million to R3,2 million, and accounted for just 22 percent of the bottom line (35 percent previously)

The availability and quality of lobster was good, although demand and prices were low

Oceana's pelagic fish landings are on a par with those of last year, but profitability fell because the balance of the 1993 anchovy quota was not landed ~~315194~~

The trading and shipping division contributed 46 percent of the bottom line (26 percent last year).

The local market was difficult, but export sales improved considerably on those of last year and there were satisfactory results from clearing, forwarding and shipping

The cold storage division's contribution fell from 20 percent to 16 percent as there was a decline in occupancy levels

The expansion of Walvis Bay Cold Storage has been completed and the additional capacity is being taken up, in line with expectations

Star 3/15/94

Consumer belt-tightening puts lid on earnings growth at ICS

■ BY STEPHEN CRANSTON

ICS Holdings has reported a six percent increase in attributable earnings to R33 million and in earnings per share to 86,8c in the six months to March.

The interim dividend is up by the same percentage to 18c.

Roy Smither, recently appointed group MD, says there has been very little growth because people are buying down and wasting less of the food they buy.

Although turnover rose 11 percent to R1,38 billion, the figure doesn't mean much because there have been many changes in the group structure, with Sea Harvest now consolidated as a subsidiary and a number of other companies, such as Cold Chain, Enterprise Foods, Earlybird Farms and Dairymaid-Nestle, now joint ventures.

Meat prices firmed, but consumption has fallen because there was a reduction in the number of animals available for slaughter, with farmers rebuilding the national herd

after the drought.

Tanning profits fell because of the deregulation of the industry and the consequent increase in hide prices.

The poultry operation, which was merged with OTK's interests, was profitable for the first time for several years.

Prices are now more realistic and, as a result of the merger, Earlybird Farms is better placed to run its business more efficiently.

Enterprise Foods has almost completed the rationalisation between the old Enterprise and Renown businesses. Renown's old Newtown plant was closed.

There was intense competition in the ice cream industry, which also suffered from a wet summer, but Dairymaid-Nestle will benefit from Nestle's considerable marketing, processing and technological skills.

Sea Harvest's earnings of R18,4 million were marginally lower than last year's, but this is considered adequate as trading conditions were difficult and the hake catches below expectations.

COMPANIES

Rainbow is cock-a-hoop again

SA's major poultry producer Rainbow Chicken staged a dramatic turnaround in the year to March, with attributable earnings of R17,4m against the previous year's loss of R76,7m. *51 Day*

The company, which achieved these results despite a decline in volumes, also returned to dividend payments, declaring a dividend of 1,65c *515194*

Rainbow achieved an improvement of more than R100m in operating profit to R64m (R39,1m loss) on a 6% turnover rise to R1,64bn (R1,55bn) *(186)*

MD Rick Griffiths said despite lower volumes, the turnaround was achieved through major cost cuts, an improved product mix and better stock management

The interest bill rose to R43,7m from R39,7m due to increased funding to finance the prior year's loss. But monthly interest charges had been cut by improved cash flow management

After a small tax charge, related only to secondary tax on companies on dividends declared, and outside shareholders, earnings were 4,7c a share against a loss of 20,8c a share in financial 1993

MARCIA KLEIN

Griffiths said there had been a mortality problem over the period. The industry was set to achieve a balance between supply and demand towards the end of last year, but the increased mortality had not been expected, so Christmas approached with national stocks tighter. Currently stocks were tight, but there was no shortage. As a consequence, prices had been solid

Rationalisation during the year — including the closure of two Rainbow plants and three Epol mills — was reflected in a R10m extraordinary item

Griffiths said Epol did well in a market of declining animal feed demand and low price increases. The closure of loss-making mills and cost reductions enabled it to show a profit attributable to Rainbow of R2m against last year's R2,2m loss

In terms of a long-standing arrangement, Epol bought Meadow Feeds' Worcester mill for R29,8m, effective from April 1. This would make a significant contribution to Epol's profits in future

Rainbow generated net cash of R22,4m, compared with increased funding of R128,2m required in financial 1993

OCEANA FISHING
FM 15/94
Declining the bait

Feeding the fish is hardly the expected task of the MD of a fishing company, but Oceana Fishing (Ocfish) MD Dave Behrens must have felt that's what he was doing during a disappointing first half. The fishing division's contribution to attributable earnings plummeted by 35% and there wasn't much he could do about it.

The problem arose essentially because Ocfish — in common with the industry — couldn't land its full 1993 anchovy quota. Shoals of pilchards and anchovy were so intermingled that fishing for either couldn't progress as normal (186) ~~(186)~~

Anchovy fishing became a stop/start business that affected catch volumes, pushed up cost per unit of effort involved and, in the end, reduced fishmeal production. Even though total pelagic landings were on a par with last year, attributable earnings in the fishing division fell to R3,2m from R5m.

Counterbalancing poor fishing results, the Trading & Shipping division — Blue Continent — turned in a sparkling performance. It increased its contribution to attributable earnings by 76%. Behrens reports that volumes of squid, hake, tuna and horse mackerel all increased and were accompanied by respectable margin growth.

Divisional earnings rose to R6,8m from R3,8m. Blue Continent handles about a third of all SA tuna, squid and abalone exports. Behrens says export sales have improved considerably. Blue Continent's clearing, forwarding and shipping company, TRT Shipping Services, also did well.

During the recession, Ocfish's cold storage division has flourished — at least until now. It is recognised as a contra-cyclical business. When times are tough, merchandise stays longer in cold storage. That benefits the depots. However, in this first half, attributable earnings fell 16%. Ironically, that could

signal better times ahead.

Behrens is confident about the second half. Overall, he forecasts a "satisfactory" improvement in annual earnings.

A 10 p.c. is looking for much lower earnings growth than that of its competitors. That seems unrealistic, especially if the economy has turned. The share could easily be re-rated.

Gerald Hirshon

C G SMITH FOODS

Who needs it?

FM 6/5/94

Activities: Holding company with interests in food and pharmaceuticals

Control: CG Smith 81%

Chairman: R A Williams

Capital structure: 94,5m ords Market capitalisation R4,76bn

Share market: Price R50 Yields 2,0% on dividend, 6,1% on earnings, p e ratio, 16,4; cover, 3,1 12-month high, R57, low, R40,50

Trading volume last quarter, 381 000 shares

Year to Sep 30	'90	'91	'92	'93
ST debt (Rm)	655	665	561	685
LT debt (Rm)	362	388	723	781
Debt equity ratio	0,41	0,31	0,31	0,21
Shareholders' interest	0,44	0,45	0,47	0,47
Int & leasing cover	5,0	6,0	7,77	8,3
Return on cap (%)	13,0	14,6	13,7	12,8
Turnover (Rbn)	9,9	11,3	13,1	13,9
Pre-int profit (Rm)	742	803	956	994
Pre-int margin (%)	6,8	7,0	6,8	6,1
Earnings (c)	264	398	322	306
Dividends (c)	87	99	105	99
Tangible NAV (c)	1 380	1 588	1 855	2 044

C G Smith Foods took a tough double whammy last year — first, the drought, then weak consumer spending. Both combined to affect most of Smith's diversified foods portfolio. Not surprisingly there was generally less demand for value added brands, but even basic foods produced by subsidiary Tiger Foods felt the pressure of weakening demand.

Chairman Robbie Williams notes that this put margins under extreme pressure, while lower sales volumes and price increases less than the rate of inflation depressed turnover to growth of only 6,6%.

Bottom line results, though, were not as bad as feared at the interim, when Smith Foods expected the 8% decline in earnings to be at a similar level for the full year. Still, the overall 5,1% drop in earnings and 5,7% decrease in the dividend payout represents the first decline recorded by the group in at least seven years.

At 6,1%, the operating margin was squeezed to a level not seen since 1987 and most return ratios followed suit. Return on equity declined from 17,3% to 14,9%, return on total assets from 16,1% to 13,9%.

Internally, Smith Foods has done much to counter weak demand and difficult trading



Williams a double whammy

conditions. Subsidiaries like Adcock Ingram, and particularly ICS, entered into a number of joint ventures. Costs have been reduced, at times quite ruthlessly, as seen in the recent retrenchments at Tiger Oats' head office (*Business* April 22), which reduced staff numbers by nearly two thirds.

Smith's financial core remains sound. Cash generation is strong, up 5,4% to R1,3bn, an amount which nearly covers interest-bearing debt. Cash holdings of R682m sharply reduced net borrowings and that lowered gearing to a comfortable 21%.

That leaves Smith Foods in good shape to benefit from any increase in demand. The end of the drought will be a help, though not yet for Smith Sugar in the current season.

An increase in consumer spending is also likely, though Williams cautions that trading will probably be influenced more by socio-political developments than economic fundamentals. A relatively trouble-free run-up to the elections last week is, hopefully, an indication of more political stability, in which case Smith Foods should be able to get earnings on an upward trend again.

But the share price isn't reflecting this potential. After picking up strongly when preliminary results were released, it drifted in the first months of the year and now looks to be on a downward trend. Overall, the price has only gained 2% since annual results were last reviewed, compared with about 26% in the previous period.

One wonders how much this has to do with Smith Foods' position in the greater group structure as an intermediary holding company. After the unbundling of Barlow Rand — which released top pyramid C G Smith as a subsidiary — the structure below appears

(186) (186) (186)

cumbersome. Is there really a need for Smith Foods, sandwiched as it is between C G Smith and the operating companies, which all have autonomous management and strong identities?

The company shares the food sector with six of its listed subsidiaries, many of which have outperformed the parent's share price. Arguments that the holding company provides management expertise may well carry some validity, though it is equally possible to suggest that is a dubious claim.

Even on ratings which indicate there is fair value in the price and prospects of a better year, there seems little incentive for investors to buy in Smith Foods rather than its subsidiaries.

Shaun Harris

LASER FM 6/5/94 Rising profitability

Activities: Transportation and storage of household and commercial goods, machine moving and rigging

Control: Directors 67,4%

Chairman: P Thomas, MD A C Cotterell

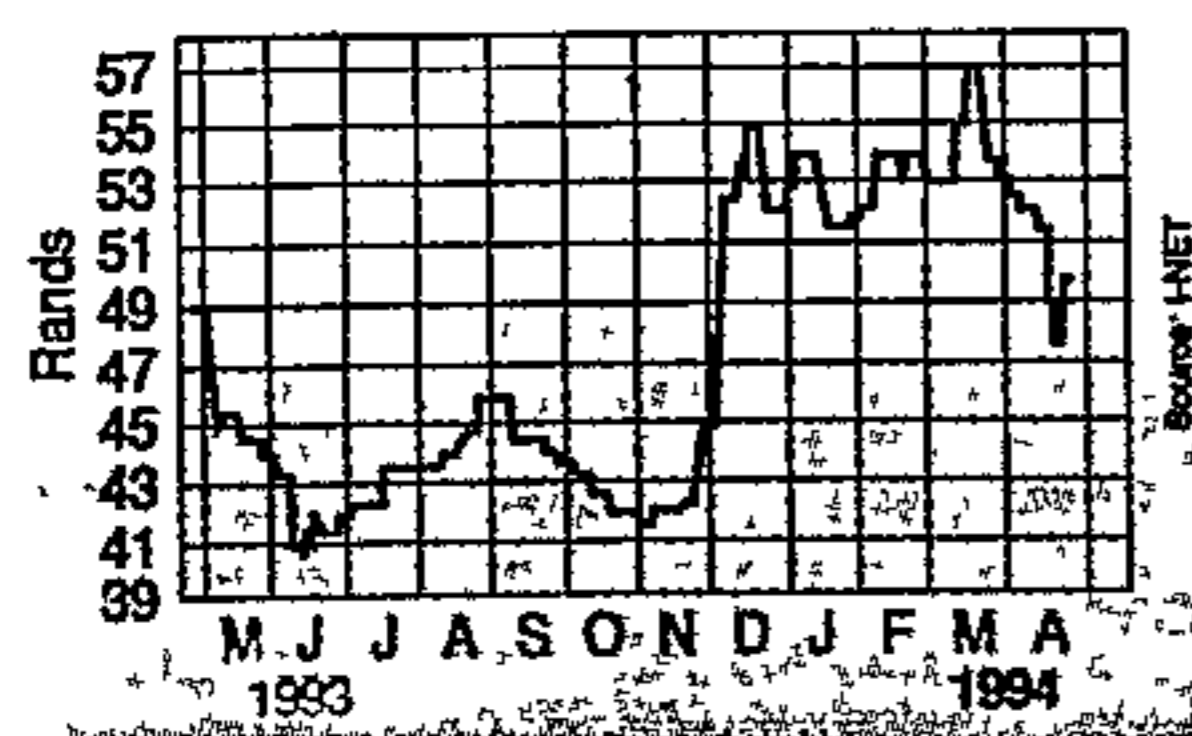
Capital structure: 10m ords Market capitalisation R27,5m

Share market: Price 275c Yields 14,8% on earnings, p e ratio, 7,0, cover, n/a 12-month high, 300c, low, 80c Trading volume last quarter, 123 000 shares

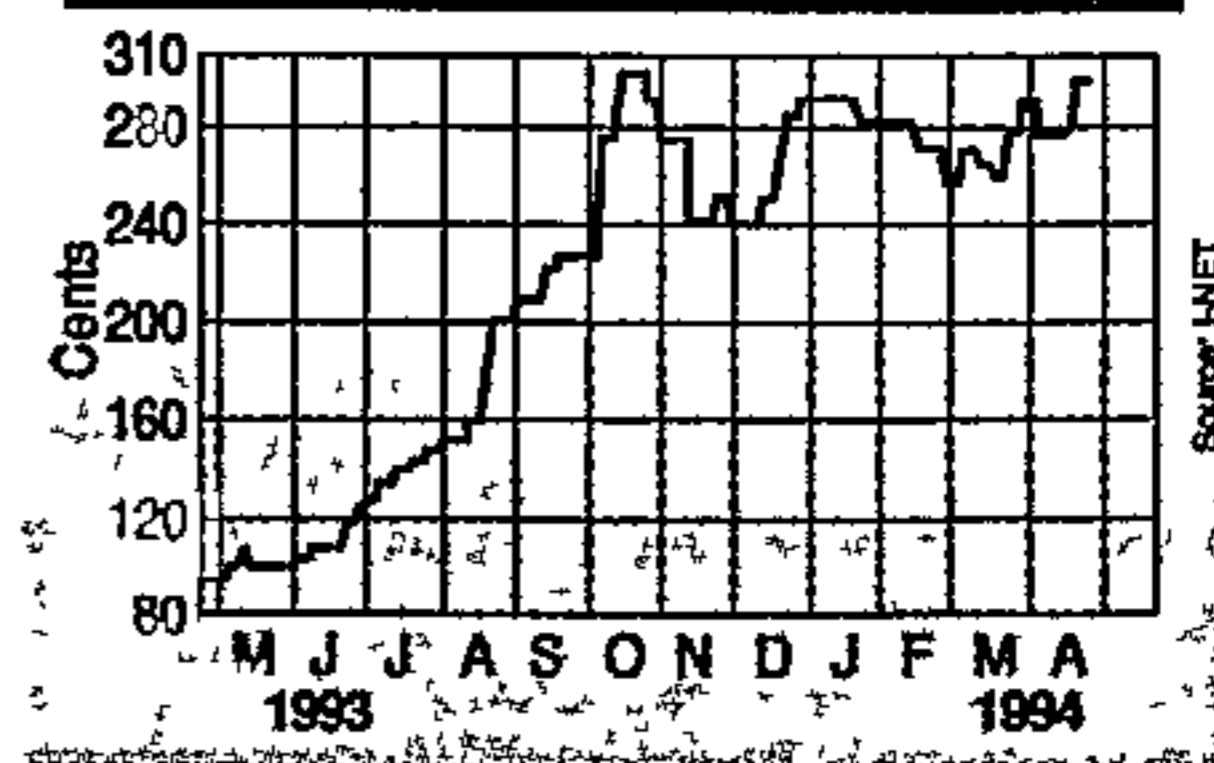
Year to Sep 30	'90	'91	'92	'93
ST debt (Rm)	0,8	2,9	10,2	6,5
LT debt (Rm)	13,5	19,4	9,5	15,4
Debt equity ratio	0,59	0,82	0,99	0,86
Shareholders' interest	0,39	0,35	0,31	0,31
Int & leasing cover	3,4	2,6	nil	2,2
Return on cap (%)	15,2	10,4	1,2	8,9
Turnover (Rm)	106,5	87,3	116,2	119,3
Pre-int profit (Rm)	9,3	6,0	0,7	6,7
Pre-int margin (%)	8,7	6,9	0,01	5,6
Earnings (c)	33,9	25,1	(28)	39
Dividends (c)	13	6,7	—	—
Tangible NAV (c)	237	267	192	234

The balance sheet structure has not changed much over the year but the rising returns on shareholders' funds and capital employed highlight a significant turnaround in Laser's

C G Smith Foods



Laser Transport



Rainbow fuels HL&H earnings

B/Buy 6/5/94

MARCIA KLEIN

FOOD and timber group Hunt Leuchars & Hepburn (HL&H) reported a leap in earnings of nearly 150% to 70,5c (28,3c) a share in the year to end-March on the back of a dramatic turnaround at Rainbow Chicken and a lower tax charge. (186) (186)

The results, off a low base, were achieved on a 14% rise in turnover to R1,23bn (R1,11bn) and a 10% increase in operating income to R169,6m (R154,4m).

CE Neil Morris said the recovery was indicative of the long-term prospects for the group, whose interests outside Rainbow include Robertsons, sugar interests and HL&H Timber

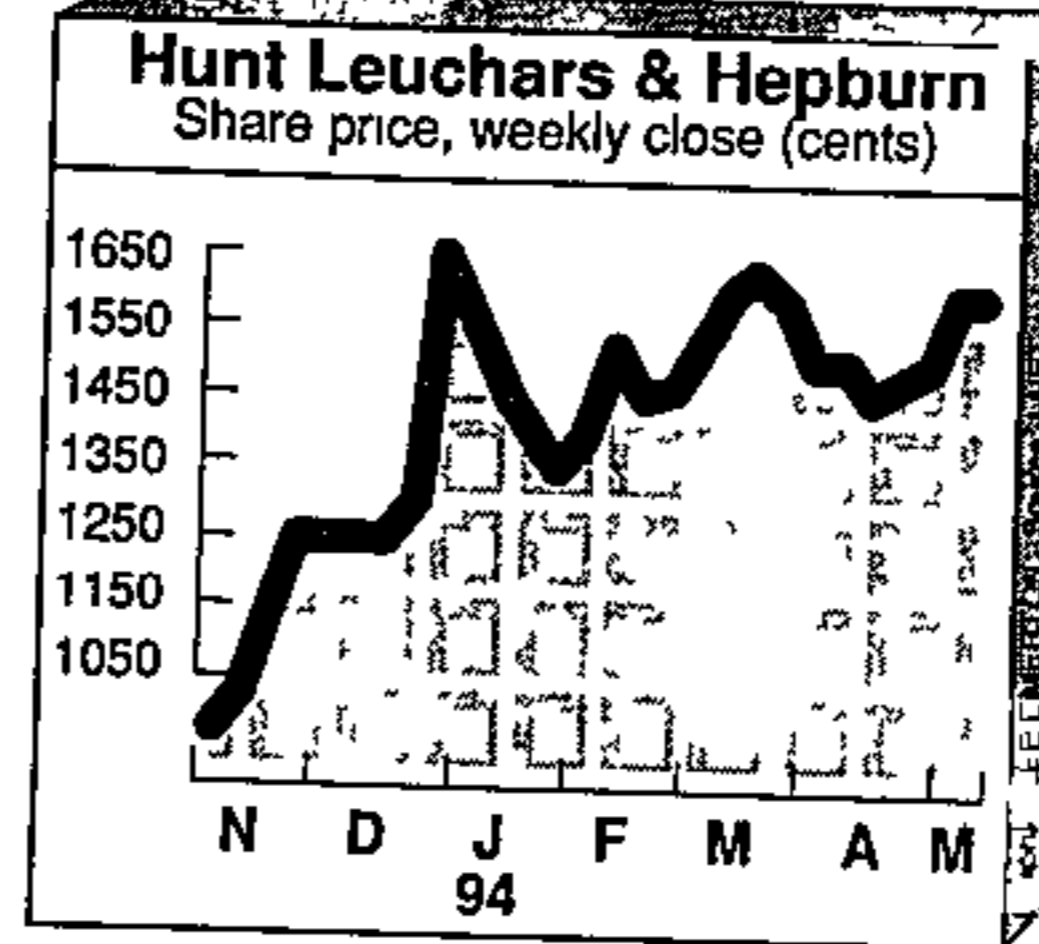
Financing costs of R51,6m (R50,7m) reflect higher borrowings on expansions offset by lower borrowing rates

Income before tax increased by 15,6% to R120,5m (R104,2m) But capital allowances on the new Komati Sugar Mill saw the tax rate reduce to 17%, and taxed profit was 36% higher at R100,5m (R74m)

But a R4,8m share of Rainbow's earnings (last year HL&H's share of Rainbow's losses totalled R31m) enabled it to lift net income 149% to R105,3m from R42,3m

A final dividend of 13,5c a share brought the full-year total up 26% to 27c (21,5c) a share

Morris said Robertsons had reported strong growth off an already high base The acquisition of the Carmel



brand, and a good insecticide season, had increased volume sales.

The new sugar mill was commissioned just before the year-end on schedule and below budget Transvaal Sugar's results reflected an improvement over the previous year despite the drought

Rainbow's turnaround had been achieved in a depressed market, Morris said, largely due to management "focusing on the fundamentals"

HL&H Timber's results had been "most disappointing" The mining timber division had performed poorly, SilvaCel had exceeded expectations, and HL&H Timber Processors had returned to profitability

Morris said that in financial 1995, the sugar interests would not be at full capacity due to the drought

But increased productivity in all operating companies, a modest recovery in the economy and an improvement in Rainbow's results should bring improved earnings

Oversupply dampens Langeberg income (186)

JOHANNESBURG — Continued oversupply in international markets and the weak domestic economy affected the performance of Langeberg Holdings, which yesterday reported a 19,3% decline in after-tax income to R24,2m (R30m) for the six months to March.

The Cape-based food processing group, increased turnover by 6,9% to R385,2m (R360,5m). Operating income was 14,3% lower at R31,9m (R37,2m) and pre-tax profit declined by 16,2% to R27,5m.

Earnings per share were 15,1c (18,8c). An interim dividend of 4c (5c) was declared.

MD Ray Brown said a much lower intake of some deciduous fruits, particularly peaches and pears, led to a material under-recovery of overheads. Additionally, a R3,6m cost to rationalise and streamline operations was charged to operating income.

"Export volumes increased considerably but prices declined and despite our successful cost reduction programme, the low prices led to lower margins.

"Lower sales volumes were maintained and despite very modest price increases, profit margins were unchanged thanks to effective cost containment."

Brown said the Langeberg balance sheet remained strong, although gearing rose to R37,6% from the 31,9% of the previous year — Sapa

Lifting of sanctions prompted Willards sale

Biday 915/94
MARCIA KLEIN

CONCERN that Willards Foods was not well placed to be internationally competitive in a post-sanctions era was one of the major factors prompting Utico to sell the division, the company said

In a circular to shareholders, Utico gave reasons for the R411m disposal of Willards to Anglovaal Industries subsidiary National Brands. The deal, announced late last month, was pegged at about R100m more than market expectations

However, National Brands said at the time that analysts' estimates did not reflect its own valuations, adding that the price was not at a premium considering the value of all the Willards trademarks. Willards' brands include Willards, Crinkle Cut, Big Korn Bites, Cheese Curls, Flanagan's,

Hula Hoops and Flings, as well as Stimorol's distribution rights (186)

Shareholders will have to ratify the deal at a special meeting on May 18

Utico said in its circular that during sanctions, SA "was partially shielded from international competition and technological developments in the snack foods industry"

But with the lifting of sanctions, Utico expected increased interest in the industry "as evidenced by the number of local and international parties who expressed interest in purchasing the business of Willards"

Utico's board was concerned that Willards did not have the "technological resources for the ongoing

product and process development" it needed to remain competitive

Utico also felt the deal would have enabled it to focus on its tobacco business, which was not affected by the disposal

Utico had pledged to pay a special dividend to its shareholders, equivalent to the cash proceeds it had expected to receive. Utico estimated that amount at 75% of the cash consideration, provisionally set at R411m.

Separate results from Utico's tobacco and snacks divisions had not been divulged in previous results. However, in the circular, Utico said Willards' turnover was up 16% at R268,9m in the year ending December, and net income before tax was 27% higher than the previous year at R21,3m. Its net income of R13,1m was below analysts' estimates of around R16m

Nevertheless, a five-year profit history showed that both turnover and net income had risen consistently over the period

Net assets being disposed of would have had a book value of R60,8m had the disposal been effective from end-December. Had the disposal been effective this year, Utico earnings a share would have increased 34% to 814c a share

Tiger Oats rises above losses by core divisions

Start 12/5/94

■ BY STEPHEN CRANSTON

Despite losses by its core maize milling and bakery divisions, Tiger Oats has reported a solid 12 percent increase in earnings to 119c a share in the six months to March

The interim dividend is up 11 percent to 31c

New MD Nick Dennis says that with a few exceptions, volumes were down and price increases were kept low — in the processed food business as a whole they were up just four percent

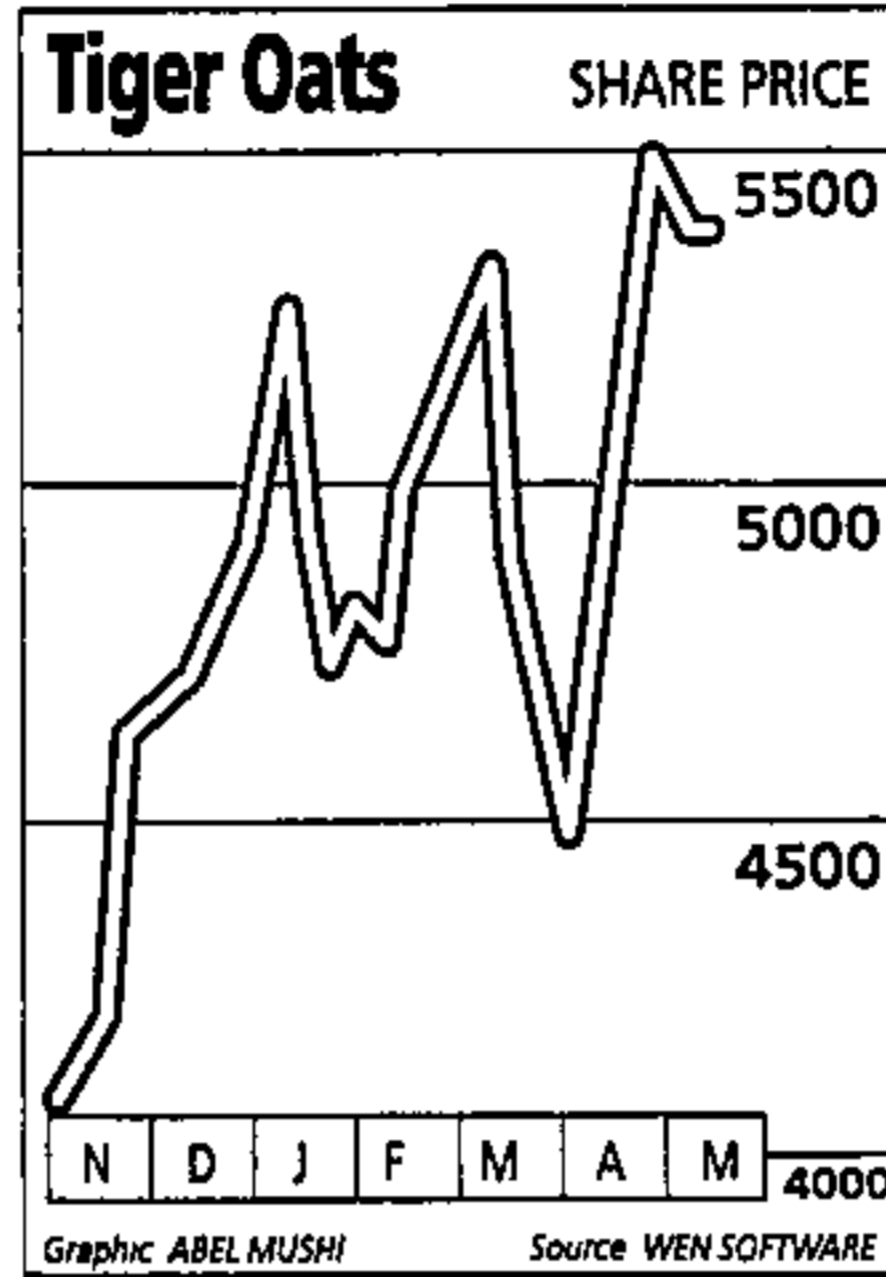
Turnover increased by nine percent to R5,40 billion, but operating profit was up just five percent to R337,1 million

Net interest fell 31 percent to R26 million and the effective tax rate was down from 32,4 to 31,6 percent

Tiger Foods increased its contribution to earnings by 14 percent to R117,7 million. There were improved performances from Beacon Sweets, eggs, local and international vegetable oil, pasta, oat milling and the the distribution operations, notably Spar, which continued to lift market share

But there were lower profits from the wheat and feed milling operations

Food canner Langeberg was



adversely affected by continued over-supply in international markets and a lower intake of deciduous fruit

Broiler company County Fare is being restructured, and is in better shape, but still made a loss

Of more concern is the loss in milling and baking, which Dennis attributes to falling demand and overcapacity

A number of processors now circumvent the single-channel market system to buy direct from the farmer and enjoy a considerable advantage over Tiger, which continues to buy through the Maize Board

The difference between what

Tiger paid the Maize Board and what the board paid the farmer ran to R100 a ton last year and is set to increase further (186)

Dennis says the playing field must be levelled, and there must be an orderly move to a market-oriented system to serve everyone's interests

The pharmaceutical interests Adcock Ingram and Logos improved profits, benefiting from cost containment and operating efficiency

There was strong growth from Adcock's generics division Self-medication, essentially the old Sterling Drug business, increased market share

Oceana Fishing reported slightly higher earnings, with improved results in trading and shipping offset by reduced earnings from fishing and cold storage

Dennis has implemented a cost-cutting initiative since he was appointed at the beginning of the year. Some 70 head office staff have been retrenched, bringing the staff complement there down to 30

Dennis has promised to close unprofitable operations, which should ensure real earnings growth for the year

Tiger Oats (186)

nudges up profit, turnover in tight trade

By ARI JACOBSON

FOOD and distribution group Tiger Oats, faced with mild consumer demand and tough competition, saw turnover increase by a mere 9% to R5,4bn (R4,9bn) for the six months to March

However, lower finance costs helped push attributable earnings up 12% to R178m (R159m). This translated into 12% earnings a share increase at 119c (106c)

The group declared a dividend 11% higher at 31c (28c) a share

Margins

Margins in food sales remained tight and this was clearly reflected in the operating income before interest which rose about 5% to R337m (R320m)

New MD Nick Dennis points out that "with one or two exceptions, volumes were down particularly in maize meal, wheat, bakery, rice and animal feeds

Looking at the other, Tiger operations, he mentions that chain-store Spar continues to "claim market share" while Adcock Ingram and Logos Pharmaceuticals improved profits — as did Oceana Fishing

Langeberg, however, was affected by an oversupplied international market and a reduction in deciduous fruit production

Looking ahead, Dennis says "Tiger Oats has begun implementing a long term rationalisation and restructuring strategy aimed at a more focused approach to its businesses"

Cost cuts

He said that the plan calls for the "unprofitable operations" to be closed and a cost reduction exercise to ensure that the group becomes the lowest cost producer in the industry

He forecast that higher consumer demand during the full year to September would correspond with an increase in earnings over the previous year

Tiger Oats manages to keep pot on the boil

BIDAY

1315194

MARCIA KLEIN

FOOD, pharmaceutical and fishing group Tiger Oats produced better-than-expected results in the six months to March with 12% higher earnings of 119c (106c) a share

In line with the growth in earnings, an 11% higher interim dividend of 31c (28c) a share was declared.

Newly appointed MD Nick Dennis said that with one or two exceptions, volumes were down — particularly in maize meal, wheat, bakeries, rice and animal feeds. The processed food business increased its prices just 4%. Turnover was 9% higher at R5,4bn (R4,9bn)

Group activities were affected by weak consumer demand. This, together with increased competition, put pressure on margins and resulted in a 5% increase in operating income to R337,1m from R320,5m.

Finance costs dropped 31% on the back of lower net borrowings and interest rates,

enabling Tiger to lift pre-tax income 11% to R317,6m from R286,2m (186)

The 12% improvement in attributable income to R178,2m (R159,1m) included a 14% higher contribution from its food interests, a 10% increase from pharmaceutical interests, and 4% more from fishing interests. Within major contributor Tiger Foods, the confectionery, egg, local and international vegetable oil, pasta, oat milling and wholesaling operations reported improved performances.

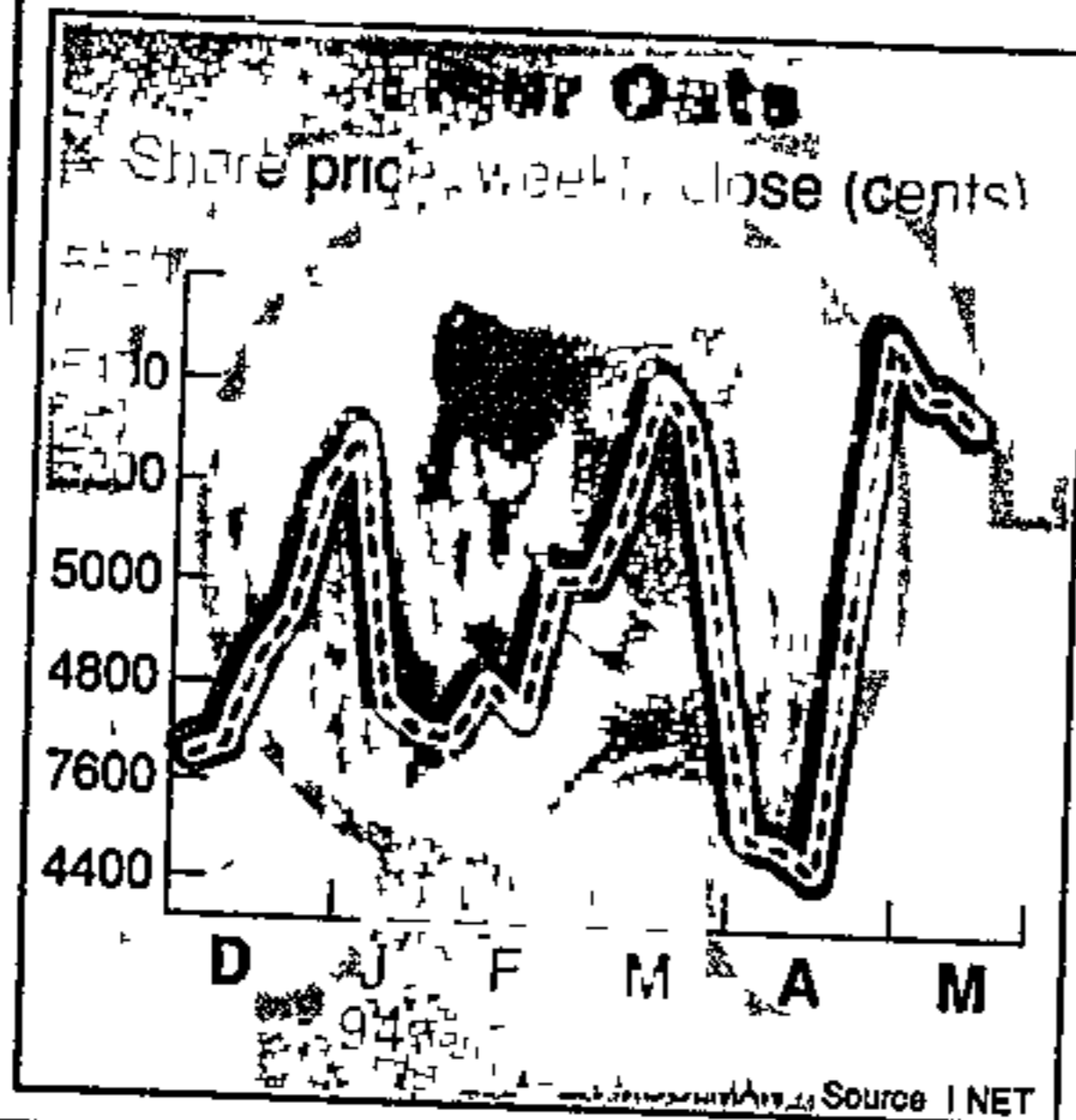
But wheat and feed milling profits were down, and canner Langeberg was affected by an oversupplied international market and reduced deciduous fruit intake.

The maize milling and bakery divisions incurred losses and the broiler business improved, but still showed a loss. Spar continued to perform well.

The pharmaceutical interests, housed in Adcock Ingram and Logos Pharmaceuticals, continued to show good results, and the fishing interests, in Oceana Fishing, reported a slight increase in earnings.

Working capital increased R300m in the six months due to higher stock levels in the US, Langeberg and Beacon. But Dennis said the balance sheet remained strong, with gearing of 26%.

Tiger Oats had begun implementing a long-term rationalisation and restructuring strategy "aimed at focusing more sharply on certain aspects of the business". This included the closure of unprofitable operations and cost reduction exercises to ensure group companies became lowest-cost producers.



Premier might report mixed results

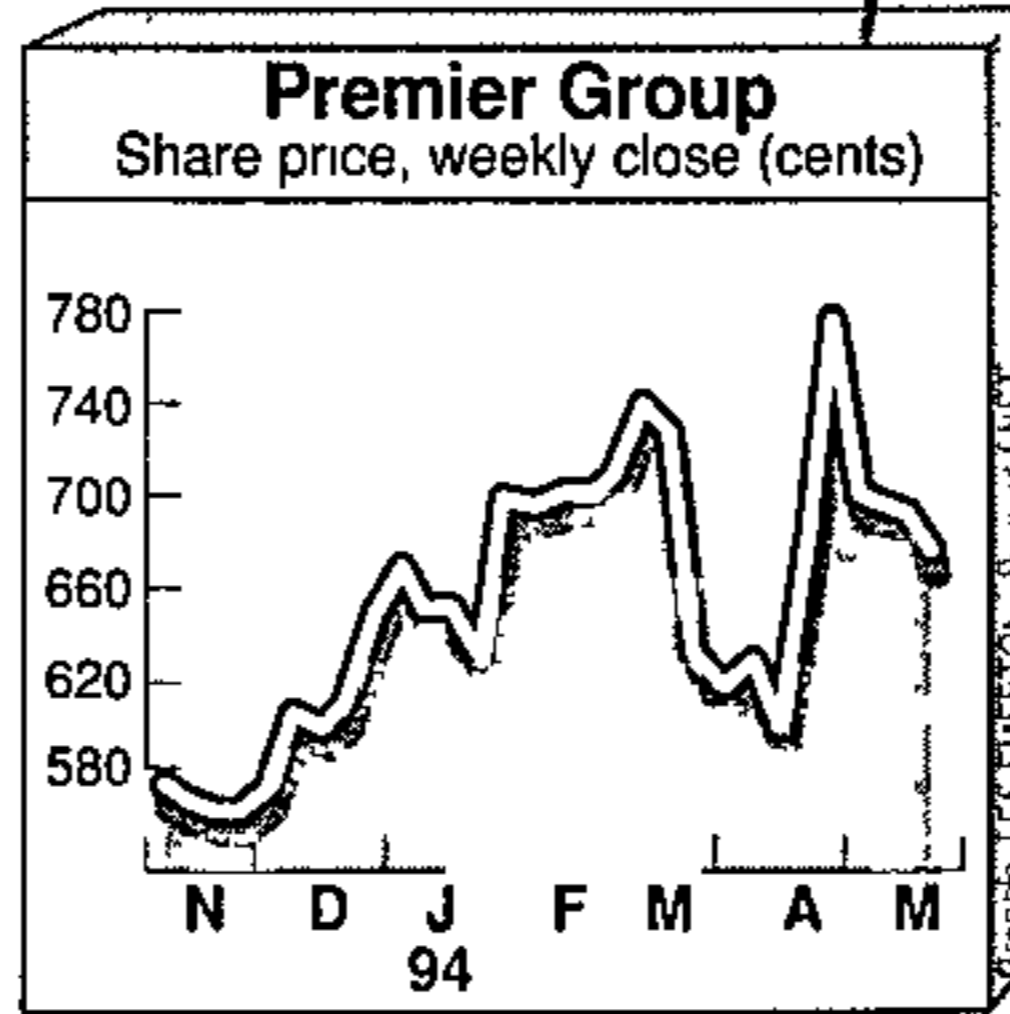
MARCIA KLEIN

MIXED results from major food groups reporting over the past few months indicated lower demand and poor trading conditions, particularly in basic foodstuffs. Branded products fared better. (186) (292)

These trends are expected to be reflected in Premier Group results. Analysts are expecting Premier to announce an earnings increase of about 12% for the year to April when it reports next month.

This would reflect good results from its retail, wholesale and pharmaceutical interests and the full-year benefit of its investment in Bonita, offset to some extent by the effects of trading conditions on its core food interests.

Group earnings were up 11% at the October interim stage. At that stage,



Premier Food and Chicks had turned in a poor performance, while other group interests had done well. Chairman and CE Peter Wrighton said at the time there would be real earnings growth in the full year, but this would be difficult to achieve.

Analysts said staple foods had been under pressure for the whole trading period, and this trend could continue for some years. Certain Premier interests, including its milling operations and Blue Ribbon Bakeries, could be affected in the current year.

Most of the food groups managed to lift earnings through the contribution of non-food interests or those of their branded, value-added products.

Foodcorp's results had been worse than expected, but Tiger Oats, Tongaat Hulett and HL & H fared better. CG Smith Foods' performance was pulled down by its sugar division.

Analysts said the future of staples remained unsure. Government could be looking at zero-rating a wider range of foods. In addition, it could regulate certain staple product prices. These factors could affect results of basic product manufacturers.

Am 2015 194
186

C.G. Smith Foods Limited

(Incorporated in the Republic of South Africa)

Registration number 70/10062/06



Interim report and dividend declaration

for the six months ended 31 March 1994

Review of results

Turnover for the six months increased by 8% to R 7.4 billion. Weak consumer demand in the food industry adversely affected sales volumes and this together with highly competitive market conditions, continued to place pressure on Group operating margins. A 78% drop in the contribution to Group earnings by C.G. Smith Sugar impacted severely on Group results, which declined by 6% to 142.8 cents a share.

Net funding costs were 43% below the previous year, reflecting reduced interest rates and lower average borrowing levels. The change in the share of profits from associate companies was due to the consolidation of the results of former associate company Sea Harvest following that company becoming a subsidiary in May 1993. This was also the main reason for the higher share of profits which accrued to minority shareholders relative to the corresponding period last year.

Tiger Oats recorded a satisfactory increase in earnings with improved performances achieved by the pasta, oat milling, wholesaling, confectionery, egg and local and international vegetable oil operations. Profits were lower in the wheat feed milling and canning operations, while losses were sustained in the maize milling and bakery divisions. The restructure of the broiler business is not yet complete and, although its performance improved, a loss was incurred.

The pharmaceutical companies, Adcock Ingram and Logos, performed well despite increased competitive activity and pressure on volumes. The continued focus on cost containment and operating efficiencies had a positive influence on their results.

Oceana Fishing Group reported slightly increased earnings with improved results in the Trading and Shipping division largely offset by reduced earnings in the Fishing and Cold Storage divisions.

I.C.S. recorded a 6% increase in earnings notwithstanding a further decline in consumer spending on perishable proteins. The Meat division saw profits reduce whilst the Clayville dairy sustained a further loss for the period. Sea Harvest reported marginally lower earnings due to adverse market conditions both locally and internationally. Earlybird Farm, the newly formed company which combined the broiler interests of I.C.S. and O.T.K. (Ko-op) Bpk, performed well. Good progress has been made in the other joint ventures that were established in the latter half of 1993, but the full benefits of these are only anticipated to materialise during the course of 1995.

C.G. Smith Sugar's results incorporate the second half of the very poor 1993/94 sugar season, which was the second consecutive year of devastating drought for the industry. However, the results of the first half of the new sugar season will be brought to account in the next six months and early estimates are for a substantial recovery in sugar production. Better results are also expected from the chemical operations. The U.S. operation, Monitor Sugar, continues to perform satisfactorily.

Prospects

The outlook for the remainder of the year is largely dependent on developments in the socio-political arena. However, given a stable trading environment and taking into account the anticipated improvement in C.G. Smith Sugar's results in the second six months, some growth in earnings is forecast for the full financial year.

Dividend

In view of the more positive outlook for the second six months, an unchanged interim dividend of 36 cents per share has been declared.

RA Williams
Chairman

CFH Vaux
Financial Director

Sandton
16 May 1994

The unaudited consolidated results of the group for the six months ended 31 March 1994 are set out below. There have been no changes in accounting policies during this period. Figures for the six months ended March 1993 have been restated as a result of the new accounting distinctions between subsidiary joint venture and associate companies that were applied since the date of the previous interim statement.

Group income statement

	Unaudited		Audited	
	Six months ended 31 March	1993	Change	Year ended 30 Sept 1993
	Rm	Rm	%	Rm
Turnover	7 449.6	6 915.1	8	13 890.9
Net operating profit	437.6	443.0	(1)	853.0
Net funding costs	32.9	58.1		94.4
Profit before taxation	404.7	384.9	5	758.6
Taxation	131.4	124.8		216.3
Profit after taxation	273.3	260.1	5	542.3
Share of profits of associate companies	5.4	18.0		29.6
Profit after taxation, including associate companies	278.7	278.1	0	571.9
Attributable to outside shareholders in subsidiaries	143.8	134.4		283.2
Attributable to shareholders in C.G. Smith Foods Limited	134.9	143.7	(6)	288.7
Extraordinary items	(4.7)	(12.3)		(57.3)
Profit after extraordinary items	130.2	131.4		231.4
Number of ordinary shares in issue (000's)	94 492	94 492		94 492
Weighted average number of ordinary shares on which earnings per share is based (000's)	94 492	94 492		94 492
Earnings per ordinary share (cents)	142.8	152.1	(6)	305.5
Dividends per ordinary share (cents)	36.0	36.0	0	99.0

The figures for the current period are not strictly comparable with those of the previous year as a result of the major restructuring of ICS Holdings' portfolio of investments during the latter half of 1993 and, in particular, the consolidation of the results of former associate company Sea Harvest Corporation Limited.

Abridged group balance sheet

	Unaudited		Audited
	31 March	1993	30 Sept
	1994	1993	1993
	Rm	Rm	Rm
Capital Employed			
Total shareholders' funds	3 816 6	3 401 5	3 612 7
Deferred taxation	196 1	182 6	181 3
Long term borrowings	774 7	706 4	780 9
	4 787 4	4 290 5	4 574 9
Employment of capital			
Fixed assets and investments	3 299 6	3 099 0	3 278 4
Current assets	4 543 3	3 923 9	4 499 9
Stocks	1 931 2	1 695 9	1 778 2
Debtors	2 087 3	1 814 3	2 040 0
Cash and deposits	524 8	413 7	681 7
	7 842 9	7 022 9	7 778 3
Total assets	7 842 9	7 022 9	7 778 3
Current liabilities	3 055 5	2 732 4	3 203 4
Short term borrowings	560 9	439 3	684 6
Creditors, provisions and shareholders for dividends	2 494 6	2 293 1	2 518 8
	4 787 4	4 290 5	4 574 9

Segmental analysis

	Unaudited			Audited		
	Six months ended		Change	year ended		
31 March	31 March	1993		30 Sept	1993	
	1994	1993	1993	1993	1993	
	Rm	%	Rm	%	Rm	
Contribution to attributable earnings						
Food and fishing	87 8	65	79 6	55	10	
Sugar and related activities	18 6	14	38 5	27	(52)	
Pharmaceuticals	28 5	21	25 6	18	11	
	134 9	100	143 7	100	(6)	
					288 7	

Other salient features

	Unaudited	Audited
	31 March	30 Sept
	1994	1993
Net worth per ordinary share (cents)	2 152	1 977
Net borrowings Total shareholders' funds (%)	21 2	21 5
Interest cover - net (times)	11 2	7 4
Capital expenditure (R million)	187 1	181 5
-expansion	93 3	81 9
-replacement	93 8	96 6
Capital commitments (R million)	294 3	268 9
-contracted	172 5	94 2
-approved	121 8	174 7

Group cash flow statement

	Unaudited		Audited
	Six months ended	Year ended	Year ended
	31 March	30 Sept	30 Sept
	1994	1993	1993
	Rm	Rm	Rm
Cash generated from operations	681 0	687 5	1 338 0
Requirements for continuing operations	(493 5)	(155 0)	(644 9)
Cash available from operations	187 5	532 5	693 1
Dividends paid (including outside shareholders)	(134 5)	(125 9)	(196 9)
Cash retained from operations	53 0	406 6	496 2
Other movements	75 1	16 2	131 1
Cash available for investment	128 1	422 8	627 3
Investment in future operations	(163 6)	(135 2)	(381 0)
(Increase)/decrease in funding requirements	(35 5)	287 6	246 3

Declaration of dividend No. 27

Notice is hereby given that an interim dividend of 36 cents per share has been declared payable to shareholders registered in the books of the company at the close of business on 17 June 1994

The transfer books and the register of members will be closed from 18 June 1994 to 26 June 1994 both days inclusive for the purpose of determining those shareholders to whom the dividend will be paid

Payment of dividends by way of electronic transfer will be made on 15 July 1994. Dividend warrants will be posted to shareholders on or about 11 July 1994 dated 15 July 1994. Non-resident shareholders' tax will be deducted where applicable

By order of the board

D A Austin
Secretary

Sandton
16 May 1994

Directors Messrs R A Williams (Chairman)
D C Bodley
B P Connellan
D E Cooper
N Dennis (British)
G Taylor
C F H Vaux
C Wolpert

Registered office
36 Wierda Road West
Sandton

Transfer secretaries
Rand Registrars Limited
Block C 100 Northern Parkway
Ormonde, 2091



DEL MONTE FOODS

FM 27/5/94

Changes transform balance sheet

Activities: Markets well-established branded food products on an international basis
Control: Anglo American and Imerman family consortium

Chairman: V I Imerman, COO E Sola
Capital structure: 341.8m ords Market capitalisation R2,86m

Share market: Price 825c Yields 2,6% on dividend, 7,4% on earnings, p e ratio, 13,5, cover, 2,9. 12-month high, 910c, low, 600c
 Trading volume last quarter, 2m shares

Year to Nov 30	'92	'93
ST debt (Rm)	67,9	119,7
LT debt (Rm)	19,7	327,3
Debt equity ratio	0,41	0,15
Shareholders' interest	0,52	0,70
Int & leasing cover	4,9	8,5
Return on capital (%)	0,17	0,07
Turnover (Rm)	373,9	1 397,4
Pre-int profit (Rm)	67,1	264,2
Pre-int margin (%)	0,18	0,19
Earnings (c)	36,4	61,0
Dividends (c)	12,1	21,0
Tangible NAV (c)	119	68,6



Imerman silent on tax

Results for financial 1993 are hardly likely to set the world on fire, though it can be argued that, in a tough climate of continuing European recession, the outcome is about as good as investors can expect

The FM has chosen to examine Del Monte Foods only, as the other two group companies — Del Monte Royal Corp and Del Monte Royal Holdings — are purely pyramids. What comes through immediately is how much Del Monte has changed character and size. It is difficult to derive any measure of similarity with 1992

The balance sheet is entirely different. Debt has ballooned but shareholders took up a huge slice of the cash needed to buy the trademarks. Consequently, shareholders' interest has risen dramatically to 70%. If trademarks are stripped out of net worth — the FM's practice — tangible value per share is only marginally greater at 68c than EPS of 61c last year. However, it is only fair to add that trademarks total a massive R2,4bn

The income statement is reasonable, given severe trading conditions. Operating income before interest and tax of R233m shows a trading margin of nearly 17%. A tax charge

of R11,5m was surprisingly light — a rate of a modest 5,7%. I find it intriguing that neither chairman Vivian Imerman, chief operating officer Enrico Sola nor the directors mention any of this perhaps they think no-one will notice

In fact, a characteristic of the report is that it doesn't tell shareholders much they don't already know that volumes have fallen in a market still suffering from recession

Del Monte is built on brand names. I am surprised so little space is devoted to what is clearly a vital issue — the conflict with major retailers' house names that has developed in recent years. Some analysts believe Del Monte cannot hope to fight off the onslaught. However, perhaps the converse is true: there is no evidence from any geographical area that brand names have succumbed to house alternatives

What the Sainsburys and Tescos have succeeded in doing is to force brand name manufacturers to change the way they do business. They used to concentrate on high initial charges accompanied by huge discounting, sometimes, coupons (stamps) were used to reduce retail prices

Last year, the counterattack began in earnest, led by Proctor & Gamble, which launched a campaign against discounting through coupons. It is now exemplified by Sainsbury's "Everyday low prices" campaign. The new idea is to concentrate on uniformly low prices rather than huge fluctuations around a high price. Unilever has joined the move to reorganise and Nestlé is stripping out elements of its business which

don't give it an adequate competitive edge. The main objective of all this is to re-establish the competitiveness of brand name products. The encouraging aspect is that Del Monte has already implemented many of the programmes necessary

If the group is to make a lasting impact, its next logical step is to break into the German market in a really big way. In fact, this is the key to ultimate success: the group needs to acquire a large wholesaler or tie up in a manner which will ensure maximum distribution

Finally, there's the issue of the next acquisition — or sale. No-one is saying, but chances must be that Del Monte will focus mainly on Europe. That may presage some shake-up in Far East operations

Provided economic recovery gathers pace in Europe, results next year should show a modest improvement

David Gleason

SABHOLD

Unanswered questions

Activities: Investment holding company with industrial and financial services interests

Control: Sabvest 51,3%

Chairman: Christopher Seabrooke

Capital structure: 19,3m ords Market capitalisation R111m

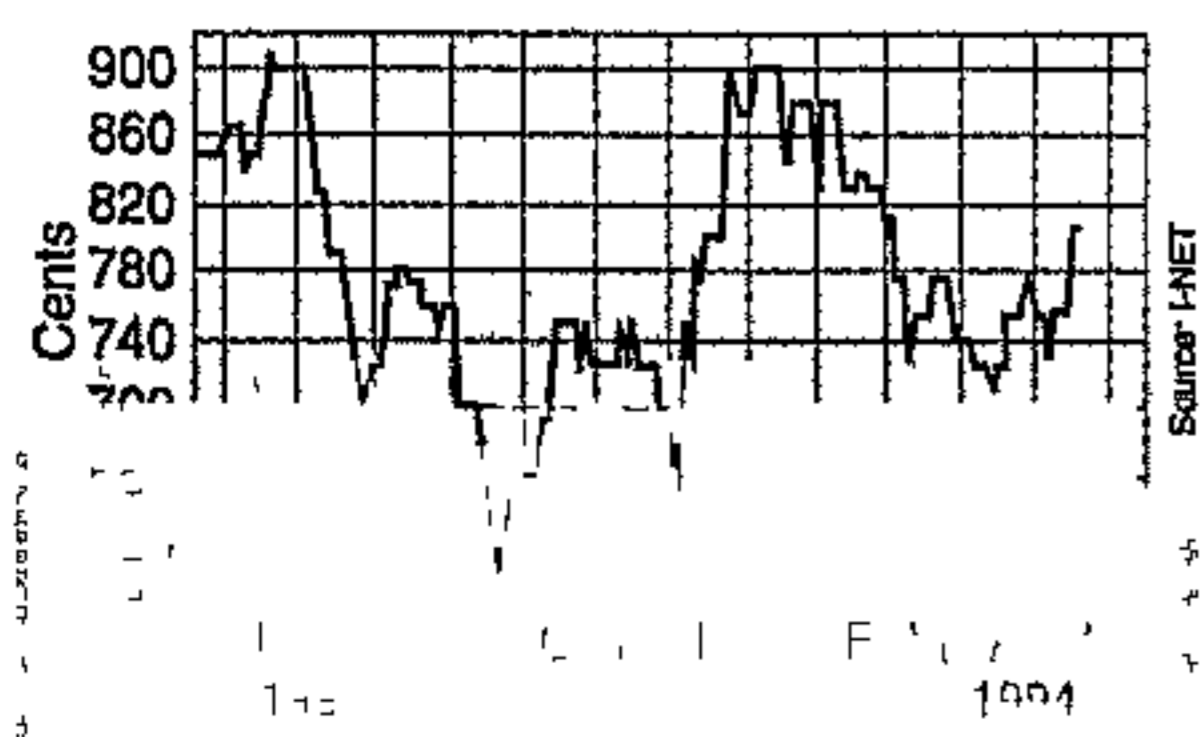
Share market: Price 575c Yields 4,3% on dividend, 15,5% on earnings, p e ratio, 6,4, cover, 3,6. 12-month high, 510c, low, 290c

Trading volume last quarter, 104 000 shares.

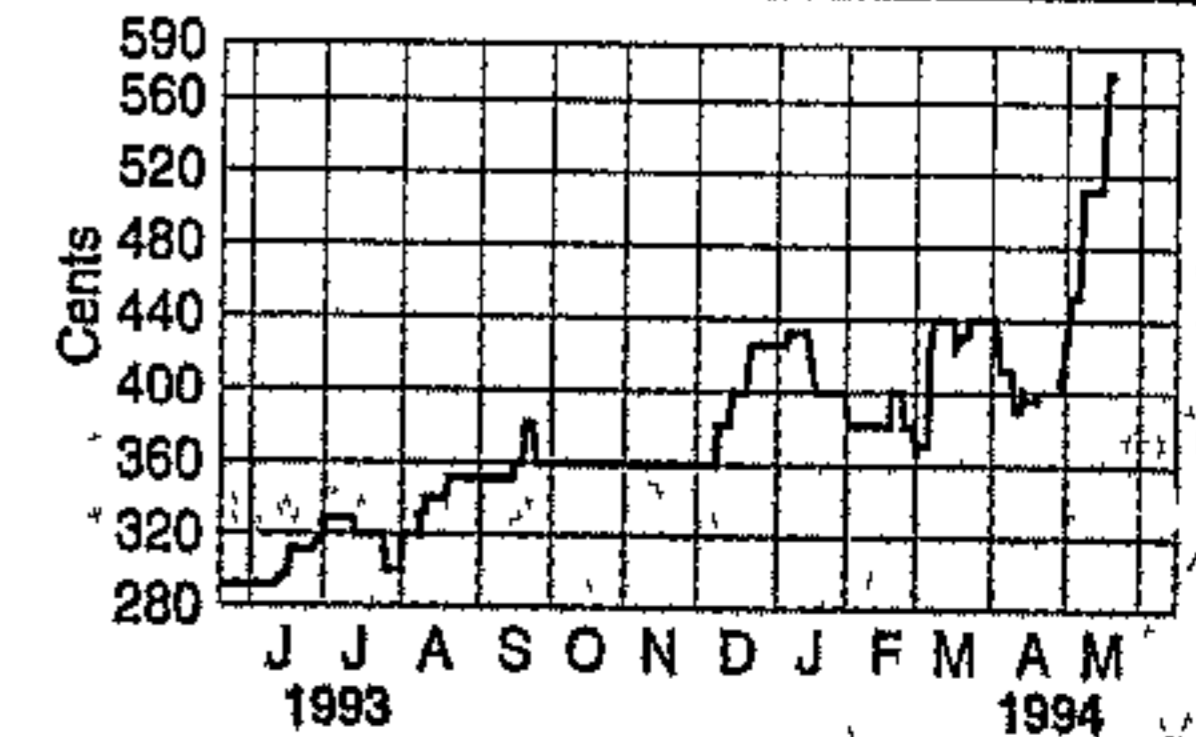
Year to Dec 31	'90	'91	'92	'93
ST debt (Rm)	7,8	6,3	4,0	25,3
LT debt (Rm)	19,4	9,4	7,6	6,1
Debt equity ratio	0,30	0,15	0,09	0,14
Shareholders' interest	0,60	0,68	0,73	0,61
Int & leasing cover	10,1	8,1	9,7	n/a
Debt cover	1,2	2,0	2,3	n/a
Return on cap (%)	20	22	16	10
Pre-int profit (Rm)	29,6	32,8	24,4	19,9
Pre-int margin (%)	22,5	24,5	19,5	n/a
Earnings (c)	99,0	99,5	75,6	89,4
Dividends (c)	30	30	22	25
Tangible NAV (c)	471	495	627	569

This is a puzzling group. Chairman Christopher Seabrooke clearly attaches importance to shareholder communication. He boasts of

Del Monte Royal Foods



Sabhold Group



Royal Beech-Nut seeks a partner

8/Day 27/5/94

SA-OWNED international group Del Monte Royal Corporation was in the market for a multinational partner for local subsidiary Royal Beech-Nut, Del Monte Royal Foods deputy MD Doug Johnston said yesterday.

Royal Beech-Nut, whose products include Royal baking products, biscuits and cereals, Lecol, Beechies and Manhattan, previously had a rewarding relationship with international group Nabisco (186)

The company was well placed to embark on a partnership with a multinational company

And with the possible influx of other international companies following the end of sanctions, Royal Beech-Nut needed new products.

Johnston said the terms of any deal would depend on the partner

Del Monte group had bedded down and consolidated the massive R2,17bn Del Monte Foods International acquisition, and was currently looking at further acquisitions

These would most likely be in the UK or Europe

Meanwhile, Del Monte had been expanding its operation through Europe and the Middle East. It had a joint venture/licensing arrangement in Israel with listed company Pri'Hamek, which would, from July 1, manufacture and launch its products

It had set up a licensee operation in

MARCIA KLEIN

Saudi Arabia, where its fruit juice would be packed and distributed, and had set up a sales force in Spain

It also had a presence in Hungary and was looking at Poland France was a big market which it hoped to become more involved in

There had been some criticism that Del Monte was not involved in the German market While it had a sales force in the country, and was looking at options to grow that market, Johnston pointed out that it was a low priced market

Del Monte was also launching its fruit products in SA, and Johnston said they had been well accepted by the trade It was hoping for a market share of about 8% to 10% in year one

In Europe, the group would benefit from pineapple prices, which had been moving up rapidly, with Del Monte fetching \$200 to \$300 more per ton than previously The deciduous fruit market was strengthening, as were the economies of Europe.

There was an overhang of shares on the market, and the group had issued a large number of shares This had worked to its advantage as the share now was tradeable

With more than 80% of earnings coming from offshore, it was attracting interest as a rand hedge stock, Johnston said.

Royal Beech-Nut *31 Day 2015/194* drops Uncle Ben's

MARCIA KLEIN

DEL Monte Royal's SA arm, Royal Beech-Nut, would give up its rights to distribute Mars bulk food products in SA, the company said at the weekend.

While this would mean the loss of Uncle Ben's rice, the company would retain the confectionery brands, which include major brands Mars Bars, Snickers, M&Ms and Twix.

Until now, the only bulk food products launched locally were Uncle Ben's Rice and Uncle Ben's sauces. The rights for these products will be taken over by Togaat Foods Distributors ~~(280)~~ (186)

Early in 1992 Del Monte Royal — then the Royal Corporation — announced it had scooped the distributorship of Mars's full product range through subsidiary Royal Beech-Nut.

This included confectionery, pet foods, mashed potato, pastas and spices

According to Royal Beech-Nut, the incentive to acquire distribution rights was, in fact, the Mars international confectionery brand leaders — like Snickers and Mars Bars — which fitted in with its own product lines, which include confectionery, cereals, cakes, desserts, biscuits and cordials.

The new arrangement "carries the full approval of both companies and Royal Beech-Nut's ties with Mars remain intact in all other respects"

Mars recently launched a strong promotional drive around the World Cup soccer which takes place in the US next month

Royal Beech-Nut marketing director Cliff Sampson said the move would "free our resources to concentrate on the launch and expansion of our own group's Del Monte canned fruit products into SA which is currently under way and is receiving overwhelming trade acceptance"

Premier takes in stride one of the group's most trying years

Star 9/16/94

BY DEREK TOMMEY

Premier lived up to its name in the year to April, lifting earnings 11 percent, despite one of the most difficult years in the group's history

A final dividend of 6,5c is being paid, making a total of 10,5c — up 12 percent from last year

Triumph

Chairman Peter Wrighton said yesterday the year was characterised by socio-political and economic turmoil

While April was a great triumph for South Africa, it had been a poor month for Premier because of the number of non-trading days and public holidays

Group attributable earnings rose from R233,5 million, equal to 28,3c a share, to R259,1 million, equal to 31,4c a share

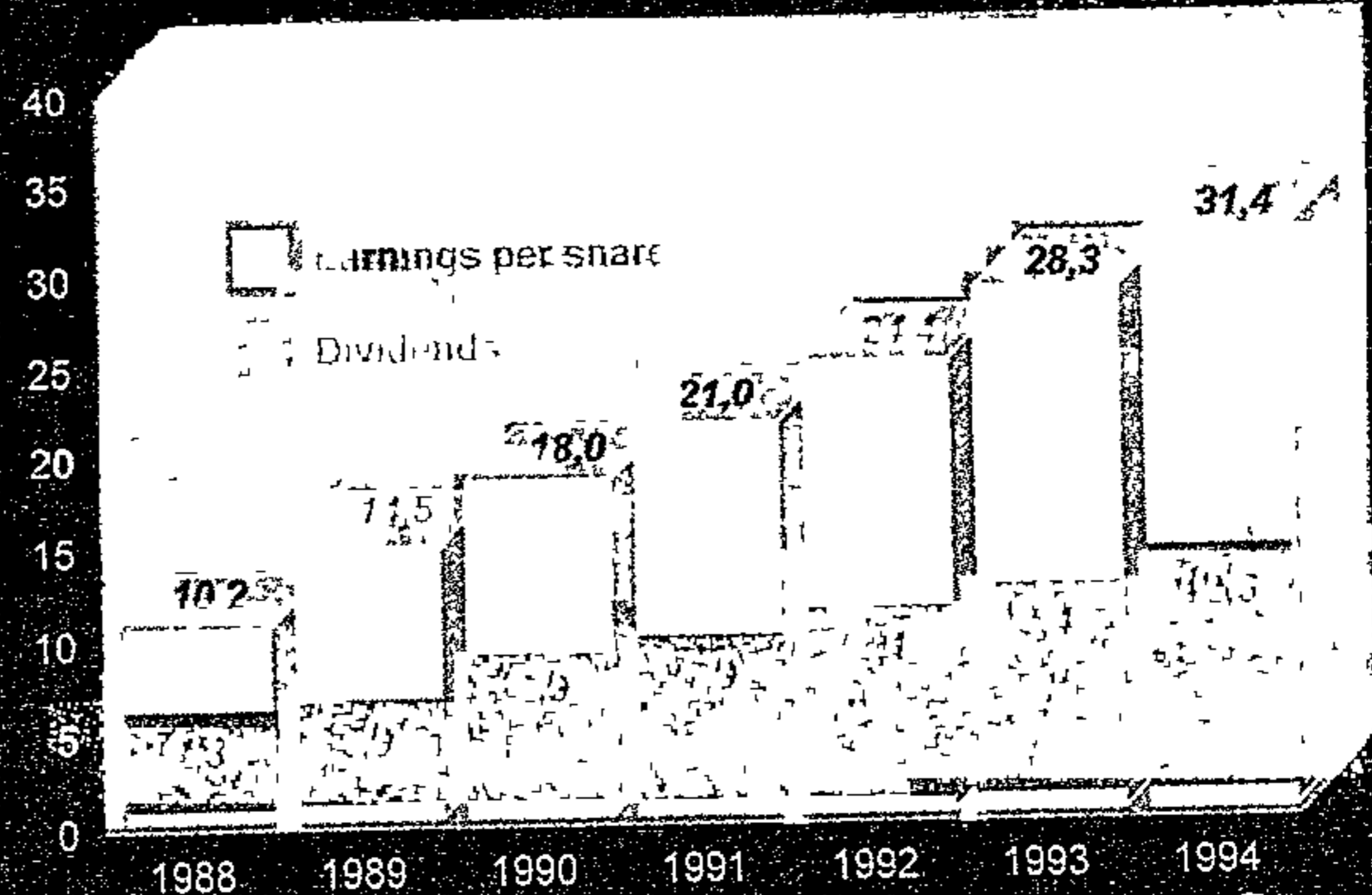
Equivalent

However, cash equivalent earnings — earnings after eliminating items with no cash affect on earnings — grew by 35 percent to 47,3c a share

Premier raised trading margins to 4,4 percent from 4,3

DIVIDENDS AND EARNINGS PER SHARE (cents)

COMPOUND GROWTH IN EPS SINCE UNBUNDLING = 20,6% p.a.



The Premier Group

percent in the previous year

Turnover rose 42 percent to R14,4 billion. But this figure is not comparable with the previous year as CNA Gallo, UPD and Bonnita were consolidated for the first time

This consolidation increased the trading profit, but reduced dividend income

Premier continued to invest

heavily, spending a net R604,9 million over the year (R592,3 million the previous year)

Premier took advantage of the low interest rates, its borrowings rising from R243,7 million to R448,7 million

Interest cover dropped from 19 to 8, while the percentage of new borrowings to shareholders funds rose from 14,2 to

20,4

Wrighton said he was optimistic about prospects and expected a significant improvement in conditions towards the end of the year

Premier was one of the major companies in the fast-moving consumer goods industry and was in a strong position to take advantage of better circumstances, he said

giant's results surpass expectations

Sowetan 10/6/94
Premier's earnings up

By Mzimkulu Malunga

FOOD and pharmaceuticals giant Premier Group declared results which surpassed market expectations when they increased earnings by 11 percent

The company's retiring chairman, Mr Peter Wrighton, said this week the results exceeded expectations as last year was the toughest ever for Premier

Although the company was affected badly by large-scale unemployment — as consumers spend less — Premier's turnover jumped 42 percent to R14,4

billion. Wrighton said huge sums of money were spent in the company's campaign to consolidate its stake in several of its subsidiaries. About R730 million was spent on expanding Premier's operations. ~~(R6) 183~~

During the past financial year the company spent eight percent of the earnings attributable to shareholders on people development, said Wrighton

Wrighton retires from Premier at the end of the year and Argus Newspapers chairman Mr Doug Band will take over as chairman in January next year

Poised for growth

This share should do well out of higher consumer spending

On the face of it, the expanding urban population should offer easy pickings for a group like Foodcorp. The reality is different. The food giants have had to grapple with dwindling consumer spending, growing pressures to hold down prices of staple foods, stiffer competition and hefty capital spending.

In Foodcorp's case, the difficulties are intensified because it is a specialist food group while its larger competitors, Premier and Tiger Oats, also have cash-generating interests in pharmaceuticals, wholesaling and retailing.

Foodcorp's performance has not been particularly poor, though there has been little or

no real growth over five years. Compound earnings growth over the period was 10,3% while dividends grew at a compound 9,3%. Aside from the occasional hiccup, the share has been on a steady if unexciting upward trend since 1990, when it fetched R10, the price is now R36,50 (186) (252)

This has been driven partly by the successful merger of Kanhym with the larger Fedfood, which Malbak acquired in 1991 and adapted to its own management style and financial approach. This Malbak approach is described as a discipline with proactive and independent financial managers, qualitative rather than quantitative management and

financial reporting systems, and strict management of all operating assets (including property).

Results are starting to become apparent in Foodcorp's 14,5% return on assets and 20,7% return on equity.

Despite these accomplishments, the market still rates the other food groups at a premium to Foodcorp, whose p/e is 17,1 while Tongaat-Hulett stands at 23,4, Premier at 21,1 and Tiger Oats 19,6. There is a simple explanation for these gaps. Briefly, Tongaat is set to benefit from improving sugar and other commodity prices as well as an extensive asset restructure, Premier has

fm 17/6/94

Grain-based foods and edible oils	Protein resources	Prepared foods	Snacks
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- Sunbake
- Nola
- Ruto Mills
- Marine Products
- Pesquera
- Del Norte SA
- Karoo-Ochse
- Kanhym
- Kanhym Estate
- Hanni Leather
- Enterprise Foods
- Table Top
- Catercraft
- Harvestime
- Pillsbury
- Simba
- Montelimar

Percentages refer to contribution to Foodcorp's operating income

good cash generators such as Metcash, and Tiger has pharmaceutical business Adcock Ingram. So all but Foodcorp have a margin booster in nonfood interests.

It is therefore imperative that Foodcorp should make its food interests work. Arguably, what it has on its side is a balanced and mostly branded product portfolio, comprising value-added and commodity products. The value-added products consist largely of snacks, mayonnaises, chilled meats and other prepared foods, frozen vegetables and processed fish. Basic foods or staples include fresh meat and grain-based products.

Since the Kanhym/Fedfood merger, which brought synergies and improved focus, Foodcorp has scaled down its feedlots and moved the focus of its meat operations into the higher-margin processed meats. Its poultry division, Mielie Kip, has been closed. The group staff complement has also been cut.

Benefits of the rationalisation are impressive. There is an annual saving of R8m from the downsizing of operations, R5m from the closure of Patoma and R1m from the closure of Nola's feed division.

The aim is to retain high liquidity with a strong balance sheet ready for growth opportunities.

With these strategies firmly in place, Foodcorp is indeed growing into the food giant for which the market was looking. EPS climbed from 184,3c to 210,7c in financial 1993 alone, laying the foundations for a rerating of the share. The group had outperformed rivals comprehensively in earnings growth in depressed market conditions, but was rated well below competitors on earnings multiples and had some catching up to do.

Unfortunately, this positive sentiment never fully materialised as hoped. The damper was the continuing decline in consumer spending.

Even joint ventures failed to rekindle the market's sentiment. Armed with its strong balance sheet, Foodcorp executives began talks with large international food groups,

as vegetable operations Table Top and Harvestime. The Pillsbury venture has opened the door to canned vegetables — a market Foodcorp has never explored. Benefits from the operating vehicle, Pillsbury Brands Africa, will gradually filter to the bottom line over the next three years.

A second joint venture was undertaken in July when the Cold Chain, a chilled and frozen foods distribution company, was formed. It is held by Foodcorp and local rival Imperial Cold Storage (ICS), and distributes the Table Top and Enterprise ranges. An unexpected pea crop failure in the Cape hampered interim profit contributions, as did the availability and relative cheapness of fresh vegetables.

Fortunately, the Cold Chain will see an improvement in fortunes as it takes on more of the distribution of Enterprise/Renown later in the year.

Former executive chairman Dirk Jacobs set all these wheels in motion but on January 16 a brutal event forced a change in management. Jacobs was murdered at his Parktown North, Johannesburg, home.

Dave Kennealy, Malbak's finance director before moving to Foodcorp as operations director two years ago, was appointed Jacobs' successor. Kennealy was Jacobs' right-hand man through the Kanhym/Fedfood merger, and was active in the talks with Heinz and Pillsbury. Being a Malbak man, Kennealy knew that strategies had worked well until then, so there was little reason to change them. Even though he was operations manager for only a short period, Kennealy already has a good idea of critical risk areas.

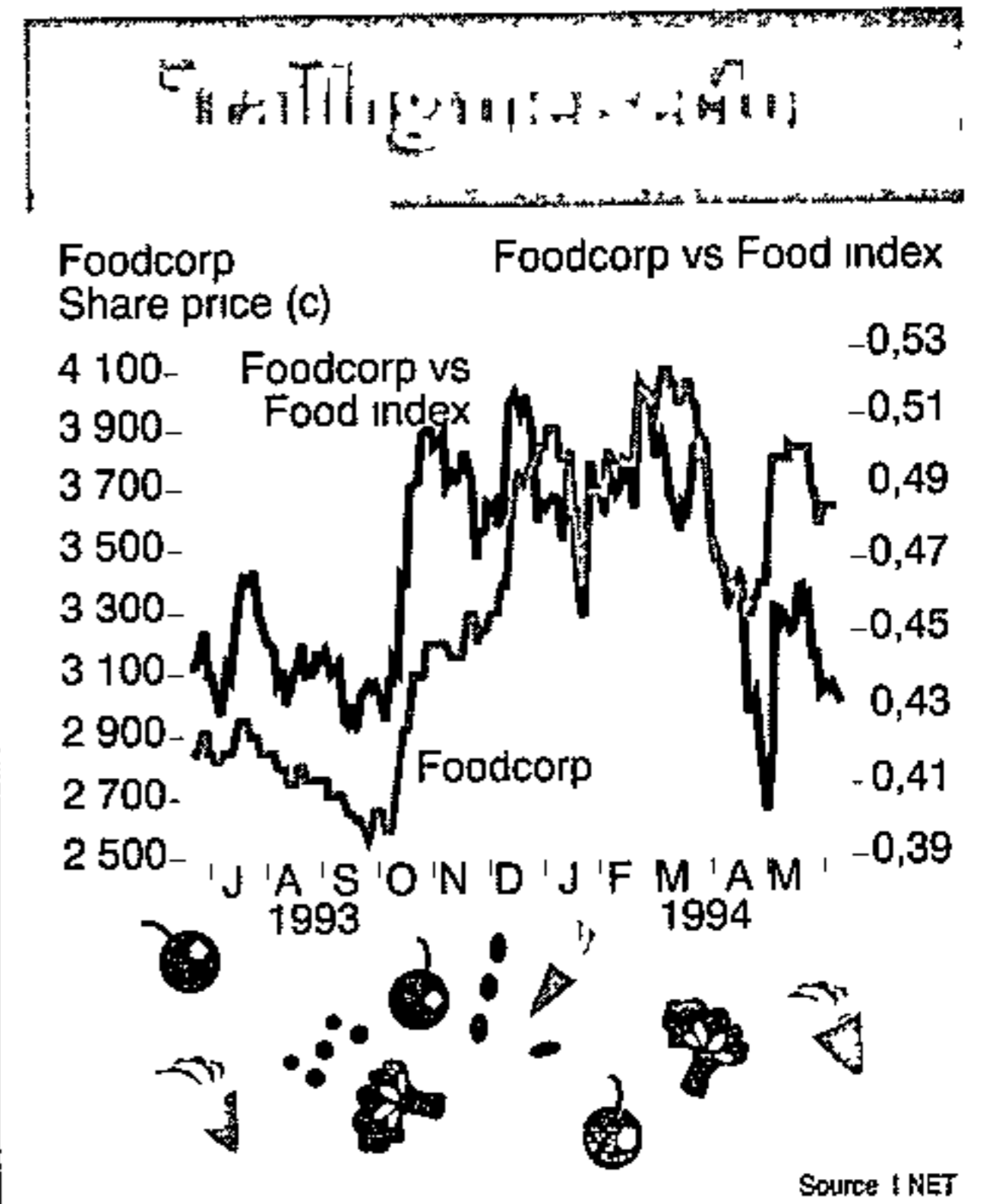
He is quick to emphasise "Productivity and frugality are not just a response in the downturn but integral components of Foodcorp's culture, high efficiencies and low costs will give us the edge domestically and make us competitive in world markets."

One of Kennealy's first duties was to announce interim results for end-February.

The six-month period produced a 1,7% rise in turnover to R1,3bn. Operating income fell 1,2% to R86m and finance charges were reduced by 29%. This left pre-tax profit up by a pedestrian 4,2%. Costs could not be cut any further without biting into the fabric of the company (186).

Before shareholders read too much into this they should realise that this nominal growth situation is probably temporary. In July, after the merger with Renown, a number of once-off costs were incurred which affected operating profit. Latest results from the food operations of Premier and Tiger Oats haven't been all that spectacular either.

In simple terms, farmers have overproduced for the local maize market. Excess supplies will be exported at a loss and the food groups — and ultimately consumers — will pay the price. Ideally, the groups could bypass the Maize Board marketing system, as do the smaller millers who are quietly



Source: I NET

gaining market share. The board, meanwhile, claims the farmers are footing the export bill. Anyway, a new maize marketing scheme will be drawn up in August.

This will not change the fact that Sunbake is Foodcorp's real underperformer. Competitive pricing is forcing the group to fight for market share and additional distribution routes have not been profitable. Foodcorp (like its competitors) is striving to become a low-cost producer in milling. It is installing a new baking plant which will improve performance.

The benefits of modern plant, and strict control of costs and assets, should enable Sunbake to improve on its 1993 performance during the next 18 months.

The Simba snacks division is under pressure because of price competition. Kennealy argues that Simba, by any standards, is producing good returns, though admittedly not as good as he'd like. Simba and Willards collectively hold about 90% of the market, though Simba is dominant. Small competi-

Continued on page 27



Kennealy

Continued from page 23

tors have captured market share from both of the snack groups with relatively cheap goods. Steps have been taken to adjust cost structures in line with consumer spending, margins are turning.

Capital expenditure has been high for Foodcorp. In 1993 the Chilean fishing operations were expanded, with capex of R65m committed to a new fishing trawler and a processing factory in southern Chile. This geographic diversification will help to reduce the effects of volatility in operating performance.

The fishing operation has moved from the north to the south of Chile because of poor catches. Though fishing at the new plant is way ahead of expectations, benefits will be felt only next year.

The South African fishing fleet was also expanded with the launch of another trawler at a cost of R11m. This purchase just about ends the capex programme that Jacobs put

in place at the time of the merger. Kennealy says all the divisions are now operating at a satisfactory level. The only way to add value now is by entering into offshore ventures, joint or otherwise. Should this call for more finance, possibly by a rights issue, Foodcorp would have to turn to parent Malbak for support.

Export volumes

Much effort is being directed towards developing export markets. The Middle East and Far East are being targeted, resulting in a recent shipment of more than 100 t of frozen vegetables. Export volumes have reached about R150m a year. The international link through Pillsbury's market penetration into more than 100 countries will give further momentum to export efforts.

The spread of Foodcorp's operations between value-added and commodity products — one of its distinctive characteristics — showed its advantages as consumers contin-

ued to trade down during the Nineties. If the pressure to keep down the price of staples continues, consumers could turn increasingly to branded goods. The abolition of Vat on all foodstuffs, too, could help.

Demand wasn't there in the first six months and little improvement is expected in the second half, Kennealy expects earnings growth for the full-year will be similar to that achieved at the interim, making the share look fully priced. However, financial 1995 could produce the fireworks. Benefits from the new Chilean operation will be felt, as will contributions from Pillsbury products.

In addition, no restructuring costs should be incurred.

Investors looking for exposure to consumer spending should consider buying this share, given Foodcorp's sound financial position, effective management style and the progress it has made in such a short time.

Kate Rushton

Fun 17/6/94

186

PREMIER GROUP

FM 17/6/94

Working on the food division

(186) (200)

Diversified interests continue to provide all the growth momentum for Premier Group

The 11% advance in full-year EPS was at the same rate as was achieved at the interim stage and was roughly in line with market expectations — but the food division's contribution to attributable earnings was effectively static at R113m (1993 R111m) Earnings from the food activities have been stodgy for a while, though helped somewhat by the acquisition of Bonnita in 1993 food's earnings were up just 1,8%

Management's explanation of food's trading result includes some of the usual laments, notably socio-political turbulence, rising unemployment and the fourth year of recession But chairman Peter Wrighton also refers to particular problems in the sector the need to adapt to deregulation, a sharp reduction in food price inflation during the year and diminishing profitability in milling and baking

STRATEGY WORKING

Year to April 30	1993	1994
Turnover (Rbn)	10,15	14,43
Pre-tax profit (Rm)	438,9	634,7
Attributable (Rm)	234	259
Earnings (c)	28,3	31,4
Dividends (c)	9,4	10,5

These, with stagnant profits, emphasise the need for the restructuring of Premier Food which was started during the past year Much of this programme is directed at a rigid cost structure which had evidently been allowed to develop during years of double-digit inflation and has suddenly been recognised as being inappropriate

Aside from the tougher competition and weaker demand for Premier Food's basket of products, the inflation rate was only 5,4%, well below the overall CPI rate While this was happening, Premier could not pass on to customers the escalation in its own costs

The aim now is to turn Premier Food into the lowest cost food producer in the country That presumably will not be easy, considering that Tiger and Foodcorp are striving to do much the same thing

Product mixes differ Premier, for example, is strong on staple foods, while Tiger's portfolio is more weighted towards brands But, under new MD Nick Dennis, Tiger is improving efficiencies Head office staff, for example, has been slashed Foodcorp, now under Malbak management, is running a far tighter operation than before (see *Leaders*) It suggests competition will remain intense in the sector, though all these groups' profits could respond well to rising demand

In addition to adjusting the cost structure and seeking flexibility, the Premier restructuring is intended to "become more market focused rather than production driven" and to address under-used resources A big element is the elimination of duplicated activities, with support services to be centralised

Benefits of the R40m annual saving which are forecast to be achieved have yet to be felt This saving will be deployed partly on additional spending on marketing It's also hoped that the resultant efficiencies will help to attract joint venture partners One or more such deals — of which there have been several in the industry over the past 12-18 months — could be struck later this year This, too, should help towards easing competitive pressures

Funding requirements — and the return on investments — must be another consideration It seems the food division remains capital-hungry In the 1994 year, Premier Group's capex (including acquisition costs) totalled R730m Of this, R378,6m went to food, R184m to pharmaceuticals, R51,9m to wholesaling and R115,5m to retail, entertainment and leisure

Liquidity has been rising strongly in the nonfood subsidiaries Metcash is the outstanding example Its cash balance jumped in the past year from R291m to R548m and debt has been eliminated Prempharm drew down its net cash from R153m to R46m, CNA Gallo lifted its net borrowings from R45,4m to R79,4m

Premier Group's interest cover has remained comfortable at eight times, but it has dropped from 1993's 19, with total interest-bearing debt having risen by April 30 to R449m (1993 R244m) Gearing, influenced partly by accounting changes — including first-time consolidations of CNA Gallo, UPD, Bonnita and Premfood's foreign in-



Premier's Wrighton cutting food costs

vestments and acquisitions — has climbed from 14,2% to 20,4%

This, as well as the profit and cash flow, is another reminder of the value and astuteness

DIVERSIFIED GROWTH

Earnings contributors (Rm)

	1993	1994
Food	111	113
Pharmaceuticals	45	63
Wholesale	39	47
Retail	39	36

of Premier's acquisition and continuing turnaround of Metcash and, to a lesser extent, of Prempharm But that doesn't necessarily do much to improve the returns being attained on the food operations, which still account for much of the assets

Meanwhile, the food restructure is not without cost A total R88m has been written off in extraordinary items These mainly comprise goodwill, a provision for the restructuring costs of Premier Food which will be incurred this year, the write-down of plant and equipment to tax values to accommodate the margarine joint venture and closure costs of discontinued operations

Extraordinary items — no longer acceptable in the US and UK and a practice the SA Institute of Chartered Accountants wants to see stopped in this country — can be a wonderful thing at such times Had the R88m been treated as a normal expense, pre-tax profit would have been up 12% instead of the stated 34% And EPS would have been much less impressive

Any improvement this year in profitability of the food interest would be a valuable boost to group earnings With Premier strongly placed in fast-moving consumer goods, Wrighton is confident real growth in EPS will continue Even so, competitive markets may restrain the pace

In almost a week after release of the results, the share gained just 5c to stand at 645c, suggesting investors think the price and the 20,9 p e is high enough for now

Andrew McNulty and Marylou Greig

TIMES MEDIA

FM 17/6/94

A little less pressed

Times Media (TML)'s solid 14% bottom-line growth certainly beat market expectations and represents a strong recovery after the 5% dip in interim EPS It has also broken the disconcerting trend seen in the 1993 finan-

Tongaat-Hulett group well poised for growth

NATAL-based Tongaat-Hulett group had met its objective of turning around underperforming operations, and was well poised for growth with its substantial spare capacity, chairman Chris Saunders said in the annual review *Biday*

A strong second half performance saw the sugar, foods, aluminium, building materials and textiles group report a 16,1% earnings rise to 213,8c a share in the year to March on a marginal turnover rise to R3,98bn *117194*

Saunders said the recent capitalisation issue provided the group with the opportunity to enlarge its capital base and to conserve cash resources for future expansion and development

Commenting on the group's divisions, he said sugar had a tough year because of the drought. The Mount Edgecombe mill would close in October, but the group was investing R75m in increased capacity at other mills.

The division would benefit from deregulation of the sugar industry, which would stimulate improved productivity and cause further rationalisation and cost reductions

The consumer foods division has formed a joint venture with international food company CPC International which would give it a new competitive advantage. The joint venture had access to a range of brands and formulations which would be marketed locally. Separate catering and export divisions have been established and would focus on opportunities locally and in sub-Saharan Africa

MARCIA KLEIN

Saunders said the group was looking at other joint venture opportunities

The aluminium division did not fare well during the year, but it had better medium to long-term prospects

It was currently looking at the viability of a R1,4bn investment in expanding its rolled products capacity. "This will enable the division to achieve an internationally cost competitive position and to benefit from the improvement in the local and international economies," said Saunders. The building division has begun recommissioning plants, and its spare capacity of about 45% placed it well to take advantage of the expected upturn in the building industry

The textile division benefitted from cost reductions and continued consolidation. The ending of the structural adjustment programme should result in lower imports in the year ahead *(186) (200)*

The division expected to grow through further productivity gains and better utilisation of assets. The lifting of sanctions would also enable the division to increase its export markets

Cost controls helped the starch and glucose division improve its contribution to group profits. The division was continuing to expand "to ensure that capacity is available ahead of demand".

The good maize crop this year should enable the division to maximise capacity for the local and export markets, and further growth in exports was expected.

Hungry Foodgro puts on weight

ST Times (Buss)

By SVEN LUNSCHÉ

FOUR fast-growing food and beverage chains, with an annual turnover of R150-million, have combined to form a new franchise business

Foodgro hopes to increase the combined turnover of the four companies by 42% in its first year. It groups Black Steer, Flame, Bulldogs Pub and Goodies outlets

Foodgro will be managed by four executive directors and plans a listing on the JSE in two years

The four companies operate 52 sites

and plan to open a further 35 next year

317 194
Christo Demetriades, who joins the group from Flame as executive director, finance, is confident the group can meet its 1995 R210-million turnover target

"Apart from royalty growth from new franchisees, which have already been selected, the group has hardly

any overheads," Mr Demetriades says. Franchisees can enter the group from a top level of R1,5-million down to R200 000 (186) (252)

The group has agreed with Southern Sun and Protea hotels to provide facilities at big timeshare sites

Foodgro also aims to expand abroad. It has received franchise applications from European countries, the US, Australia and Zimbabwe. The first outlet outside South Africa is expected to open by the end of the year

Del Monte earnings up by 9,5%

From BEATRIX PAYNE

JOHANNESBURG — Del Monte Royal Foods (Delfood) lifted attributable earnings 9,5% to R90m (R82,2m) in the six months to June 3 on increased sales in the second quarter and a rise in pineapple prices, the company said at the weekend.

The group, which owns Del Monte Foods International, reported turnover 7,7% higher at R701m (R651m)

Operating income rose marginally to R110,7m (R110,3m) after the group increased its investments in promotions and advertising

Despite difficult trading conditions in the first quarter, sales volumes in the second quarter showed a substantial improvement "which suggests that the long awaited recovery in our major markets is under way", the directors said

Earnings a share rose 9,1% to 26,3c (24,1c) on a slightly increased number of shares in issue and an interim dividend of 85c was declared

The directors said the results were in line with expectations and they expected to see earnings improve during the rest of the year

Despite lower earnings from the group's associate in the Philippines, the directors said performance was set to improve on the back of higher pineapple prices. The group was considering acquisition opportunities aimed at increasing

margins

Interest charges rose to R27,8m (R20,4m) after the group increased its temporary working capital requirements

But the directors forecast a lower interest bill for the rest of the year, saying short-term long capital needs had been significantly pruned

The tax bill fell significantly to R1,47m (R17,5m) boosting after-tax income 12,3% to R81,4m

But Del Monte's Philippines associate recorded lower earnings which reduced the group's share of profits 6,8% to R9,5m.

Outside shareholders' interest of R370 000 and preference dividends of R467 000 (R479 000) left attributable earnings of R90m.

Balance sheet

Debt was equivalent to 15,6% of equity, leaving the balance sheet virtually unchanged from late last year

The earnings and dividends of Delcorp and holding company Delhold mirrored those of Delfood at 26,3c and 8,5c a share, respectively

Delfood parent company Delcorp's sale of Roychem had left it with a 46,5% share of Delfood as its only investment

Del Monte Foods International recently expanded its product range into frozen foods through the launch of a range of sorbets in the UK. The group was also considering marketing fruit juices in Italy and a range of yoghurts and chilled desserts in Britain

(186) CT4/7/94

Sales increase lifts Delfood earnings

Biday 4/7/94

BEATRIX PAYNE

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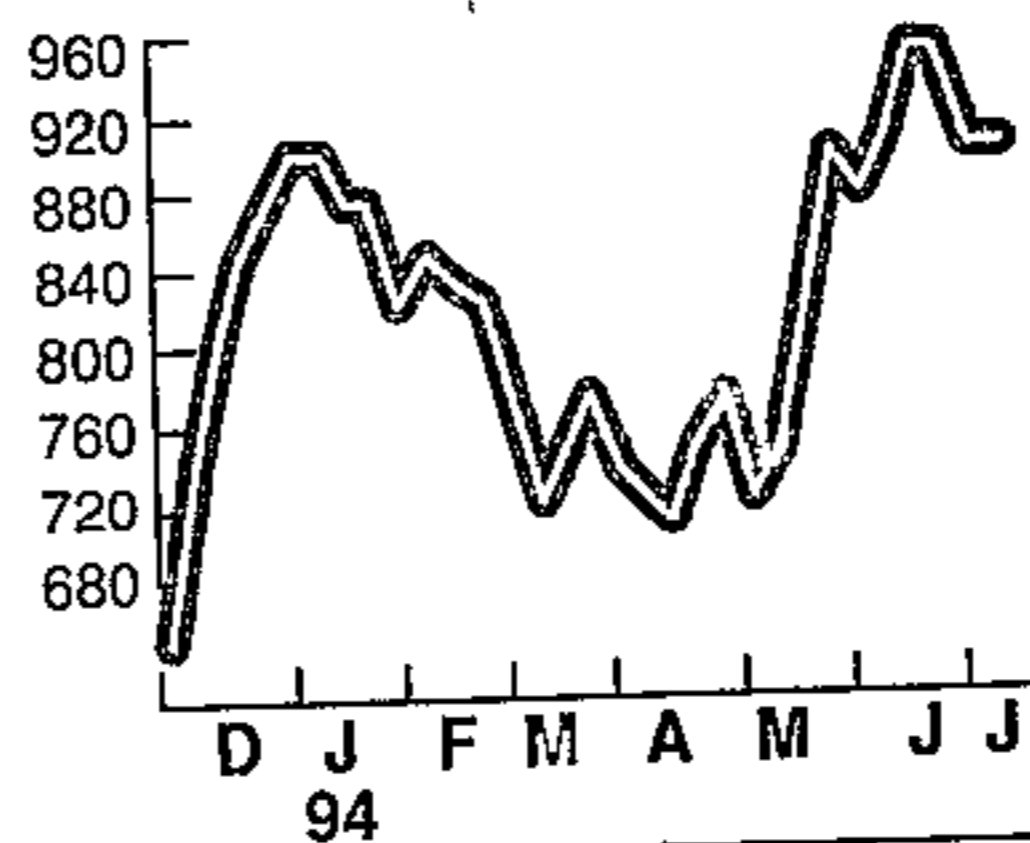
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Del Monte Royal Foods
Share price, weekly close (cents)



the year

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Interest charges rose to R27,8m (R20,4m) after the group increased its temporary working capital requirements

To Page 2

Delfood

Biday 4/7/94

From Page 1

But the directors forecast a lower interest bill for the rest of the year, saying short-term working capital needs had been significantly pruned.

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But Del Monte's Philippines associate recorded lower earnings which reduced the group's share of profits 6,8% to R9,5m.

Outside shareholders' interest of R370 000 and preference dividends of R467 000 (R479 000) left attributable earnings of R90m (186) (232)

Debt was equivalent to 15,6% of equity,

leaving the balance sheet virtually unchanged from late last year.

The earnings and dividends of Delcorp and holding company Delhold mirrored those of Delfood at 26,3c and 8,5c a share, respectively.

Delfood parent company Delcorp's sale of Roychem had left it with a 46,5% share of Delfood as its only investment.

Del Monte Foods International recently expanded its product range into frozen foods through the launch of a range of sorbets in the UK. The group was also considering marketing fruit juices in Italy and a range of yoghurts and chilled desserts in Britain.

NAMSEA *FM 8/7/94*
Showing confidence

Activities: *Catching and processing fish*
Control: *Kuttel family 35%*
Chairman and CEO: *O C Kuttel*
Capital structure: *10,9m ords Market capitalisation R133m*
Share market: *Price 1 225c Yields 12,2% on dividend, 5,8% on earnings, p e ratio, 17,2, cover, nil 12-month high, 1 225c, low, 350c Trading volume last quarter, 431 000 shares*

Year to December 30	'90	'91	'92	'93
ST debt (Rm)	—	—	16,6	1,6
LT debt (Rm)	0,3	—	1,3	8,3
Debt equity ratio	—	—	0,24	—
Shareholders' interest	0,79	0,77	0,63	0,54
Int & leasing cover	n/a	n/a	23	n/a
Return on cap (%)	34	3,7	5,1	12,3
Turnover (Rm)	17,1	39,7	77,0	101,0
Pre-int profit (Rm)	4,2	2,9	5,9	16,4
Pre-int margin (%)	21,0	7,2	7,7	15,6
Earnings (c)	67	46,2	41,8	138
Dividends (c)	—	10	30	150
Tangible NAV (c)	205	537	503	499

Namibian Sea Products (Namsea)'s earnings before extraordinary items were less than the dividend it declared. When a company's directors take such action, it often indicates they are either anxious to take cash out of the business as quickly as possible or they believe the prospects are good.

In Namsea's case, it signals confidence in the company's future. New chairman "Padda" Kuttel points to promising aspects that imply 1994's earnings are likely to be much higher.

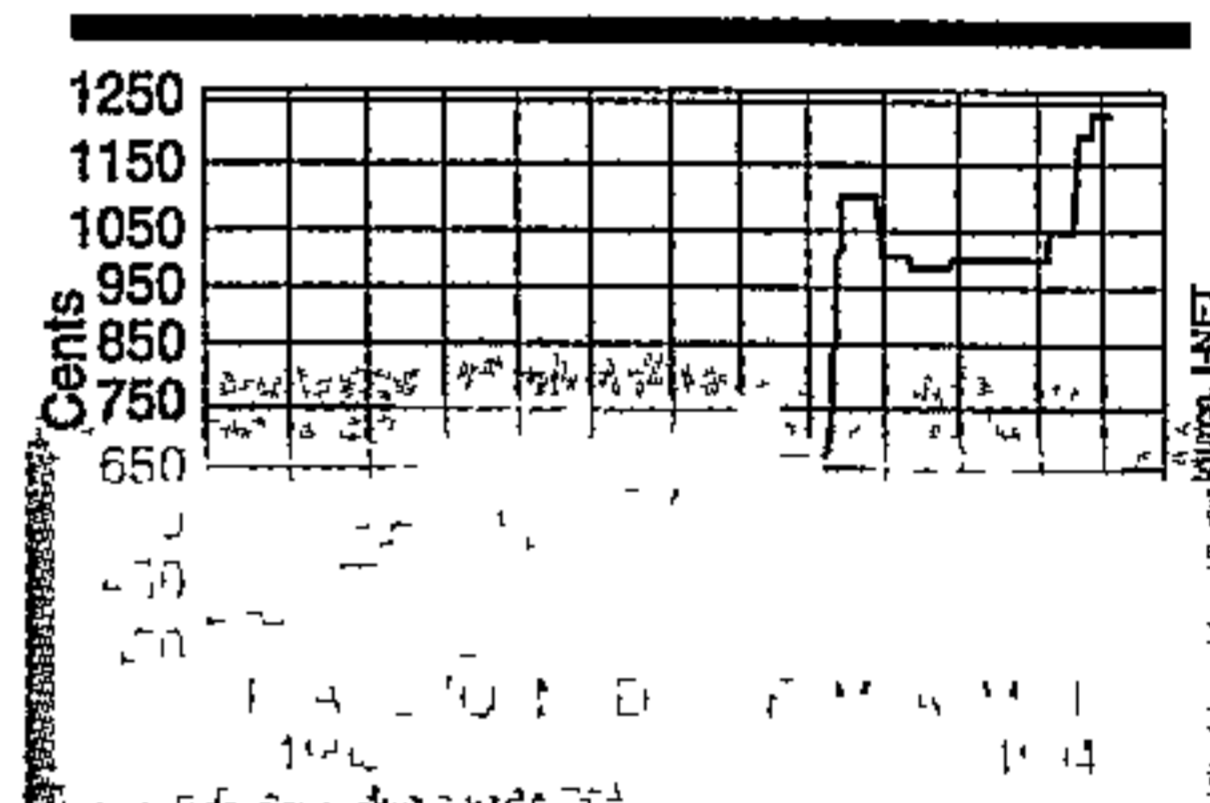
In 1993, a pilchard quota of 20 800 t was issued to member companies of United Fishing Enterprises (UFE), of which Namsea holds 75,8%. It was landed in full and processed by the cannery. UFE also processed 30 500 t for other quota holders, taking the total to 51 300 t. *(186) ~~51 300 t~~*

Though UFE is now processing more than half of the total Namibian production of canned fish, it has the capacity to handle additional quotas.

For the 1994 season, which opened on February 15 for nonquota species and in March for pilchards, the Namibian government increased the pilchard total allowable catch by 8,7% to 125 000 t, confirming the resource remains sound with reasonable prospects for growth. Though the quota for UFE members remains unchanged, UFE will probably process 67 200 t for other concessionaires this year. The price of canned pilchards has risen 8%.

Boosting Kuttel's optimism is the award of

Namsea



FM 8/7/94
a pilchard concession to Namsea for seven years, from the beginning of 1994. This reduces uncertainties. Representations have been made for the extension of the concession to 10 years. *(186) ~~51 300 t~~*
Furthermore, buyers of fish meal, produced mainly from nonquota species such as horse-mackerel, are now paying for the product as it is produced — unlike previous years when payment was delayed for up to a year.
Namsea's sale of its Seaflower Lobster Corp interests enhanced its cash flow by R3,5m. These proceeds represented about 30% of the total dividend declared. Kuttel says that, barring a calamity, the 1994 dividend will not be less than that of 1993. That suggests 1994 earnings will be 23% higher and take EPS to at least 170c, which gives a prospective p e of 7,2 on the current price. At year-end, Namsea had R16m cash and was ungeared.

With prices and demand for pelagic products expected to remain buoyant on local and export markets, the share price could firm further.

Gerald Hirshon



TONGAAT-HULETT
FM 8/7/94
Ready for big decisions

It's encouraging to see a corporate plan coming together. Tongaat-Hulett, after a dismal start to the decade, now provides a textbook study on how to set an underperforming collection of businesses on the road to being competitive in world terms.

A few years ago Tongaat outlined four broad strategies to turn the diversified group. All are ongoing, but basically two of these strategies have been realised: reducing costs and turning around underperforming businesses and assets (186) (252)

Chairman Chris Saunders says those operations that could not be turned have been sold or closed, reflected in a R14,7m extraordinary item. Costs are under control, staff

continued
↓



Tongaat-Hulett's Savage looking for joint venture partners

817194
 goes ahead it will enter the international league (186)

Tongaat is known to be seeking a partner or partners for the venture, after what looks like being a successful joint venture with CPC International and its consumer foods division this year

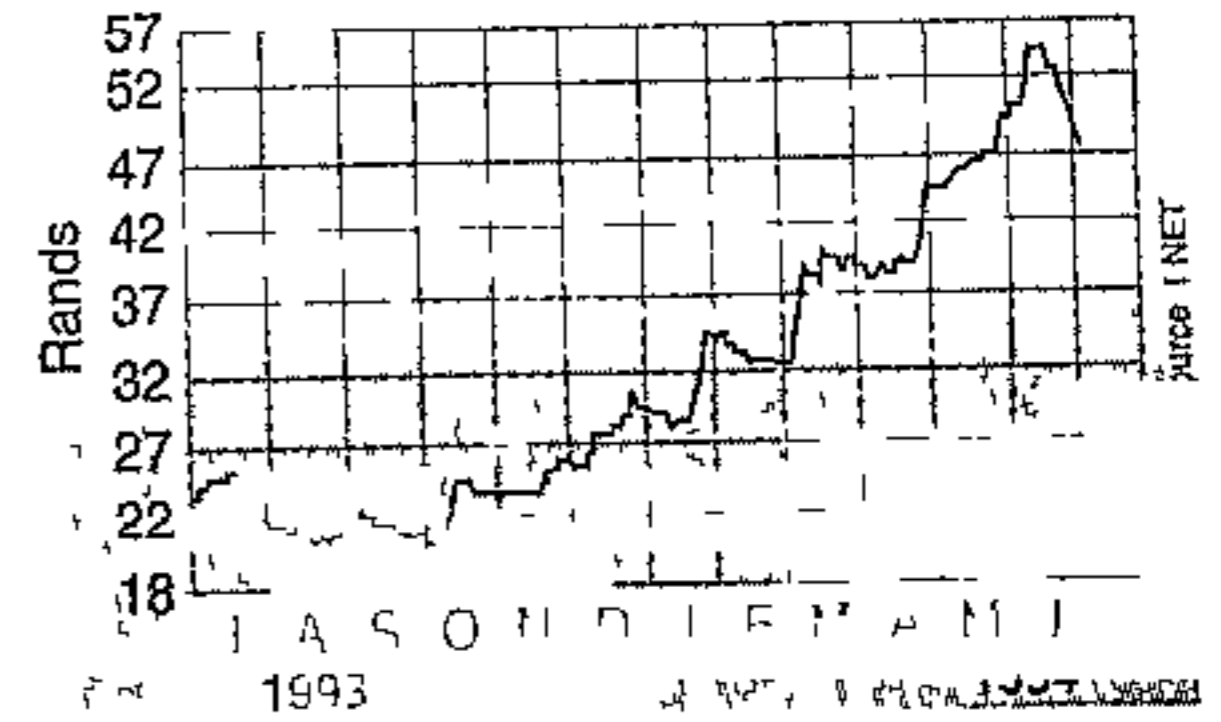
The logical overseas partner would be Alcan, from which Tongaat bought the aluminium interests in 1973. But MD Cedric Savage says talks have been held with Alcan and, while the technological agreement between the two has been strengthened, it is an unlikely joint venture partner at this stage because its worldwide interests are undergoing rationalisation.

While Tongaat's balance sheet is strong and cash generation healthy, R1,4bn is a lot of capital. It's not unlikely it could use its listing on the London Stock Exchange to raise capital overseas, particularly after the successful equity issue by Anglovaal's and Liberty Life's current bond issues.

Savage says, however, that Tongaat is looking for at least two other shareholders for the aluminium venture. "We are talking to three parties," he says. "Should we secure two or three partners, we probably won't have to go outside for capital."

Capital is also being invested in other areas. Of 1993's capex of R183m, the bulk went on sugar, aluminium and starch & glucose interests. This year R75m will go on milling capacity at the Maidstone and Darnall sugar mills. These will pick up cane supplies from the Mount Edgecombe mill, due to close in October. The R100m Heatonville irrigation scheme was commissioned during the year, which will increase the cane supply to the Felixton mill by at least 400 000 t/year when fully operational next season. It also offers the sugar division some protection from droughts.

As was expected, the drought knocked more than 10% off the top of production from this division last year, reducing its profit contribution by R12,3m. Prospects are better for next season, though still short of the industry's normal capacity of about



2,3Mt. Still better profits will almost certainly come from sugar next year, adding impetus to the growing health of Tongaat's bottom line.

Starch & glucose has proved to be the mainstay during recession, and again grew its contribution to profits. Investment here is ongoing — R105m, of 1994's increased capex budget of R267m, will be spent on this division.

Profits from the new Tongaat Consumer Foods were down slightly as noncore interests were removed and the focus adjusted with the CPC International merger. But increased profitability should follow this year.

Textiles remains a turnaround fairy tale, lifting its contribution to group profits by more than four percentage points, largely through moving downstream into higher margin products and concentrating on niche marketing and exports.

Prospects for the remaining division, building materials, are outstanding as soon as Housing Minister Joe Slovo gets national housing under way. This highly volume-sensitive division is running at about 55% capacity — Savage says it can be increased quickly at little cost. "Once we reach about 75% capacity usage, we could again start investing in the division."

With an almost fully subscribed capitalisation award, and bonus share issue which offers Tongaat around R250m additional unissued equity, the group is well poised for acquisitions.

Investors who came in last year have already seen short-term gains. Since the 1993 annual report was reviewed, market capitalisation has nearly doubled to about R3,6bn. Ratings are now demanding, particularly when compared to the big food groups in the sector, but with Tongaat investing for growth there seems considerable long-term value in the share.

Shaun Harris

Activities: Six operating divisions involved in sugar, building materials, consumer foods, aluminium textiles and starch & glucose

Control: Anglo American Industrial Corp 43%

Chairman: C J Saunders, MD C M L Savage

Capital structure: 74,8m ords Market capitalisation R3,57bn

Share market: Price 4 775c Yields 1,7% on dividend, 4,5% on earnings, p e ratio, 22,3, cover, 2,6 12-month high, 5 500c, low, 1 950c Trading volume last quarter, 2,8m shares

Year to March 31	'91	'92	'93	'94
ST debt (Rm)	105	64,1	6,5	7,4
LT debt (Rm)	272	216	288	139
Debt equity ratio	0,22	0,14	0,02	n/a
Shareholders' interest	0,59	0,61	0,59	0,62
Int & leasing cover	2,8	2,7	3,5	4,8
Return on cap (%)	11,1	9,9	8,9	8,3
Turnover (Rbn)	3,80	3,97	3,87	3,97
Pre-int profit (Rm)	317	284	270	267
Pre-int margin (%)	8,4	6,9	7,0	6,7
Earnings (c)	191	201	239	214
Dividends (c)	73	73	73	83
Tangible NAV (c)	2 362	2 312	2 502	2 623

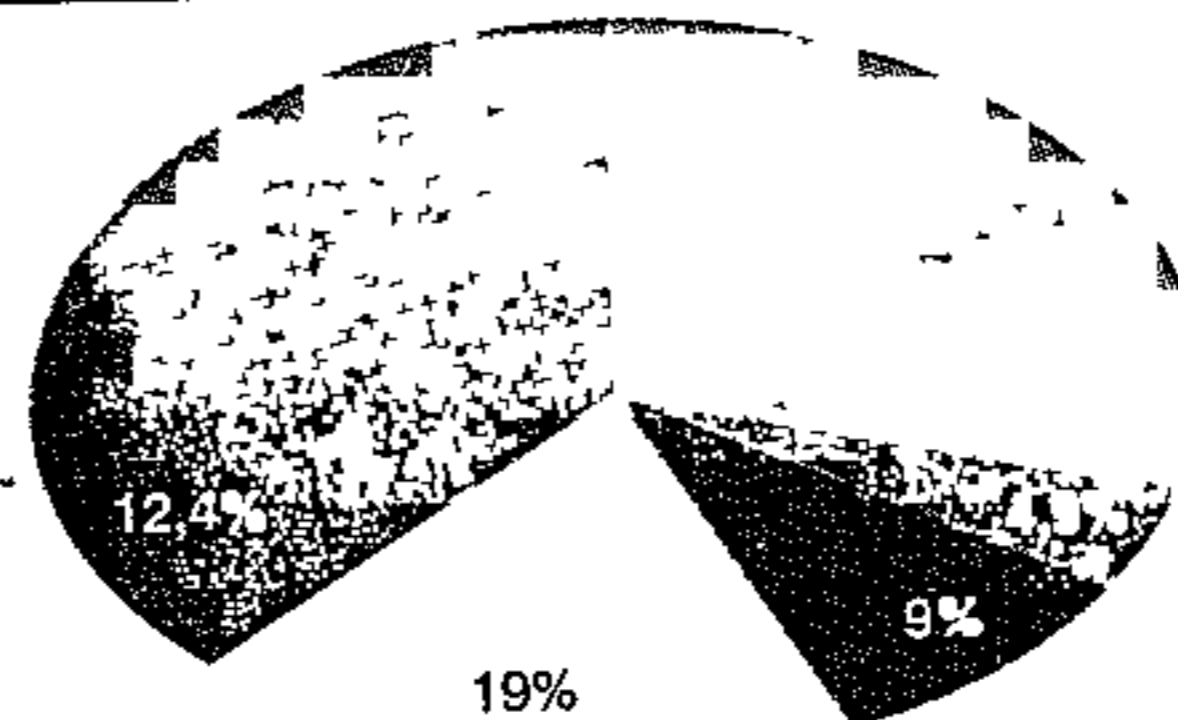
has been reduced from 38 509 in 1990 to 29 244 now, interest payments continue to decline, by about R22m to R55,4m in full-year results, and cash holdings, net of debt, total R178,4m.

Tongaat can now concentrate on the expansion phase of its plan, to reinvest in core activities and unlock asset values. That's the exciting phase, but it could also prove to be the most important for long-term performance. Management is going to have to make some wise decisions.

The biggest could prove to be a R1,4bn expansion of the aluminium division's rolled products capacity, a seven-year project which will if passed by the board — probably in November — increase capacity from 45 000 t to 150 000 t/year.

Aluminium was a stable performer in the 1994 financial year, holding its contribution to divisional profits at 19% (see graph), only marginally down on 1993. If the expansion

Sweeter mix



- Sugar R50,9m
 - Building materials R8,3m
 - Consumer foods R15,4m
 - Aluminium R32,5m
 - Textiles R21,3m
 - Starch & glucose R42,6m
- Total divisional contribution R171,1m

Source: Tongaat Hulett

DEL MONTE FOODS

Buying opportunity

Del Monte Foods interim results don't inspire instant market confidence. Yet they don't disappoint many analysts who say the results meet expectations. *FM 8/7/94*

Turnover of R701m (R651m 1993) reflects the benefits of a failing currency. The increase certainly didn't result from a sales surge. On average, the rand exchange rate declined by around 10% over the period, so the best that can be said is that turnover in sterling remained stable.

If there is any surprise, it is that interest paid rose so sharply — to R28m compared with last year's R20m. The company statement says this was caused by a large increase in working capital, now chopped.

But tax, the key to Del Monte, was a paltry R1,5m (R17,5m). Ever since Anglo, Royal and CE Vivian Imerman took control of Del Monte, it has been widely acknowledged that the tax structure put in place would mean little tax payable for many years.

The route employed to move the group's inter-European profits has been constructed to ensure much is channelled through tax havens. Such structures are used by a lot of multinationals that do business across many boundaries and in various currencies.

This has a prompt effect on bottom-line attributable earnings, which rose to R90,1m compared with last year's R82,7m. That translates into EPS of 26,3c, the increase of 2,2c is due to a benevolent tax regime and the rand's slide. *(18b)*

The future is what matters with this stock. The world deciduous fruit market is recovering from a traumatic period punctuated by serious attacks on brands, which is what Del Monte is all about. There is evidence now of a turn in European consumer activity and a significant improvement in sales volumes. Pineapple prices — vital to Del Monte — are rising. Better margins will follow, helped by improved sales of other products and selective price increases. These point to a good increase in profits in 1995.

Del Monte is close to being a pure rand hedge stock. About 80% of its business owes nothing to SA. In time, therefore, it will be rerated upward. The counter is now returning a p/e of 13,8 against a sector average of 21 — a clear indication of a buying opportunity.

David Gleason

186

FM 8/7/94

Activities: Fish catching and processing
Control: P C Kuttel family
Chairman: P C Kuttel MD W E W Gühring
Capital structure: 3,1m ords Market capitalisation R25m
Share market: Price 800c Yields 6,1% on dividend, 6,1% on earnings, p e ratio, 16,4, cover, 1,0
 12-month high 900c, low, 350c Trading volume last quarter 30 000 shares

Year to December 31	'90	'91	'92	'93
ST debt (Rm)	—	—	2,9	6,6
LT debt (Rm)	0,4	0,4	5,0	7,1
Debt equity ratio	—	n/a	0,27	0,33
Shareholders' interest	0,8	0,9	0,6	0,55
Return on cap (%)	23,0	6,8	—	4,7
Turnover (Rm)	11,7	11,6	29,2	36,8
Pre-int profit (Rm)	2,5	1,97	(1,1)	2,4
Pre-int margin (%)	22	17	n/a	6,7
Earnings (c)	72	62	(40)	48,7
Dividends (c)	20	40	20	129*
Tangible NAV (c)	289	812	900	913

* Includes 80c extraordinary dividend

after a previous loss

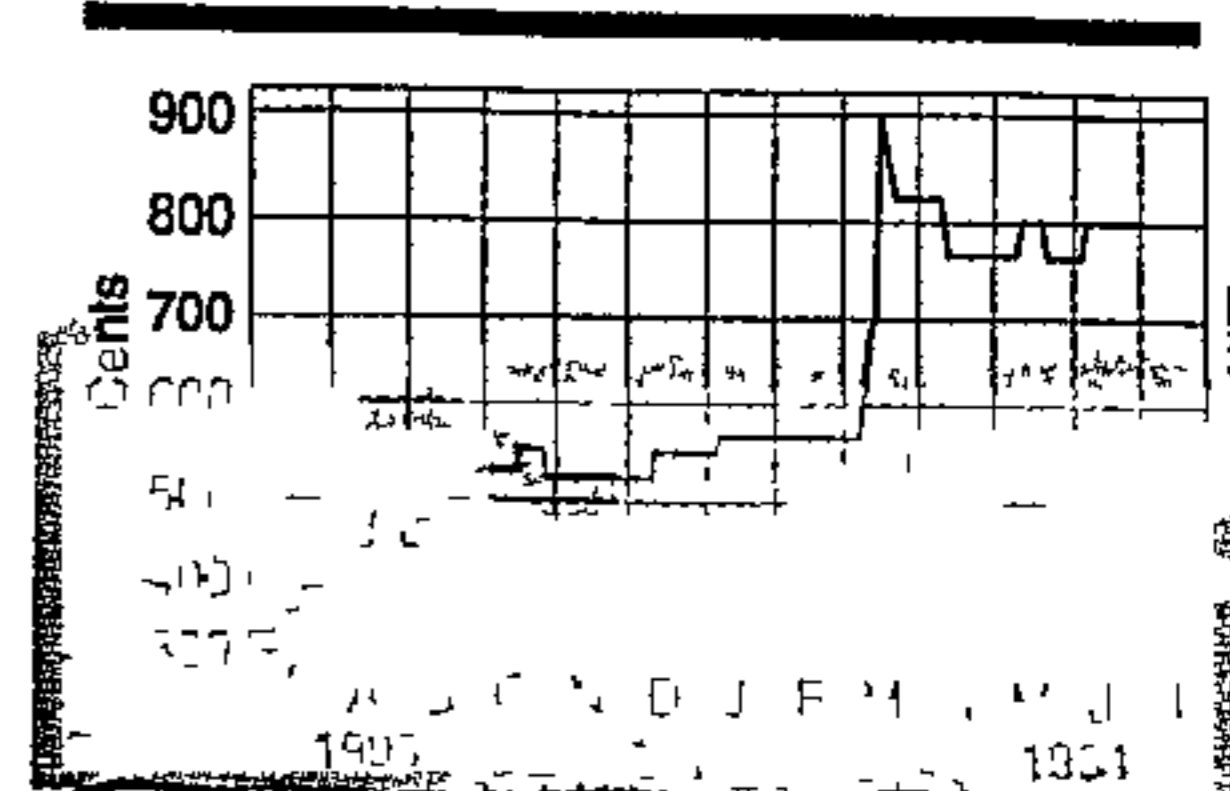
The improvement arises mainly from profit increases that flowed from the main source of income, a 23% holding in United Fishing Enterprises (UFE) But 1994 earnings should pick up because of interests in the white fish industry

The same industry statistics quoted in our report on Namibian Sea Products (Namsea) apply to Namfish, but Namfish's pilchard and horse mackerel quotas, at 4 154 t and 3 025 t respectively, are much smaller They were caught in full and processed at UFE

Namfish differs from Namsea in that it catches white fish or hake, Namsea does not Namfish has a joint venture in a freezer trawler, which also catches for other hake concessionaires

Through wholly owned subsidiary Northern Fishing Industries and a 25% holding in Blue Sea Fishing, Namfish's white fish quota for the full 1994 season is an unchanged

Namfish



2 411 t out of an increased total allowable catch of 146 000 t (1993 120 000 t) At the ruling prices of hake throughout 1993, the small quota made it hard for the operation to make a profit on the resultant volumes and this activity lost R4m

With the hake price stable and rising again in Europe, prospects appear to be more encouraging

Namfish chairman "Padda" Kuttel reckons UFE is likely to produce similar earnings and Namfish's fishing should be profitable His optimism suggests Namfish's earnings will be at least R4m higher, with EPS of roughly 175c and the prospective p e about 4,6

In financial 1993, Namfish's cash flow was bolstered by R2,5m from the sale of its 35% interest in Seaflower Corp That is how it was able to pay a much larger dividend In the same year, R5,9m was spent building harbour facilities, additional processing equipment was bought and refrigeration and ice-making gear upgraded

Namibia's stocks, including pilchard, anchovy and hake species, are recovering So Namfish has a promising earnings outlook The share has risen in the past few weeks but is still a good prospect at the current price

Gerald Hirshon

NAMFISH FM 8/7/94

Taking the bait

Behind Namibian Fishing Industries (Namfish)'s R1,55m taxed profit before extraordinary items there is a R2,9m earnings swing

Heinz talks to SA firms

Own Correspondent
JOHANNESBURG — US food group HJ Heinz had opened discussions with a string of leading SA companies, including the Premier Group and Tiger Oats, over its planned return to SA, Heinz CE Tony O'Reilly said last week.

O'Reilly (186) who through Independent Newspapers owns 31% of Argus Newspapers —

said Heinz was discussing joint venture prospects with several potential partners. The Pittsburgh-based group has already announced plans to invest in SA within the next year, but to date has refused to disclose which local companies it had lined up for discussions.

The market had previously ruled out a link with Premier, because it had little exposure to

ET 11/7/94
the Heinz product line

But Premier Group MD Gordon Utian said at the weekend that the group was having constant discussions with O'Reilly. Argus Holdings' CE Doug Band is to take over as Premier chairman in January.

Utian said talks had been mainly "exploratory", a final decision would hinge on product compatibility.

ON STRIKE:
 Worker at
 Mariner's
 Wharf face
 dismissal
 after their
 wage
 protests
 and allega-
 tions of
 restaurant
 racism
 Photo Yunus
 Mohamed



Restaurant gets taste of strike action

By Quentin Wilson

FIFTY workers at the popular Mariner's Wharf complex in Hout Bay face dismissals after wildcat strikes on Sunday and Monday.

The workers are demanding a R60 across the board wage increase and claim the restaurant still practices petty apartheid.

"They don't treat us like human beings here at all," said Ms Almarie Peterson, local chairper-

son for the Food Workers' Council of South Africa (F:W:CSA)

"There are separate toilets for blacks. We have to eat in a different canteen to white workers and we are only allowed to use the back entrance after hours. Apartheid is still very much alive here."

Management closed the restaurant on Sunday and demanded that workers return on Monday or face the "possible alternative of dismissal".

Workers continued their action and said they would only resume work once they were satisfied their demands were met.

"We are involved in wage negotiations at the moment," said Shaun Bloch. "We view this strike as illegal and therefore disciplinary action — from warnings to dismissals — cannot be ruled out."

Bloch denied claims about apartheid at the workplace

(18p)

South 817 - 1217194

Food sector shares are 'set to languish'

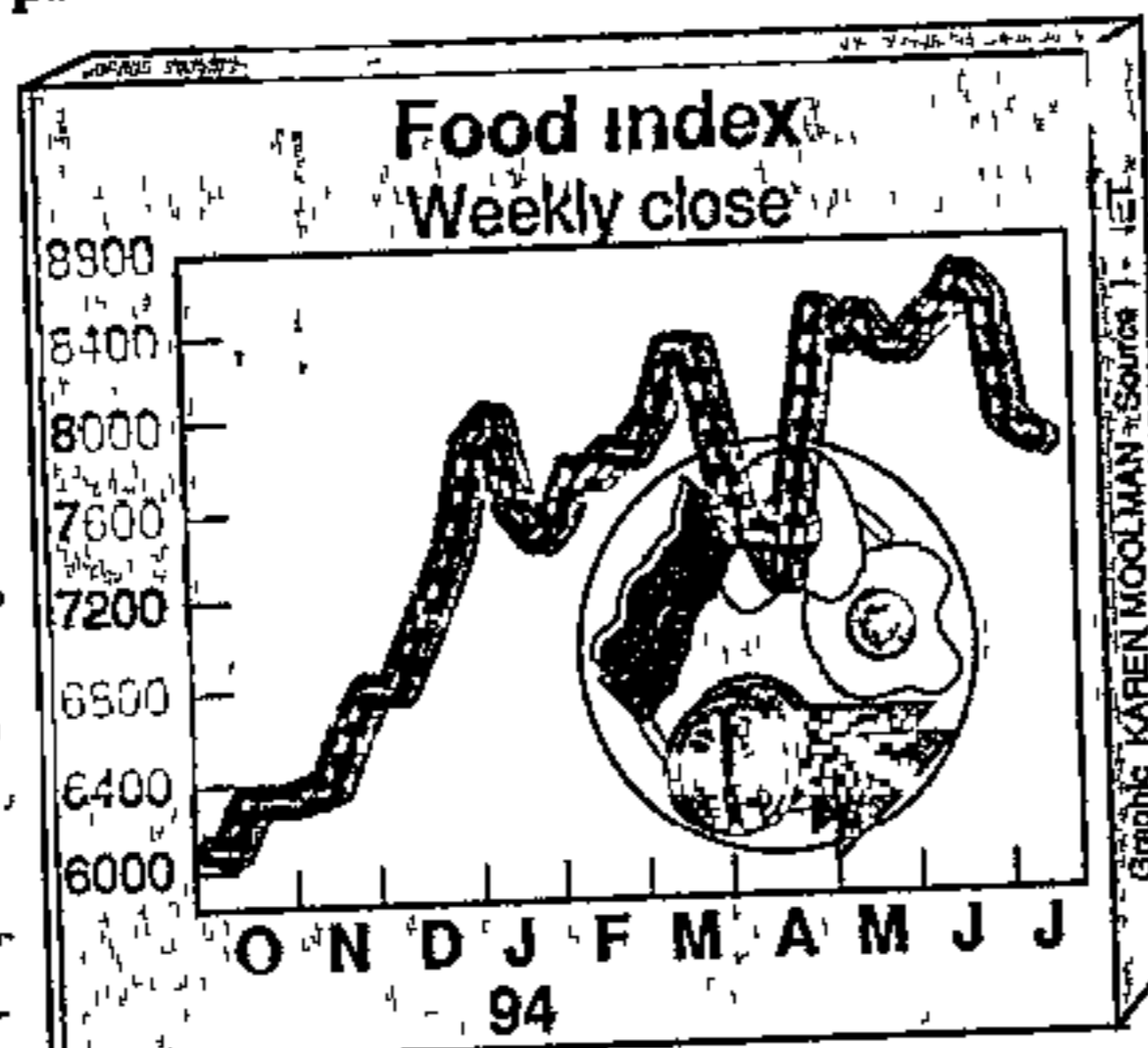
SHARE performance on the JSE's food sector was expected to remain unappetising over the next six months as the industry battled with deregulation and food consumption remained sluggish, analysts said yesterday.

One analyst said significant growth in earnings was only likely to be seen in 1995 or 1996.

The food sector was a defensive investment during periods of recession and, with the economy gearing up for growth, some companies and shares in the sector could underperform other indices, an analyst warned.

Companies in the index had been plagued by a number of production problems over the last six months which had left share prices at almost the same levels as in the New Year.

The index had surged during the last quarter of last year when market watchers predicted a turnaround.



BEATRIX PAYNE

But growth did not materialise as problems in the milling and baking industry, and continued regulation of maize production and prices, bit into company margins.

The analyst said the outcome of the Swart commission on the maize industry would have a considerable effect on the Premier Group and Tiger Oats (186).

"A market-determined price for maize with a floor price at import parity would be favourable," he said.

One analyst said it was not clear why food consumption had stayed relatively unchanged despite a rise in consumption of clothing and furniture over the last year.

She said it was possible that consumers had become accustomed to eating less during the recession, when there had been a 10%-15% fall in volumes.

"Even if the problems in the maize industry are sorted out, volumes are unlikely to rise for the next couple of years," she said.

While the end of the drought had improved production for the manufacturers it also meant that more people were able to survive through their own subsistence production, another analyst said.

But he said most of the heavyweights in the index such as Premier and Tiger Oats had considerable non-food interests and growth in these sectors would have a knock-on effect on the index and its shares.

The future for fishing companies, such as I & J and Ocean, looked uncertain in the light of continuing discussions on the deregulation of the fishing industry. Edible oils were also under pressure, he said.

Union sees management on 'political' job policy

Staff Reporter

(186)

ARG 12/7/94

THE Food and Allied Workers Union is meeting the management of a Tulbagh fruit company today about allegations that the company employs National Party supporters only

The union also claims the management of South African Preserve Company (Sapco) favours relatives above other staff

The local branch of the African National Congress and other community organisations were expected to attend today's meeting

Yesterday police arrested 166 workers who occupied premises at the South African

Preserve Company and stopped production in protest against the alleged political favouritism

Sapco director Tony Bedford denied claims of nepotism or favouritism and said the company did not know its workers' political affiliations

"We selected workers from our summer seasonal work source on merit," he said

Yesterday the workers appeared in the Tulbagh Magistrate's Court and were warned to appear on August 3.

Last week the court issued an order restraining the protesting workers from entering the company's premises

Workers protest against factory's 'political bias'

By Johann van Tonder

Scuba 2217 - 26/7/94

BUSINESS at a fruit canning company in the Boland ground to a halt last week following allegations that management only employed people who voted for the National Party and rejected job applications from ANC supporters

A sit-in was staged at Sapco (SA Preserving Co) at Tulbagh by about 300 workers and 163 were arrested

On Monday police called in reinforcements from neighbouring towns. A crowd protesting against the arrests was teargassed outside the police station

The sit-in was staged by supporters of the Boland Civic Association to try to force Sapco management into negotiations over the alleged politically biased policy, said civics spokesperson, Mr Cupido Rogers

He claimed that a selection panel of two known NP supporters refused to contract the 21 seasonal workers in the fruit cocktail department because of their support for the Saron-crisis earlier this year and their affiliation to the ANC

The Saron crisis followed the non-recognition of a democratically elected management committee by the old committee in February this year. A stand-off resulted in violent

clashes.

Durban-based Sapco spokesperson, Mr Seton Thomas, denied any political bias in employing people, saying jobs were given on merit.

He claimed that the civic was not recognised as the workers' representative body.

During Monday's incident, a tear-gas canister landed in a car driven by Mrs Martha Wilhams of Gouda, causing R1 200 damage. A Saron man, Mr Samuel van Reenen, had to receive treatment after he was hit by canister

Witnesses claimed no warning was given before a Lieutenant Du Toit ordered to "shoot the pigs".

Lieutenant Johannes du Toit, from Ceres police, denies having said this.

Colonel Raymond Dowd from the SAPS public relations department said according to reports that reached him, stones were thrown at police and they used minimum force.

Another claim is that a police dog, controlled by a member of the Worcester Dog Squad, was used to scare 40 women being held in a cell

Dowd condemned the incident, "if it happened", and urged members of the public to report such matters to the police

COMPANIES

HL&H may fall foul of drought and chicken virus

FOOD and timber group Hunt Leuchars and Hepburn (HL&H) fell foul of the market yesterday and was expected to report a loss for the six months to September after a chicken virus seriously affected production at major associate Rainbow Chicken, industry sources said yesterday

Analysts said the slide had been triggered by a recent warning from management that the group's Eastern Transvaal sugar crop had been hit by drought

CE Neil Morris said earnings for the six months to September would fall more than expected, but he could not say how large losses would be. The group had hoped to see interim earnings grow above inflation but this was unlikely now

The group had substantial borrowings, and gearing was at 55%. Losses at Rainbow were not expected to lead to greater borrowings, but would do little to reduce interest levels

The share sustained one of the JSE's biggest falls on the day as the price tumbled 10,4% or 175c to close at R15 as inves-

BEATRIX PAYNE

tors retreated and shares worth R5,93m changed hands

The share had touched an annual high of R19 in mid-May

Analysts were unclear what effect the virus and the drought would have on the group's bottom line

Mortality rates among chickens and a limited ability to pay off the high fixed costs incurred by the R430m Komati mill would "hammer the bottom line," an analyst said

One analyst said earnings could double as they were off a low base

The group had reported "disappointing" results for the year to March, the directors said. Significant losses at Rainbow — which represented about 40% of the group's total investment — and slow consumer spending had seen attributable income fall 65% to R42m (R119,2m)

"It is very difficult to give a picture until we are on top of the disease," Morris said

Cadsweps unwraps 17% earnings rise

CT 27/7/94

(182) (186)

Own Correspondent

JOHANNESBURG. — Food and soft drink manufacturer Cadbury Schweppes served up a better than expected performance and reported attributable earnings 17% higher at R34,6m for the six months to June, CE Peter Bester said yesterday.

"We are happy with the results," he said, adding that difficult trading conditions during the first half had been offset by reduced interest charges which had boosted the bottom line.

Turnover rose 7% to R369m (R344m) on the back of sluggish demand and operating profit climbed 6,2% to R33,6m (R31,6m) with margins steady at last year's level.

The 15,1% increase in pre-tax profit to R29,5m was largely driven by the 32% fall in financing costs to R4m (R5,9m).

On the balance sheet the company

reduced its long-term liabilities 62% to R12,9m (R34,8m). Total interest-bearing debt was reduced to 31% of equity from 53% for the corresponding period.

Tax payments fell 4,7% to R7,3m (R7,7m), which saw after-tax profit rise 23,6% to R22,1m (R17,9m).

Income from associate company Amalgamated Beverage Industries (ABI) rose 7% to R12,4m (R11,6m)

Earnings a share rose 16,1% to 96,7c (83,3c) and a dividend of 20c (18c) a share was declared.

Demand had been "very depressed" during the first quarter and the "undue" number of holidays over the elections period had affected production, Bester said.

The company expected a "more buoyant market" and hoped to achieve real earnings growth for the year on the back of improved trading conditions during the second half

Two wounded as strikers clash with police

VIVIEN HORLER, Staff Reporter

POLICE opened fire with shotguns on striking building workers outside Baumann's Biscuits in Woodstock, injuring two people.

Four people were arrested and were due to appear in the magistrate's court today.

Jan Vos, of Eastridge, Mitchell's Plain said he was hit in the neck, the side and the arm by what appeared to be birdshot but what police called "rubber shotgun rounds". He was arrested and kept in custody for up to nine hours allegedly without medical treatment.

Police spokesman Raymond Dowd described the marchers as

"rampaging armed thugs". His men had used "rubber shotgun rounds" on the marchers, who were armed with spades, iron bars, hammers and sharpened sticks.

He said the two injured men had been treated at Woodstock police station by police paramedics.

Mr Vos, a painter, said the situation outside Baumann's around noon yesterday had been one of "chaos" and he did not blame the police for being confused about what was going on. But he was an innocent man.

"I was a marshal in a building workers' march from Darling Street to Woodstock," Mr Vos said. "When we got near Baumann's

some of the marchers saw builders working on scaffolding there and ran in to get them to join the march.

"As a marshal it was my duty to get the marchers out, because it is not right to remove people. We want everything peaceful. As I was going across to speak to the men, because what they were doing was wrong, the police arrived and the marchers started arguing with them.

"Then I heard 'Shoot!' and the police started shooting.

"I was hit three times and fell down unconscious. A man ran up to me to try to help me because I was

bleeding and he thought I was dying, and the police arrested both of us and another two men and threw us into a van.

"We were taken to Caledon Square police station and I was left in the cells, with me full of blood, until 9pm when my wife came to bail me out."

Colonel Dowd said several of the construction workers on the Baumann's site were hurt after being assaulted by marchers.

"The current labour dispute has caused constant disruption in the Western Cape over the past weeks and has been and will continue to be impartially monitored by the police.

FOOD PRICES

How high will they go?

The unpredictable climate — from drought to frost — has set off a steep spiral in the food inflation rate. Throw in a rodent plague and heavy rains in some areas and watch as red meat and fresh produce prices soar. Food comprises almost 19% of the consumer price inflation rate and, with some wholesale prices starting to hit record levels, the inflation rate should soon show the effects of the surge.

Red meat prices are rising (beef is up 20% in the past year, compared with overall inflation of just more than 7%) as farmers hold back stock for fattening and breeding after last summer's excellent rains. In the case of fresh produce (mainly winter vegetables grown in the Lowveld and northern Transvaal), the combination of a severe, ongoing drought and the heaviest frost in three decades has virtually wiped out some crops and caused some prices to quadruple.

"There is an absolutely critical shortage of virtually all types of green vegetables, with potatoes, beetroot and carrots soon to follow suit," says Vito Rugani, chairman of the SA Agricultural Union's vegetable committee. "Apart from the severe frost damage, the southern Lowveld — the Transvaal's winter pantry — is bone dry. The Crocodile and Komati rivers have almost stopped flowing and I doubt whether the area is producing at 20% of normal levels. June's freezing weather hit right up to the Limpopo River, while subtropical Komatipoort had a few nights of subzero temperature, killing off banana trees."

With the Lowveld hard hit by drought, northern Transvaal vegetable farmers took up the slack. Their efforts, however, have been destroyed by a combination of black frost and a rodent plague. Says Rugani: "With below-ground temperatures subnormal, crop cycles for tuberous plants like potatoes, beetroot and carrots have also been set back. I do not expect a recovery before November."

Over the past three months market prices for some vegetable crops have shot through

BUSINESS

the roof. A few examples: cucumber up by 400%, gem squash 328%, spinach 275%, green beans 250%, butternuts 220%, baby marrows 212%, lettuce 175%, cauliflower 106% and potatoes 100%. Rugani says potato prices should soon go higher as the effects of the cold that retarded growth hit the markets. He adds that some products might soon be unobtainable.

Shoprite/Checkers' Adele Gouws says consumers are already buying canned and frozen vegetables because some fresh products are too dear. "Produce imports are not practical — apart from the low rand and transport logistics — because these products do not travel well."

Johan van Deventer, GM of Freshmark, a countrywide fresh produce wholesaler, says the banana and guava crops in the Lowveld have also been hit hard by drought and frost. Supplies are dwindling and the quality is poor, while shortages now exist in about 10 types of green vegetables. "Even if summer brings good rains in the Lowveld, it could take months for some crops to recover. Added to these woes, northern Transvaal tomato and paprika farmers are struggling with a mouse plague and the rodents are destroying crops."

Conversely, in the case of red meat (mainly beef, lamb and mutton), it is the past season's good rains that have contributed to rising prices. Excellent grazing and a bumper maize crop have induced farmers to hold back drought-depleted stock for both fattening and breeding.

According to the Meat Board, national cattle, sheep and pig slaughter during the first four months of the year dropped by 17.9%, 28.7% and 15.7% respectively. The results have been predictable: in the year to June, average producer prices for the three species of livestock increased by 49%, 61% and 33% respectively. Surprisingly, some retail prices did not rise as steeply, with averages of 19.9% for beef, 61% for mutton and 14.8% for pork.

"But, for once, nobody can blame the Meat Board for the price increases," says Vleissentraal group CE Jan Lombard. "This is purely a case of the market exercising its unfettered supply-demand function without any direct board interference. Supplies are down and demand is slowly increasing. This is the first beef price increase in real terms since 1988. While the average July mutton producer price of R12,48/kg means an increase in real terms for the year, beef at about R7,72 still has a while to go before it reaches an R8,60 average for 1994 to achieve a longer-term real increase."

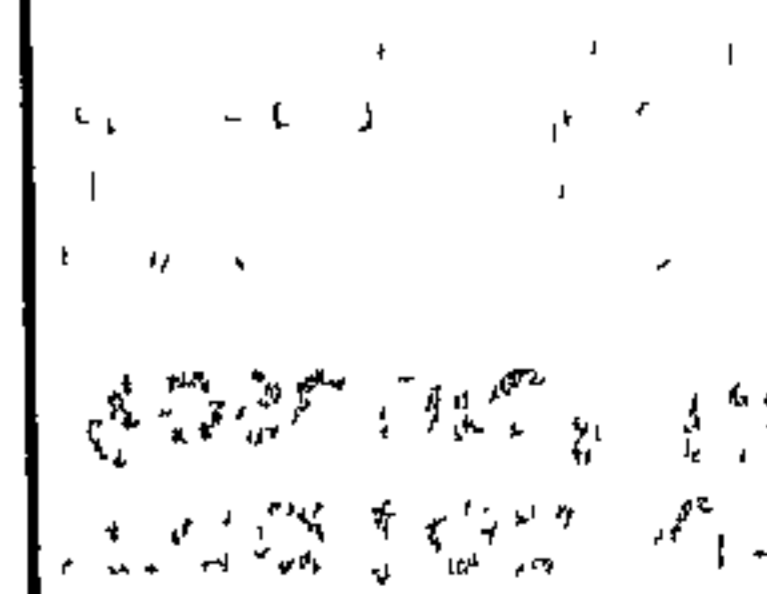
Lombard adds that processors are upset because a proposed tariff rebate scheme on imported factory meat was not included in government's revised tariff proposals for red meat imports, which were gazetted last week. While cheaper factory meat remains in short supply locally, SA's Customs Union partners Botswana and Namibia apparently opposed the rebate proposals. Customs Union countries do not pay tariffs on exports

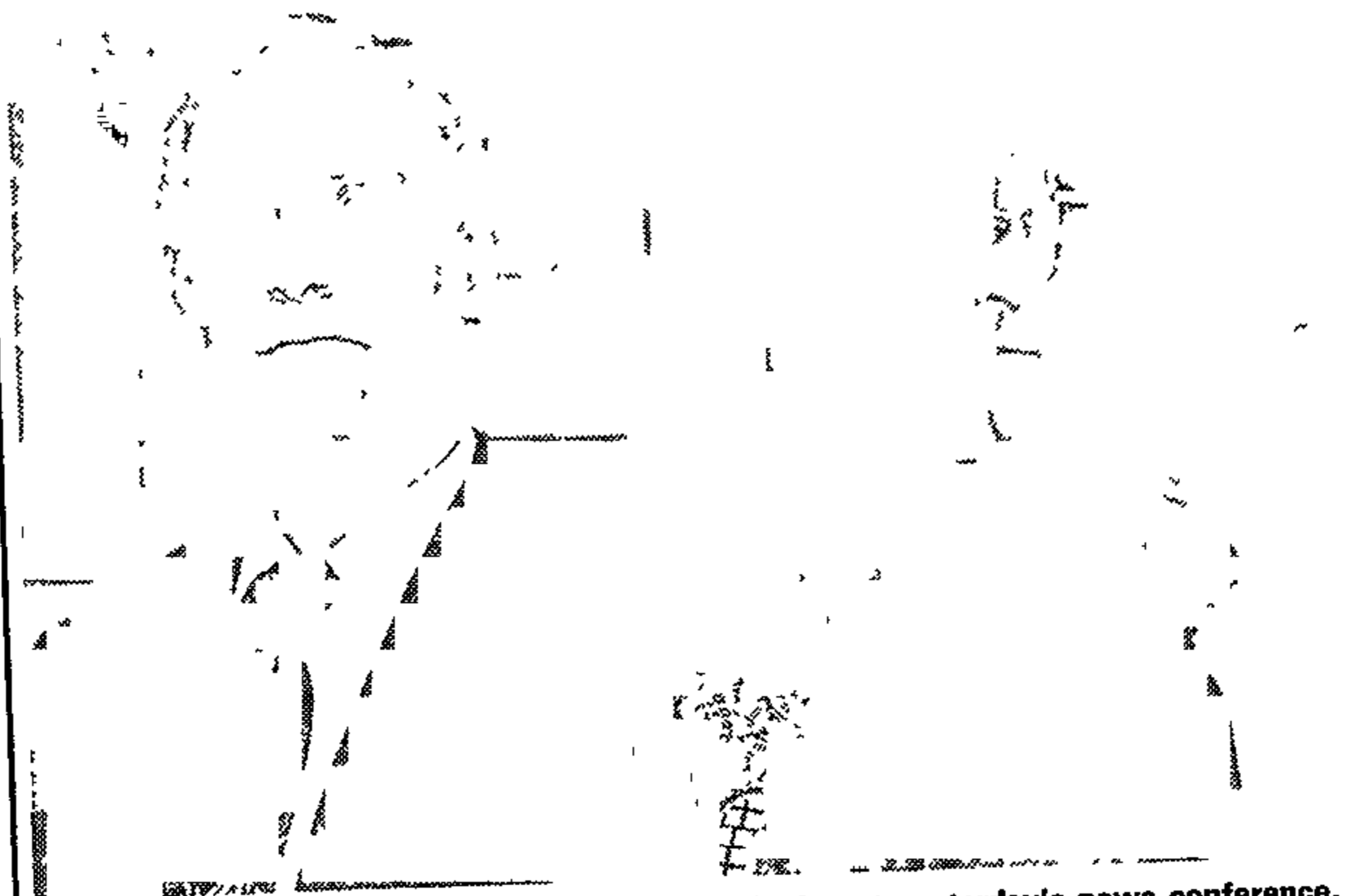
to SA, so the tariff rebates for meat imports from other countries would make these countries competitive with Botswana and Namibian exports.

Arnold van Huyssteen

Fm 29/7/94

(186)





Randgold CE John Turner and chairman Allen Sealey at yesterday's news conference, where they defended the company against a proposed hostile management takeover by First Wesgold. Picture NICKY DE BLOIS

Tiger Oats share slide blamed on market fears

BIDAY 12/8/94

BEATRIX PAYNE

MILLING group Tiger Oats had underperformed in the generally sluggish food sector since April on concerns that the company could be affected by competition from smaller millers, analysts said yesterday.

But one analyst said the food sector as a whole was under pressure and the slide in Tiger's share performance was part of the weaker trend.

Many small millers had begun to bypass the Maize Board to buy directly from the farmer without the R185m/ton levy imposed by the board.

This had allowed small millers to buy maize cheaper, but it would only affect the sales of large producers of low quality maize products such as animal feeds, one analyst said.

While milling and animal feeds were an important part of Tiger's operations, the maize market was likely to be deregulated, which would ease much of the pressure on big groups from the smaller millers.

An announcement concerning the scrapping of the one-channel marketing system is expected next week, and analysts expect that Agriculture Minister Kraai van Nierkerk will recommend a deregulated free market system.

Tiger reported a 12% rise in earnings for the six months to June on a 9% rise in turnover to R5,4bn.

Another analyst said the underlying prospects of the group were relatively weak. Subsidiary Adcock Ingram had a strong base but would need to enhance its self-medication and over-the-counter medicines portfolio, he said.

Medical aids were encouraging members to be more frugal in health care expenditure and were emphasising the use of over-the-counter medicines.

Cape food processor Langeberg was not set for a rapid turnaround and had been affected by an oversupplied international market and a reduced deciduous fruit intake, he said. (186)

But analysts expressed confidence in new MD Nick Dennis who had begun rationalising and restructuring the company. An analyst said the restructuring sent welcome signals to investors but it could take "some time" before the process was complete and the benefits were felt.

"He has chopped out a lot of dead wood in the company but there is still some cleaning up to do," the analyst said.

sively, but it is a sector that does not significant effect on the imported ing than in the past

Bonnita's listing 'for farmers'

BIDay 15/8/94

EDWARD WEST

CAPE TOWN — Premier Group made a commitment to list Bonnita when it took a 53% stake in the dairy products group, Bonnita CEO Tom Vosloo told the Investment Analysts Society in Stellenbosch on Friday.

Vosloo said the planned listing at the end of the month meant farmers would be able to offload shares at market-related prices if they wished.

Other reasons for Bonnita's planned listing included enhanced market awareness of the group, increased tradeability of the shares and establishing a market-related share price, Vosloo said.

Of the 300-million shares authorised, 210-million shares were in issue of which 111-million were held by Premier, 4-million by CDC and 95-million by farmers and staff.

About 1 000 farmers, with 65 000 cows, supplied the group with more

than 1-million litres of milk a day, from which the group's products were made. (186) (220)

He said Bonnita aimed to expand its food product range so as not to make the group as dependent on the flow of milk. In this regard for instance, the group had for the past three months been exporting fruit juices to the UK.

Exports in the past tended to be the result of balancing out demand and supply of milk and its products, but this would change with development of dedicated export products, he said.

In the financial year to April the flow of milk exceeded product demand — which reduced the group's operating margin to 7,1% from 8% the previous year — as a result of the

poor economy, business disruption and unrest and illegal imports

Vosloo said illegal imports were entering SA through neighbouring countries because the quantitative import control and permit system was ineffective.

The industry had applied for tariffs in line with GATT to control illegal imports. The tariffs were likely to come into effect within months.

Bonnita's gearing in the past financial year fell to 13% from 140%, mainly as a result of a R100m injection from Premier when it took a stake in Bonnita after it was privatised from being a co-operative.

Vosloo said the normal growth rate of dairy industry product sales was about 5%, but industry growth had resumed only in the past three months. No growth was reported in the past two years.

Premier in talks on school feeding scheme, says MD

Biday 23/8/94

BEATRIX PAYNE

FOOD group Premier had been holding discussions with regional authorities over the proposed schools feeding scheme which it intended to tender for, Premier MD Gordon Utian said yesterday

The scheme was due to be implemented from September

Utian said the group had a complex nationwide distribution system in place and had been involved in school feeding schemes before

"We don't want to profiteer from the scheme," he said, but added that over the long term a tender would have a positive effect on earnings

It was possible that soon-to-be-listed dairy subsidiary Bonnita could secure the tender to supply fresh and long-life milk to the Cape region

Bonnita MD Louis du Plessis said the tender would see production increase. He said that this could lower the unit costs of its milk products

Premier intended to develop Bonnita to become the country's major dairy producer and the group was considering future acquisitions to achieve this

Du Plessis said the group was not actively looking for future acquisitions but was

keeping an eye on the market

Only 210-million of the company's authorised 300-million shares would be floated when it listed this week, but the group would consider floating the remaining 90-million shares if it needed capital for other strategic developments

Utian said it was difficult to assess what price the shares would trade at, as the market would determine the price once the shares were floated. (186)

But he speculated that the shares would trade between 240c and 255c. He said the group was not considering listing its main unlisted asset, Premier Foods, yet

"It's a question of timing more than anything else," he said. The company was undergoing a major transformation to improve its marketing and consumer services and profile

The milling industry was also in a state of flux as the single channel system for maize marketing was assessed

He said the company would wait to see what effect the deregulation would have on its operations before it considered a listing

BONNITA *FM 26/8/94*
Liquidity constraints

Timing is everything, or so it should be, and this may explain the dearth of listings during the recession. Though six companies have listed so far this year, it is of little surprise that none is in the food industry since January, the Food sector has significantly underperformed the Industrial index (186) ~~(200)~~

But there are unusual aspects to the listing later this week of Bonnita, Premier's 53%-held dairy subsidiary, which is one of the biggest listings for some time (total assets of R484m). MD Louis du Plessis says the purpose is not to raise capital but to enhance market awareness of the group and its brands. Bonnita has 210m shares in issue (300m authorised), of these, Premier has 111m shares (at a cost of R208m), farmers and staff 95m (45%) and the Cape Dairy Co-operative 4m (2%).

Premier MD and Bonnita chairman Gordon Utian is aware of obvious constraints to the share's liquidity and says other options were considered, including a reduction in Premier's shareholding and possible rights issue. However, Du Plessis believes the sale of shares by employees and farmers over the next few months (estimated at around 40m) will suffice.

The market has little experience with this industry and examples on which it can draw are not comforting. Tiger Oats's investment in fruit and vegetable canning co-operative Langeberg Holdings brought years of restructuring and losses before it proved highly profitable. ICS's dairy division has underperformed for several years.

Utian concedes that Bonnita will have to earn its stripes.

Bonnita has 22% of the estimated R4bn local processed dairy products market. It handles 22% of SA's milk production, makes 30% of SA's Gouda and Cheddar cheese and produces more than 50% of ultrapasteurised milk.

FM 26/8/94
ultrapasteurised milk

Exports total 6% of turnover, though this could be 20% within five years, perhaps helped by the international operations of Metcash, Premier's wholesaling subsidiary. Over the past nine years turnover grew at a compound annual rate of 41%, reaching R754m in financial 1994.

Du Plessis says focus in coming years will be on value-added products which, he says, will see operating margins, now 7%, at 9% over the next two years. Gearing has



Bonnita's Utian ... stripes will have to be earned

fallen from 270% to 12%, thanks to the cash injection from Premier, interest cover is a high 18 times. Return on shareholders' funds has averaged 14% over the past three years. Financial objectives include a real 5% growth in EPS and dividends three times covered.

Premier effectively paid 187c per share (NAV of 155c) for its interest in SA's second largest dairy concern. Assuming EPS of 14,52c and a p.e. of 16,7 (the sector average excluding Cadswep) its listing price, at a 10% discount, would be 218c. For Premier, that's a handsome paper profit of R34m (186) ~~(200)~~

With 40m shares expected to trade in the next few months, institutional buyers may wait until the price settles before increasing exposure to the food sector.

Marylou Greig

I&J hoists profit 11%

Star
Irvin & Johnson (I&J) has posted an 11 percent increase in earnings for the year to June to R62,3 million (R56,3 million previously). *29/8/94*

Turnover rose eight percent, largely as a result of an improvement in international seafood prices, an increase in domestic retail sales volumes in key product categories and a chicken price increase.

Incentive allowances and favourable prior year adjustments were the main contributors to the decrease in the effective tax rate.

Taxed profit rose nine percent to R62,2 million (R57 million).

An increase in the share of associated companies' retained earnings resulted in the earnings advance of 11 percent to 216,7c a share.

The dividend has been maintained at 86c a share — Sapa.

(186) (~~202~~)

IRVIN & JOHNSON

Trading remains lean

fm 2/9/94

The 1994 earnings of this food processing group are very much in line with those forecast by analysts and published in the *FM* in April (*Leaders* April 22) EPS are up by 11% on a modest 5% rise in operating profit, the difference between the two occurring mostly because of the lower tax rate

(186)

Since April, the share price has declined from around R37 to R34,50 now. At the time, the *FM* concluded that its prospects did not merit a favourable re-rating of the share. The market not only agreed, it clearly felt the share was overvalued. Even after the latest results, the share trades on an unassuming p:e of 13,2



Irvin & Johnson's Robbertze . the foundation has been laid

Preliminary results are invariably skimpy and I&J's are no different. Chairman Jan Robbertze notes, however, that "The foundation has been laid for potentially stronger

FOX

fm 2/9/94

(186)

profit growth in the current year" But there are few signs that the adverse tide running against I&J has turned

The 8% turnover advance was largely because of an improvement in international seafood prices and local chicken prices, as well as better domestic retail sales volumes in key product categories. But it masks an overall 9% drop in volumes, which occurred for two reasons: reduced supply of chicken as Newcastle disease caused more fatalities, and the planned drop in volume of low value seafoods traded internationally. The full-year margin narrowed from 5,1% to 5%

Turnover in the second half was 13,7% higher than in the corresponding period a year ago, but the margin erosion continued strongly. Second-half operating profit fell 13,9%. Incentive allowances and favourable prior year adjustments were main contributors to the fall in the effective tax rate from 24,6% to 20,4%. This left after-tax earnings up by 9%. With a R900 000 positive swing in I&J's share of retained earnings of associated companies, at-

FOX

fm 2/9/94

WARMING UP

Year to June 30	1993	1994
Turnover (Rbn)	1 05	1 177
Operating profit (Rm)	84,2	88,3
Earnings (Rm)	56,9	62,3
Earnings (c)	195,7	216,7
Dividend (c)	86	86

tributable earnings climbed 11% *(186)*

On the positive side, capital expenditure remained high as new production facilities, a major re-engineering project in the seafoods division and continuing technology upgrades absorbed R78m to service expected growth and to enhance competitiveness. The new R44m French-fry plant near Delmas is performing well and, reports MD Jim Williams, is achieving strong volume growth. Frozen vegetable exports increased significantly. The share posted a low of 2 775c in November and then rose to 4 000c before falling back to its present level. Until there is visible evidence that sustained earnings will be posted, the share is likely to remain in the doldrums.

Gerry Hirston

Langeberg strike ends

SUSAN RUSSELL

AN URGENT court application brought by Langeberg Foods in Boksburg against the Food and Allied Workers' Union was settled in the Rand Supreme Court yesterday after striking employees agreed to resume work today. 2/9/94

About 200 striking Langeberg employees gathered outside the Rand Supreme Court while lawyers worked out a settlement inside. Police watched as workers sang and waved placards.

Workers went on strike over the dismissal of two co-workers, one of them a shop steward.

In terms of the settlement, which was made an order of court, workers agreed to resume work by 7am this morning. (186)

A company spokesman said the union and management had also agreed on a date for mediation proceedings in respect of the dispute over the dismissals.

COMPANIES

Clover, Ceres rule out listing

AMANDA VERMEULEN

TWO of SA's major agricultural co-operatives — Clover and Ceres Fruitgrowers — have ruled out plans for a JSE listing in the immediate future, despite the industry trend towards Diagonal Street prompted by recent enabling legislation.

Ceres MD Koos Snyman said yesterday that Langeberg and Bonnita, both listed companies, had lost control over their organisations when they were bought by major food groups.

Tiger Oats bought a 50% stake in Langeberg in 1988 for R80m — their stake has now increased to 57%. Premier owns 53% of Bonnita, and has injected R100m in share capital since the acquisition in 1993.

Snyman said Ceres's investment company had considered listing but "not very seriously" as it was financially flush (180).

Snyman said some of the co-ops had been forced against the wall, leaving them

with little choice but to accept a takeover. The consequences were listings by the majority stake holder to recoup investments, he said. *31 Day*

Clover MD Marthinus Hermann said a listing was not imminent.

He said the larger co-ops had been funded by loan capital from the Land Bank, leaving the co-ops' own funds at low levels. The listings had helped increase shareholders' funds and improve gearing.

Clover, wholly owned by National Co-operative Dairies, became a public company on July 1 *14/9/94*

While it was looking at partnerships, Clover was not seeking a majority shareholder as it wished to retain control of the 100-year-old company, said Hermann.

Macadams on exports growth path

186

746

05/16/94

By AUDREY D'ANGELO
Business Editor

MACADAM'S Bakers' Supply Holdings has reported a post-market index point to be the payment of dividend in current trading conditions continue. MD Raymond Poulart said yesterday.

Noting that the company's June report of R79,000 revenue with R947,000 revenue over months to August 1993, the company's share price at R21.00, R22.00 and R23.00.

But the director of information results of the company and its share price said they had been affected by a change in the market for the December share price. The public holiday and other factors.

They planned that the share price to June to reach R25.00 production period for the month of August, because of a forecast in January.

A R22.00 investment in new plant to increase export production that the interest had rose to R620,000 (R589,000).

But the company's share price rose to 70% with shareholders' funds rising to R1.5m. The company's production had been at a level of R1.5m.

Poulart said he was confident Macadams could meet local and international demand for the company's products in the next six months to be met.

New markets are being up and the company is seeing an increase in demand from the United States, especially from California and the Philippines.

Specialized machinery has been successful in exports to Canada and other parts of the world.

The company's director, Leo McEvoy, said that the company's share price accounted for about 20% of turnover.

The company's share price and orders were down for the company and installation of complete bakeries. This was more profitable than selling to agents in Europe and America.

Public holidays hurt Macadams

EDWARD WEST

CAPE TOWN — Bakery equipment supplier Macadams Bakery Supplies saw earnings slip 19,2% to 4,6c a share in the six months to last month **81204**

MD Raimund Pouliart said production was affected by public holidays and the political uncertainty of the first six months.

Turnover was 4,8% down at R21,5m and operating profit was 7,7% lower at R1,4m. The higher interest bill of R620 000 (R589 000) was ascribed to a R1,2m investment in a new plant **1619194**

Pouliart said the company was confident of meeting sales targets for the year since its major business was traditionally generated in the six months to December.

New markets were opening up and the company was experiencing an increase in demand from the Far East.

If current conditions prevailed, directors would recommend dividend payments be resumed **186**

Food giants to trade shares in US FDRs

Business Staff (186) ARG 22/9/94

FOOD conglomerate C G Smith and subsidiary Tiger Oats are to offer shares to the US market through American Depositary Receipts

Vice chairman Robbie Williams said the ADR programme would enable American investors to buy shares without having to deal through the Johannesburg Stock Exchange

Both companies had established sponsored Level-1 programmes, which required the ADR's to be traded in the non-Nasdaq "over the counter" market. This meant they did not have to comply with US accounting standards, or full US Securities and Exchange Commission disclosure requirements.

Mr Williams said the ADR programme would facilitate low-cost access to the US financial markets

He said neither company had any plans at this stage of raising fresh capital via an equity issue

C G Smith and Tiger would be represented by The Bank of New York, which had more than 50 percent of the total sponsored depository receipt programmes

■ Motor component company Metair slowed in the six months ended June, with attributable profit down eight percent to R8,9 million

Sales of new vehicles were up on the corresponding period last year, but production volumes were hit by election period disruptions, the company said

Shortages caused by the strike in the motor industry would affect performance in the rest of the year, and directors were forecasting that results would be "substantially worse" than last year

C G Smith, Tiger Oats

access

22/9/94

ADR plan

(186)

JOHANNESBURG —
C G Smith and one of its
major subsidiaries, Ti-
ger Oats, said yesterday
they had gained access
to offshore capital in the
US through the medium
of American Depositary
Receipts

Vice chairman Robbie
Williams said the ADR
programme would en-
able an American inves-
tor to buy shares in the
companies without hav-
ing to deal through the
Johannesburg Stock Ex-
change

Both companies have
established sponsored
Level-1 programmes,
which require the ADR's
to be traded in the non-
Nasdaq "over the coun-
ter" market. As a result,
they do not have to com-
ply with US accounting
standards, or full US Se-
curities and Exchange
Commission disclosure
requirements

Williams said the ADR
programme would facili-
tate low-cost access to
the US financial markets
and the raising of off-
shore capital in the US
through a private plac-
ing of ADRs

CG Smith and Tiger
would be represented by
The Bank of New York,
which has over 50% of
the total sponsored de-
pository receipt pro-
grammes — Sapa

Like a sick fowl

There is too much reliance on high-risk business

Neil Morris is nothing if not a survivor. As CE of Hunt Leuchars & Hepburn since 1987, he has needed to be. HLH is a group whose potential over the last decade has been marked with promise but whose history is punctuated by misfortune.

The company is even more unusual this year. In late July, Morris told shareholders in HLH and its most important listed investment, Rainbow Chicken, that earnings expectations for the first half of financial 1995 were "unrealistic." This comes soon after poor performances in 1992 and 1993, which were accompanied by real expectations of improvement and, ultimately, delivery of better days with a stunning result, though off a low base, in 1994.

It seemed HLH had shrugged off the calamities of Rainbow's almost unstoppable capital investment programmes, accompanied by the economy's shuddering full stop in 1990. The *FM* didn't dally in its assessment: "It's an unusual pleasure," this writer noted in July 1993, "to review two listed companies whose fortunes may just be on the verge of significant revival."

They were — sadly, though, only for a while. Since then, the group has been struck by two natural disasters simultaneously. It probably isn't helpful to say it, but this is the logical area of risk associated with any operation so dependent on nature.

In the case of HLH, the first of these disasters is drought. The second is disease. Since the tale is so unusual, it is worth tracing its anatomy.

HLH is one of those old companies which traces its roots back to early pioneering days in Natal. It was founded in 1850 and was family-owned and controlled until the late Eighties when it effectively fell into the Rembrandt Group. Before that happened, the families decided they needed to hand control of the company to professional managers.

If there is any single reason for HLH's fall from investor favour, it probably stems from that decision, allied with the earlier charge on to the JSE as a listed company. "There they were," chortles one analyst with a long memory, "a bunch of accountants with slide rules, present values and The Five Rules for Managers. What they actually did was entrench themselves at the expense of the owners. They certainly made themselves comfortable (~~186~~ ~~1850~~)." *(186) (1850)*

His comment is a reference to HLH's venture into building a head office, known as the Glass House, one of Parktown's earliest commercial buildings.

Under Chris Perry, first as CE and then as chairman, HLH's new corporate home breathed luxury and success. There was an office suite for every company MD — irrespective of whether he already had an office within his own company — and lifts from the basement garages which passed through a substantial fresh-water pond filled with Koi fish.

It came at the wrong time. When Morris succeeded Perry as CE, one of his first jobs was to rationalise — the business euphemism for sack, reduce, withdraw, re-group. Morris first sold the loss-making Wolhuter Steel processing group which Perry had bought from Jacobs. HLH took a R22m loss.

Then he got rid of the Blaikie hardware group, from which Barlows formed Federated Blaikie (and, given Federated's substantial sizing down, Morris probably has cause to feel pleased with that decision). And he sold HLH's corporate head office to Graham Beck's Kangra.

This left HLH with just one of its three arms — timber, and principally its mining timbers operation, in terms of which it supplies props to the gold mines through a joint venture with Anglo — and a large pile of cash.

With the controlling families, the Hepburns and Hancocks, steadily watering down their interests, HLH was a target for acquisition. Along came Anton Rupert and Rembrandt, white knights to the rescue, with R57,5m cash for the families.

Morris now found himself in reverse. First he had scaled down HLH. Now the new controlling shareholders wanted it to grow again. The acquisition list began in 1988 with Bonuskor, a company held by Volkskas Industrial Bank and which was offered to Morris, probably because Rembrandt was a major shareholder in a bank in need of cleaning up its act. Many analysts openly said they considered it an act of convenience for Rembrandt.

Unfortunately, Bonuskor was a curate's egg. It included some softwood interests, a tea estate near Barberton, citrus operations in the Eastern Transvaal, Transvaal Sugar, a cane mill and cane growing operations in Komati. Its gem was a 56% stake in Natal-based food and spice company Robertsons, which had been through a torrid time of its own — or rather, its owner's — making.

Robertsons was linked to American multinational Corn Products Corp (CPC), which decided to disinvest. In the process, the Mines Pension Fund acquired 30%. Seeing an opportunity, Morris proposed a takeover by HLH through the issue of convertible debentures and handsome cash payments to management.

That gave HLH total control of Robertsons. Interestingly, the convertible debentures held by the Mines Pension Fund have still not been converted.

The acquisitions restored HLH to being a three-legged conglomerate. Another leg was about to be added — Rainbow Chicken, the living expression of Stanley Methven's organisational genius and his hard-headed flair for bloody-mindedness.

A whaler turned taxi driver turned merchant seaman Methven settled down on his father's small farm near Hammarsdale. In 30 years, he built up a huge personal fortune. Stories about Methven are legion and generally uncomplimentary (a hazard which invariably accompanies success). When he died in Monaco (riding a Vespa scooter) in 1986, he left a family endowed with R200m and a large shareholding in SA's biggest supplier of chickens.

HLH took joint control of Rainbow in April 1989. It effectively paid R192,5m for the 25% purchase, raising the amount through a rights issue underwritten by Rembrandt.

It couldn't have been an entirely happy arrangement for HLH. Laying out a large cash sum to buy into an operation and then being precluded from getting your hands around it is a recipe for impotence. Desmond Loch Davis, an old Methven family friend, remained chairman. John Geoghegan was MD. What happened next was to compound Rainbow's difficulties.

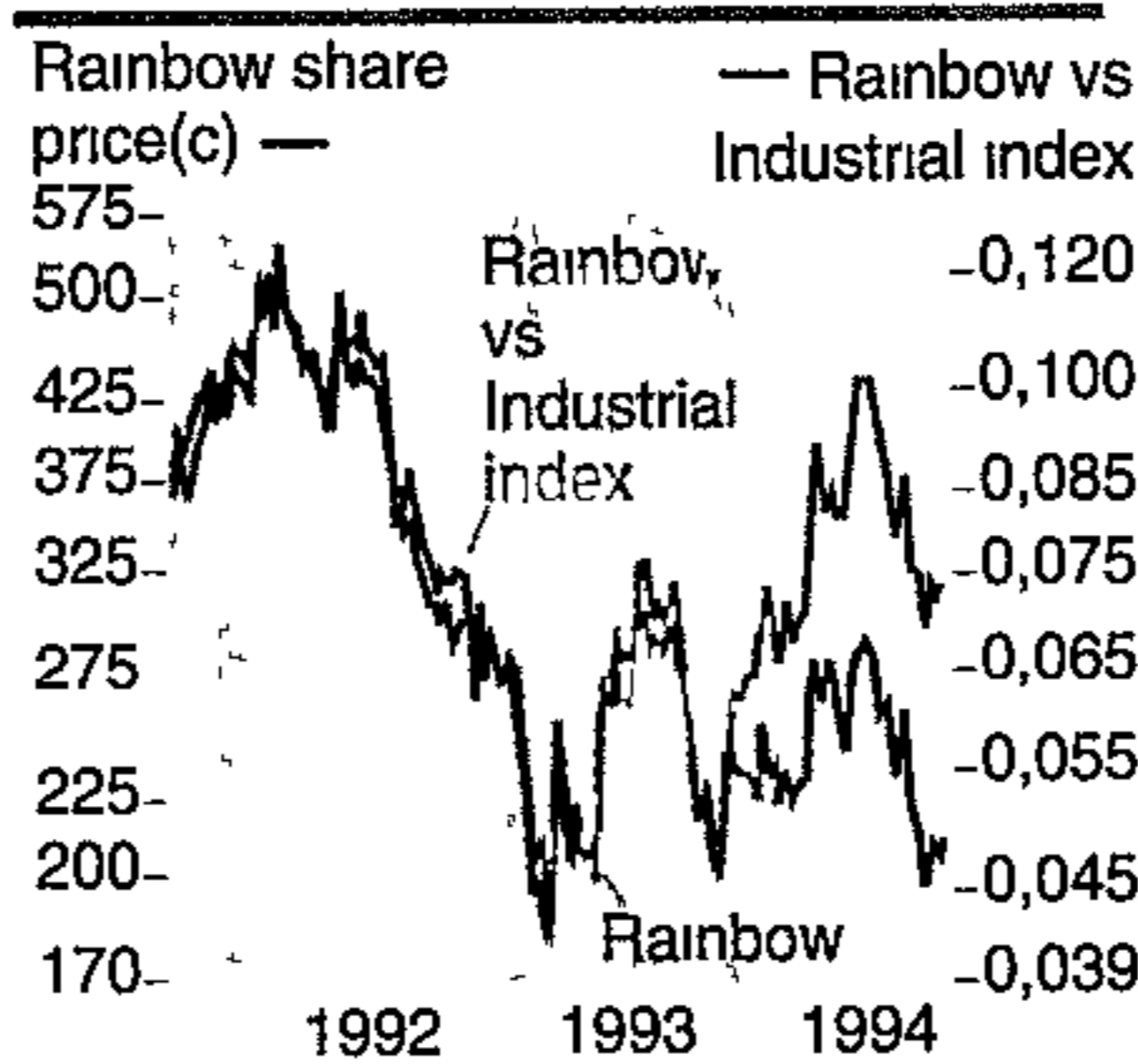
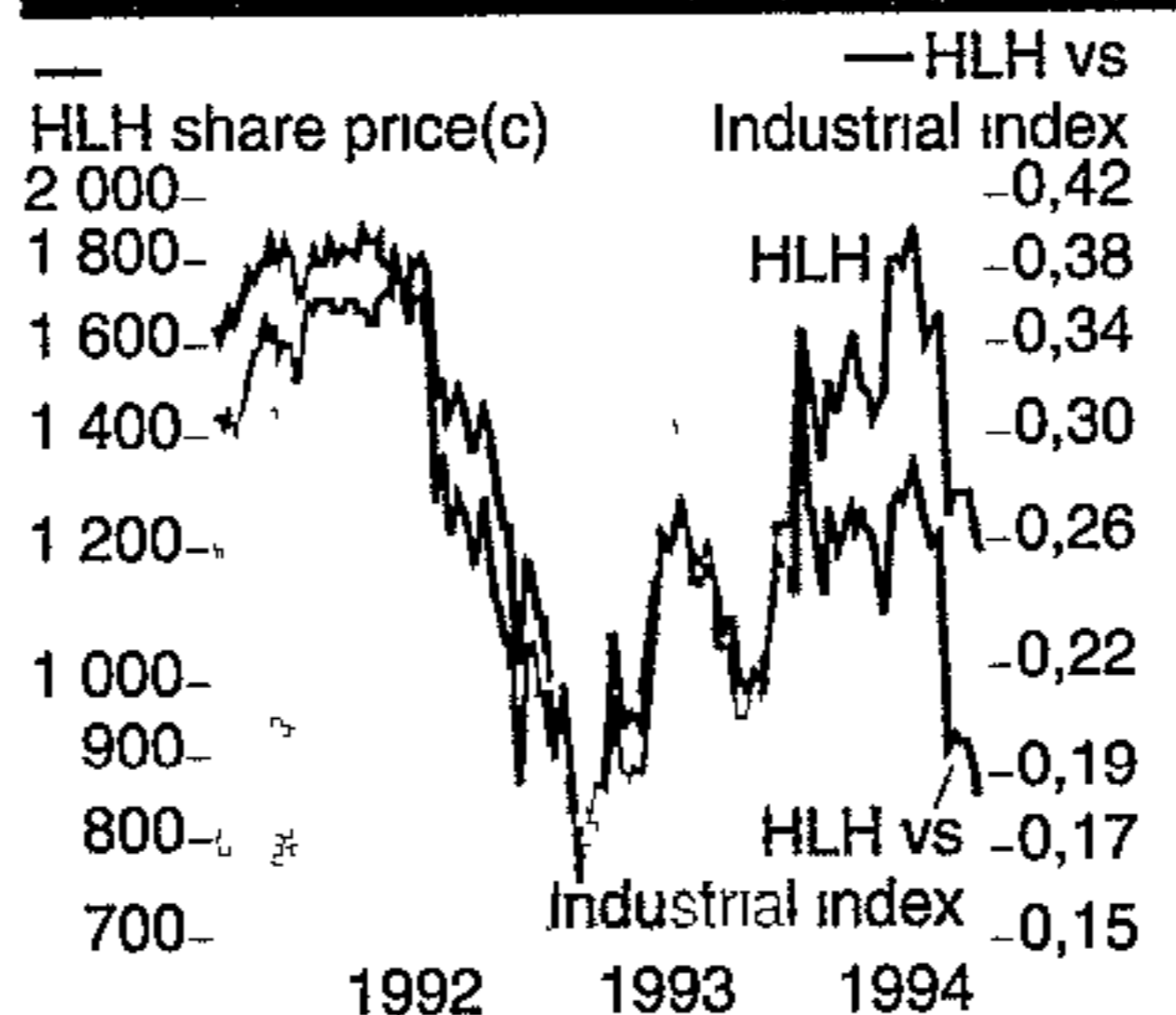
First, in a complex negotiation which culminated in March 1991, Premier's Gordon Utian pulled off what one analyst describes as the master stroke of his career. He sold Bonny Bird, including 50% of Epol's animal feeds division, to Rainbow for R244m, taking Premier out of an area in which it had been experiencing acute financial misery.

Second, the SA market for white meat, which had expanded exponentially for an unbroken decade, suddenly ground to a halt. Rainbow found itself grappling with the economic woes of its large capital expenditure programme — predicated on continuing growth in demand — and the inefficiencies of Bonny Bird. Morris defends the purchase. It made good sense, he says, in terms of buying substantial assets at firesale prices.

Maybe so, but it didn't work that way. Methven's success was an operation which dovetailed perfectly with an expanding economy and rising demand for white meat. He didn't need to worry about marketing. One unkind commentator described Methven's sales team as "order takers". When economic growth went into reverse, Rainbow's managers were thrown off balance. It was a new experience and they were unprepared. Bonny Bird added to the confusion.

Patently, Morris moved to bring change. Amid a welter of losses, Rainbow's rights issue gave Rembrandt the opportunity to take de facto control by underwriting the issues up the chain — through HLH and Huntcor. Then in January 1993, a sharp notice in the press stated "In view of the serious decline in operating conditions at Rainbow, HLH will, with immediate effect, take responsibility for management." This was followed by the appointment of Rick Griffiths as MD in September and a huge turnaround in the company's fortunes in its results for financial 1994.

23/9/94
STRUCK BY NATURAL DISASTERS



SOURCE: I NET

Morris, meanwhile, was pressing ahead with expansion plans at Transvaal Sugar, where the company began constructing a new cane mill in the epicentre of high-yielding cane fields in the Onderberg region. The R430m mill will produce about 16% of SA's sugar. It was commissioned in March this year — just as the area struggled through its third consecutive year of a drought described as the worst in living memory. "This happens once in 100 years," says Morris. The region has had three such years in a row. This is the first of the group's natural disasters.

The second is in hapless Rainbow. Just as it was recovering, a mutant of Newcastle disease — a viral respiratory infection almost invariably deadly in fowls — struck first in Natal and then across the country. Rainbow's mortalities, normally an average of about 8%, shot up to peak at 30%. The cost is high: birds with a lifespan of 42 days die after about 28 days. "They eat the food," says Morris wryly, "then they die." Those that live don't gain weight as they should, so birds hit the market weighing less and earning less. (186) (232)

There is evidence that Rainbow's emergency action, which included importing Europe's leading expert in Newcastle disease, is beginning to work. Mortalities are reducing and that means a steadily increasing supply. But the impact on earnings will be profound. Rainbow is unlikely to recover fully before financial 1996.

Between Transvaal Sugar and Rainbow, the effect on HLH is substantial. This is why Morris warned shareholders.

There's no escaping the large debt burden. Interest-bearing debt is currently R655m (year-ago R330m), gearing as a percentage of shareholders' funds of R1,106bn is 59% (1993 31%, 1992 15%). It is starting to look like a group getting into debt over its head.

The extent of this debt — unusually high at the bottom of the interest rate cycle — means the interest bill will consume much of the earnings until an appreciable amount can be retired.

It can no longer be denied that HLH has a high-risk profile. It is seriously exposed to natural disaster. Cynics will say they expect the occasional one but getting two together is bad management.

Though that is unfair, it highlights HLH's exposure to environmental factors way beyond its control. Morris says ruefully that he used to wax eloquent about Transvaal Sugar's theoretical ability to operate outside natural forces — irrigation instead of summer rains. The last three years have put paid to that.

Another concern is HLH's unenviable situation when compared with other conglomerates. "They are delivering steadily better earnings and good growth," says a research broker, "while HLH's earnings zigzag all over the place."

Morris's problem is that he is cast in the role of promising better earnings later next year or the one after.

"People (investors) are getting impatient," says an analyst. "There are too many delays. We have been told too often not to expect too much, that next year will bring rewards. The time has come for the group to deliver."

With luck, Morris should be able to restore investor confidence in financial 1996 or certainly the year after. He needs the drought in the Eastern Transvaal to lift, traditionally perennial rivers to flow again, and good cane production this year.

It is imperative for Rainbow to get on top of its illness factor and combine more production with better demand. These are HLH's two keys.

Another development is the move to turn Robertsons into a more export-focused company. Morris says immediate expansion plans include a carefully structured foray into offshore manufacturing in south-east Asia with an established local partner.

Exciting though this is, it is small beer compared with sugar and chickens. Morris's short-term problem is to get through financial 1995. He won't say what he expects but you can be sure the EPS will be bad, probably lower than 1994's. When that has come about, it will be time to introduce a strategy to reduce HLH's reliance on high-risk business.

Until then, and disappointing though this is, the group is best watched from a distance.

David Gleason

Food price rise has the experts at odds

Biday 28/9/94
LOUISE COOK

ECONOMISTS and industrialists cannot agree on the causes of food inflation, which in August shot up to 19,7% year on year from 14,9% in July

Tiger Oats executive director Hamish McBain said food inflation was a highly emotive issue. He blamed enormous wastage and theft for pushing up food costs.

"Problems lie with costs between producer and manufacturer, as well as in the distribution chain from the manufacturer to the consumer."

McBain said 22% of all goods delivered to supermarkets was affected

"In some cases off-loading takes six hours. These costs are passed on to the consumer and aggravate the gap between producer and consumer prices"

Meat and vegetable price inflation in August was 6,7% and 13,8% respectively, according to figures from the Central Statistical Service (CSS)

Freshmark, a company dealing in fresh vegetables directly from producers, and which supplies food stores, blamed the frost which had gripped the PWV, the Lowveld and areas of the northern Transvaal during the winter.

Said Freshmark's CE Johan van Deventer: "The farmer does not now suddenly make money. There is a shortage on the market, mainly due to frost in the winter." (186)

University of Pretoria agriculture economist Helmke von Bach blamed the basic agricultural structure in SA. Excessive distances between farms and manufacturing points pushed up the transportation component of food. This formed a large part of the costs.

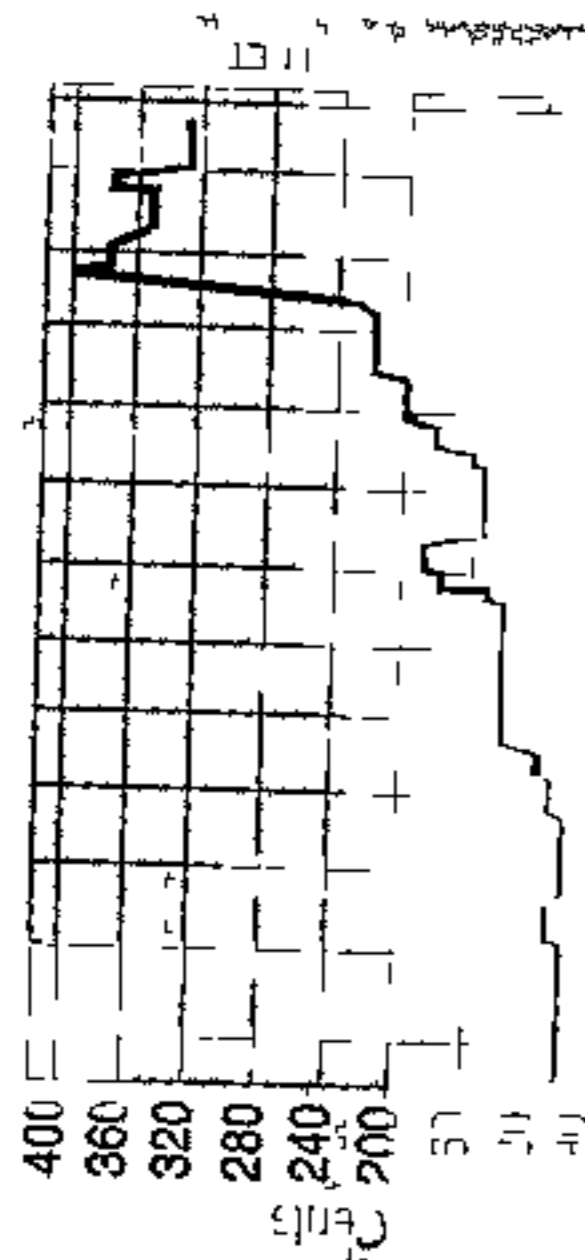
Pretoria fresh produce market spokesman Charles Hamilton said

the Transvaal was the most important area for vegetable supply during the winter. It had suffered severe frost and veld-rat plagues in July. Vegetable and fruit prices were likely to stabilise by November.

SA Agriculture Union spokesman on vegetables Pieter van der Merwe said 40% of consumers lived in the PWV area. Transport costs, as a contributory factor to rising food prices, played an important role because in the case of vegetables, farms were far away and goods had to be transported thousands of kilometres to reach consumers.

But Agriculture Department sources pointed out that despite vegetable prices having shot up the most between July and August, it formed only a small percentage of food bought. Consumers bought far larger quantities of meat, grain and dairy products.

Choice Holdings



Rm 30/9/94

June 1 The company made an operating loss of R18m in 1993. Over the nine months to February (Choice's year-end) attributable profit was R4m, of which half is attributable to Choice.

Choice also disposed of a 50% interest in two subsidiaries, Caterchoice and The Food Connection, for R3m to CIC (Pty) Ltd. CIC has attached more emphasis to value-added lines. The management structure of CIC has been reorganised, with a consequent improvement in stock and expense controls.

Despite the downward pressure on consumer spending, turnover almost trebled to R114.5m and attributable profit swung from a R550 000 loss in 1993 to a R2.1m profit — or from a loss of 5.5c a share to EPS of 20.8c.

A cautionary was published in February in anticipation of further investments but no final agreement could be reached and discussions were terminated. Another cau-

CHOICE HOLDINGS

Better cuts

Rm 30/9/94
Meat processor and distributor Choice Holdings has a short history but the 1994 year will probably be recorded as one of its most momentous. Losses swung to profit and in August Choice was promoted from the JSE's Development Capital Market to the food sector.

Choice last year acquired 50% of Agrichicks, which among other things raises day-old chicks and processes feed, for R4m. Net selling values in this industry have shot up after the stock surplus which had built up in the market the previous year had been reduced, partly a result of curbs on imports.

Control of Agrichick was acquired on

COMPANIES

Rm 30/9/94

Activities: Processes and distributes meat products

Control: Directors 60,1%

Chairman and MD: Limberopoulos

Capital structure: 10,3m ord Market capitalisation R33m

Share market: Price 325c Yields 6,5% on earnings, p/e 15,4 ratio 12-month high, 400c, low, 100c Trading volume last quarter, 508 000 shares

	'91	'92	'93	'94
Year to February 28				
ST debt (Rm)	2,2	2,0	4,8	13,2
LT debt (Rm)	2,8	3,3	3,3	7,2
Debt equity ratio	—	—	6,08	0,52
Shareholders' interest	nil	nil	0,08	0,50
Int & leasing cover	nil	1,1	0,44	4,0
Return on cap (%)	nil	10,4	2,5	7,5
Turnover (Rm)	n/a	27	39	114
Pre-int profit (Rm)	(0,8)	0,9	0,4	5,9
Pre-int margin (%)	—	3,2	0,9	5,2
Earnings (c)	(15,0)	(0,72)	(5,46)	20,8
Tangible NAV (c)	—	—	6,8	154

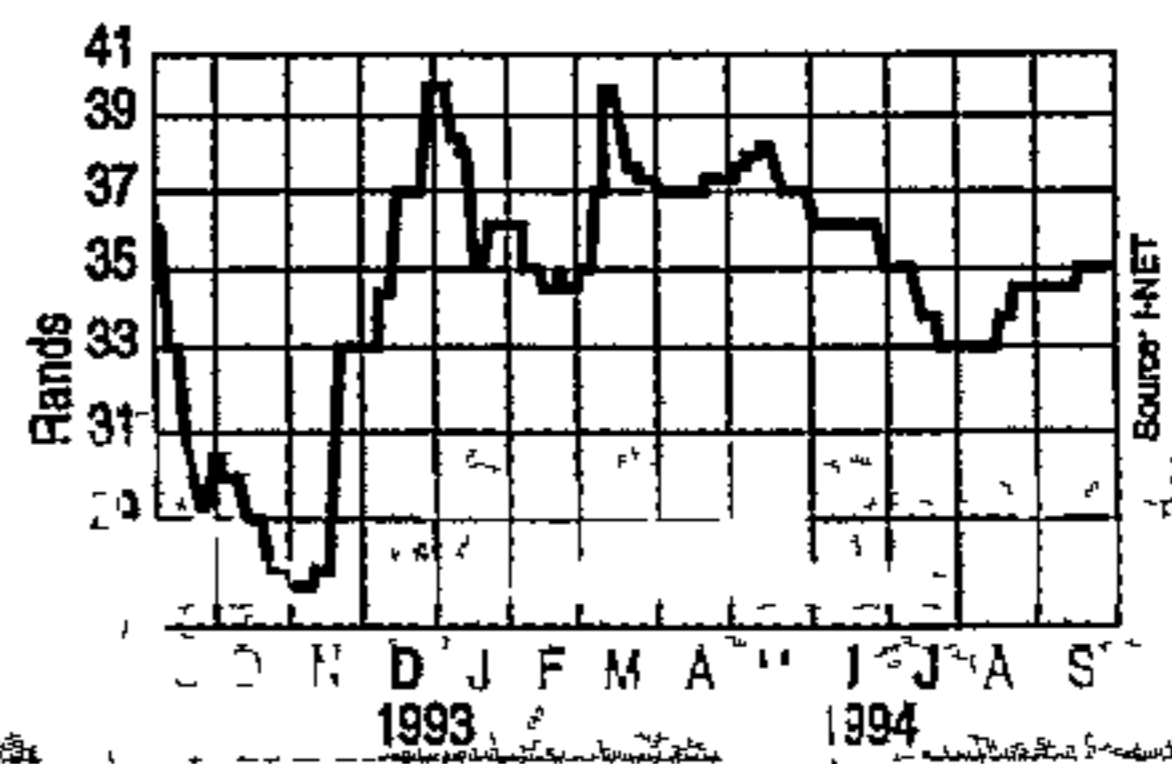
* Negative after deducting goodwill

tionary was published recently, details will be released in October.

Indeed, Choice survived the recent civil unrest in Bophuthatswana and chairman John Limberopoulos says results are unlikely to be impaired by the incident. "On the contrary, they'll show growth," he says. The share has gained 125c to 325c since June and should remain buoyant given further good results.

Kate Rushon

Irvin & Johnson



7110/194

of past years but that wasn't enough to make up for static, low prices in the local market — though these have recently been improving

(186)

Yet, as chairman Jan Robbertze points out, I&J increased its branded retail market share of frozen foods (12% of sales) even though the frozen food market grew by only 4%. He also says market share increased in the static food service industry

Capital spending has remained high — R78m in 1994 — as the group continued to upgrade plant and technology. A R44m frozen and fresh French fry factory was opened in November. The expected strong volume growth has materialised and the unit is proving a big success. The seafood division is undergoing "a major re-engineering project;" similar facilities are being built in Mossel Bay and Namibia. An R8m abalone aquaculture project has been initiated at Danger Point. Abalone harvesting and export is due to begin in late 1997.

While there is little evidence yet of I&J's earnings growth being stimulated by the domestic economy, Robbertze says the recovery in international markets is enabling management to reposition its seafood products. It will, he says, "have the effect of significantly increasing international sales and the earnings of the international division" which accounted for 21% of group sales in 1994.

I&J is ready to take full advantage of improvement in the local economy. If, with better export sales, the Department of Fisheries can be persuaded to provide more stable quotas, and if disease in the chicken industry is brought under control, sales, margins and earnings could improve substantially. One analyst is calling for an earnings increase of 20% for the next two years. That puts the prospective p.e at just over 13 for financial 1995.

Assuming the equity market is not rated downward in the next few months, the share may offer sound relative value. Gerald Hirshon

IRVIN & JOHNSON
Signs of a thaw

7110/194

(186)

Activities: Processes and distributes seafood and other frozen products.

Control: Anglovaal Industries 68,1%

Chairman: J C Robbertze

Capital structure: 28,8m ords Market capitalisation R1bn

Share market: Price, 3 500c Yields 2,5% on dividend, 6,2% on earnings, p/e ratio, 16,1, cover, 2,5 12-month high, 4 000c, low, 2 775c. Trading volume last quarter, 522 000 shares

Year to June 30	'91	'92	'93	'94
ST debt (Rm)	20,3	9,5	19,5	6,2
LT debt (Rm)	24,0	14,8	76,2	70,2
Shareholders' interest	0,52	0,62	0,61	0,64
Int & leasing cover	18,8	11,1	5,5	5,1
Return on cap (%)	18,1	16,7	11,3	11,1
Turnover (Rbn)	1,44	1,64	1,65	1,77
Pre-int profit (Rm)	103,9	118,9	92,14	97,1
Pre-int margin (%)	6,9	6,6	5,1	5,5
Earnings (c)	243	258	196	217
Dividends (c)	78	86	86	86
Tangible NAV (c)	1 042	1 189	1 388	1 604

I&J's EPS increased by a respectable 11%. But of far more concern is the lacklustre performance of pre-interest profit. It is now much the same as in 1990 and not that far ahead of 1988. Furthermore, though EPS was higher, at 216c, it has not yet exceeded 1989's 231,9c.

It is tempting to blame management. After all, return on capital has deteriorated for the past six years. But there is evidence that many of the factors influencing results were beyond management's control.

For instance, until recently, the international market for hake had long been depressed. I&J's exports suffered accordingly. In SA, the drought and the recession encouraged consumers to favour cheaper necessities as their discretionary income shrank. Newcastle disease in the chicken industry curtailed supplies; chicken prices rose because of the drought and lower production volumes. Sales volumes declined in real terms. I&J's sales and distribution division got hurt.

In the seafood division (17% of group sales), deepsea hake catch rates were the lowest in many years until heavy catches were landed in May and June. International hake prices recovered some of the decline

Choice Holdings turnover reaches R93m

MEAT processor and distributor Choice Holdings reported a further improvement in attributable income for the six months to August after achieving good returns for the past financial year

Attributable income was sharply higher at R2,4m (R306 000) on turnover which more than doubled to R93m in spite of civil unrest in Bophuthatswana, trading interruptions caused by the election and the outbreak of Newcastle disease

MADDEN COLE

Earnings a share showed a corresponding increase to 23,11c (3,03c). No dividend was declared

Chairman John Limberopoulos said provided the remainder of the fiscal period was peaceful, and with the added contribution of Sangiro, acquired last month, combined with the new hatchery at Agrichicks, the group should see further improvement in profit

7/10/94
(186)

Wage talks deadlock ¹⁸⁶ at food firm

Labour Reporter

ARG 13/10/94

DEADLOCK has been reached in wage negotiations at Tuna Marine, with workers due to vote today on whether to take industrial action

Food and Allied Workers Union local chairman Derick Galloway said 94 workers — earning an average of R200 a week — were demanding a R35 across-the-board wage increase

The Epping Industria company had responded with an offer of R21

After negotiations, a figure of R24,50 was agreed upon but the company said it would not backdate the workers' pay to August 1, preferring to offer workers a R100 bonus instead

Mr Galloway said this was unacceptable to the workers who felt they had already backed down substantially from their opening demand

Company managing director Stavros Moshonas confirmed the deadlock, saying he believed the R24 a week increase was "very fair"

700 cannery says they can't

Staff Reporter

ART 18/10/94 (186)

ABOUT 700 workers at the Langeberg canning factory in Paarl have walked out in a wildcat strike.

Factory personnel manager Kobus de Jager said the company has been locked in wage negotiations with the Food and Allied Workers' Union since September.

"We were still negotiating wages and conditions with union officials when the workers decided on their illegal strike."

Foodcorp earnings edge up despite difficult

From BEATRIX PAYNE

186

JOHANNESBURG — Malbak's food group Foodcorp reported a "satisfactory" 5% rise in attributable earnings to R107m for the year to August in spite of a difficult market, CE Dave Kennenally said yesterday.

A "patchy" second-half improvement in the market was offset by problems in the maize industry, strikes at major customers, intense competition and lost trading days over the election period. Turnover rose 4% to R2,8bn (R2,7m) but comparisons were skewed by the Pillsbury Brands Africa,

21/10/94

Enterprise and Cold Chain joint ventures

Operating income rose 4% to R188m and restructuring and tight cost control enabled the group to maintain its operating margin at 6,8%.

Financing costs fell 22% to R21m (R27m) after the group redeemed its preference dividends and received the proceeds from Pillsbury.

Pre-tax income rose 8% to R167m, but a rise in the effective tax rate to 35% (33%) left the tax bill 14% higher at R58m.

After-tax income rose 4% to R109m and the company paid out R2m (R3m) to minority shareholders. A R20m extraordinary item arose from goodwill

on acquisitions and costs related to the closure of the Enterprise Newtown factory and disposal of Montelmar.

Fully converted earnings a share rose 5% to 200,2c (191,5c) and a final dividend of 37c — unchanged from the previous year — was declared.

Gearing rose to a "comfortable" 28% (20%) as interest-bearing debt surged to R218m (R141m), Kennenally said.

The rise in debt reflected capital expenditure incurred during the development of the group's fish meal and canning complex in Chile, a major upgrading of Ruto's maize milling facilities, an increase in

livestock at Middelburg Estates and a rise in maize and sunflower stock levels.

The year had been characterised by the consolidation of joint ventures and operations "Of the businesses we manage, we have eliminated all loss-making factors."

Kennenally said earnings would exceed inflation in financial 1995, but growth would depend on the degree to which consumer spending recovered. "We are now a very lean company and the margin on any increase in turnover as a result of improved consumer spending will go straight to the bottom line."

trade

Foodcorp ups earnings 5% over forecast

(186) ARG 21/10/94

CHARLOTTE MATHEWS

JOHANNESBURG — Foodcorp lifted earnings above forecast by five percent to 220,5c a share in the year ended August, in spite of difficult trading conditions, says chief executive Dave Kennealy

Intense competition, problems in the maize industry, strikes at major customers, loss of trading days at election time and the inauguration, and the transitional levy characterised the period

Sales grew four percent to R2,76 billion, but joint ventures entered into over the year meant some operations were only 50 percent accounted.

The real growth in sales was probably two or three percentage points higher, Mr Kennealy said

Operating margins were maintained at 6,8 percent. Financing costs fell slightly because of the injection of cash from the Pillsbury tie-up, but gearing rose to 28,4 percent from 20 percent after investments in certain parts of the business. Foodcorp intends to bring this down to 20 percent over the next year.

Attributable earnings grew five percent to R107 million, but an extraordinary item of R20 million (R8 million) arose on goodwill on acquisitions and closure costs.

A total dividend of 60c, unchanged from 1993, has been declared. The group has incurred the full STC liability by declaring a cash dividend, but an award of capitalisation shares would give an unfair advantage to its debenture holders, who would then receive shares plus interest.

In the prepared foods division, almost all operations performed satisfactorily, except for The Cold Chain, a joint venture managed by partner ICS Holdings, where shrinkage was high.

In grain-based foods and edible oils, Sunbake turned around in the second half of the year after losses in the first half.

Mr Kennealy said the bread market had improved, partly because starch alternatives such as green mealies were less available, and partly reflecting an upturn in consumer spending. The recent bread price rise would also help.

All business in the protein resources division, which include meat and fish, delivered satisfactory results.

Foodcorp beats forecast

Star 21/10/1994

■ BY CHARLOTTE MATHEWS

Foodcorp lifted earnings above forecast by 5 percent to 220,5c a share in the year to August, despite difficult trading conditions, says chief executive Dave Kennealy

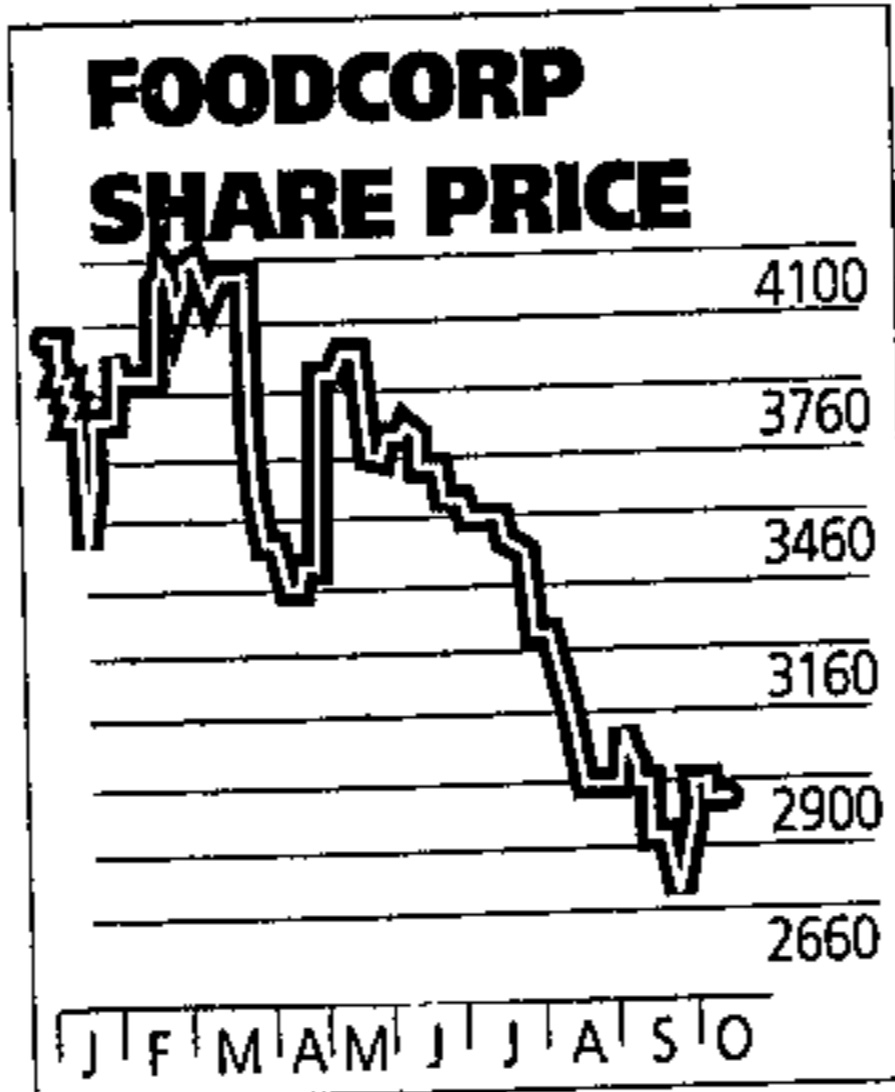
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ture managed by partner ICS Holdings, where shrinkage was high. In 1994/95 most capital expenditure will be on upgrading the Simba facilities.

In grain-based foods and edible oils, Sunbake turned around in the second half of the year after losses in the first half (18b)

Kennealy said the bread market had improved, partly because starch alternatives such as green mealies were less available and partly reflecting an upturn in consumer spending. The recent bread price rise would also help.

All business in the protein resources division, which include meat and fish, delivered satisfactory results.

Kennealy forecast real earnings growth in 1994/95 after investments and restructurings, although consumer spending was still patchy

Traditionally, the food sector is among the last to benefit from an upturn

Foodcorp shares were trading at R28,75 yesterday, where they are on a P/E of 13 on the latest figures (food sector average 19)

Good catches lift Sea Harvest earnings

IMPERIAL Cold Storage subsidiary Sea Harvest lifted earnings 8,6% to 40,2c a share for the year to September on improved trading conditions and a lower tax bill, it said yesterday

Good catches during winter led to higher trading volumes for the company, which trawls, processes and markets deep sea fish. Turnover rose 7,5% to R329m from R306m for the previous 12 months

The company changed its year-end from June to September and the results are compared to unaudited figures for the 12 months to September 1993

Operating profit fell to R58,2m from R59m for the previous 12 months

Interest received increased to R8,6m (R7,4m) and the tax bill fell 12% to R25,7m because of a change in the rate of deferred taxation and the utilisation of an assessed loss in a subsidiary

BEATRIX PAYNE

This left after-tax profit higher at R40,1m (R36,9m) *B/Bay*

Directors declared a final dividend of 12c a share, bringing the total to 19c for the year. The group declared a dividend of 26c for the 15 months to September last year

The directors said international white fish prices had stabilised during the year on the back of increased consumption. Local demand improved due to poor catches in Namibia and a significant rise in other protein foods. *28/10/94*

Hake resources in SA were "sound", the directors said. *(186)*

The company had commissioned additional processing capacity which would enhance its ability to add value to raw material supplied by its fleet of trawlers and increase its international competitiveness

Oceana nets a profitable quota

CAPE TOWN — The Oceana Fishing Group has reported its fifth year of solid profit growth, with earnings up 16% to 290,5c a share for the year to end-September on the back of a 25% hike in turnover of R454,4m *B/day 28/10/94*

Results published today show operating profit up 16% to R48,6m with improved results from lobster, canning operations and the trading division. The company landed all its fishing quotas in full, but reported a loss in the fishmeal and oil operations as a result of the low anchovy catch allowed.

The cold storage division's profits were lower than last year due to reduced occupancy levels.

Interest income fell to R4,7m from R8,9m due to lower cash reserves and interest rates. A lower effective tax rate combined with a reduced amount attributable to outside shareholders resulted in an increase in attributable earnings of 17% to R27,9m.

The extraordinary charge of R17,7m largely comprised goodwill written off on

EDWARD WEST

the acquisition of the remaining 40% interest in commercial cold storage less capital gains on disposal of surplus properties.

In the light of the acquisition and increased capital expenditure the dividend cover was increased to 1,7 times from 1,6.

A final dividend of 125c (114c) was declared, which together with the 46c (42c) interim dividend brought the distribution for the year to 171c a share.

MD Dave Behrens said the results were particularly pleasing considering profits from fish meal and oil operations and the cold storage division were considerably lower than the previous year. The diversified earnings base contributed to the solid profit growth. *(186)*

The R30m recently invested in increasing Oceana's stake in the cold storage division would further balance the spread of earnings and was expected to contribute materially to group profits in the medium to longer term.

Oceana Fishing lifts earnings 17%

Star 28/10/94

■ BY CHARLOTTE MATHEWS

Oceana Fishing, which is nearly 70 percent-held by Tiger Oats, managed a 17 percent rise in attributable profits to R27,9 million in the year to September, against the same period in 1993.

Although turnover was 25 percent better at R454,4 million and operating profit rose 16 percent to R48,6 million, income from investments was nearly half its 1993 level thanks to lower interest rates and reduced cash reserves.

As a result, pre-tax profit was only 5 percent higher at R53,3 million, but was aided by the lower tax rate at 43 percent from 46 percent.

On a slightly higher number of shares in issue, earnings were 16 percent higher than last year at 290,5c.

An extraordinary item of R17,7 million, compared with 1993's R1,2 million, was shown, arising from goodwill written

off on the acquisition of the remaining 40 percent of Commercial Cold Storage.

The total dividend is 171c (156c), showing dividend cover up to 1,7 times from 1,6 times.

Oceana directors say the decision to increase the dividend cover was made because of the Commercial Cold Storage acquisition and increased capital expenditure.

MD Dave Behrens says the lobster, canning and trading operations showed better results (186) 229.

The company landed its fishing quotas in full, but made a loss in the fish meal and oil operations owing to the low anchovy total allowable catch.

Reduced occupancy levels meant that profits in the cold storage division were lower than in 1993.

A satisfactory increase in earnings in the current year is expected, provided fishing quotas next year are similar to those of the 1994 season.

Different kettles of fish

The contrasting results posted by Sea Harvest and Oceana Fishing, both ultimately controlled by C G Smith, highlight the sharp differences in their activities

Sea Harvest, more akin to rival Irvin & Johnson (both are involved in deep sea hake fishing), concentrates on adding value to its catch. Improved catches in the second half enabled full-year turnover to rise 7.5%, but poor first-half catches hit margin, operating profit fell 1.4%.

With higher net interest income, pre-tax profit was much the same as in 1993 and a lower tax rate left earnings up 8.6%

In essence, Sea Harvest had an indifferent year, during which it expanded processing capacity and upgraded its ability to add value to its hake catches and strengthen its international competitiveness. It exports much of its production and so offers a rand hedge. As hake markets in Europe have improved, its exports should thrive this year.

Oceana Fishing had a better year. It increased turnover by 25% and operating profit and EPS by 16%. Its fishing activities revolve around pelagic and inshore fishing, but these accounted for only about 26% of attributable earnings in 1993. Other activities — trading and shipping (26%), cold storage (22%) and investments (26%) — produced a spread of income that the market seems to overlook.

Fin 4/11/94
Its trading activities, in particular, carry a substantial rand-hedge aspect. It exports lobster, abalone and other fish products, all priced in US dollars whether sold in Europe, the US or the Far East.

In Oceana's financial 1994, the total allowable SA catch and the corresponding quota for anchovies was so low that, though the full quota was landed, its mass was insufficient for catches to be rendered profitably into fish meal and oil. Profit in the cold storage division fell on lower occupancies. And with net interest income halved, it was left to the trading division to prop up and improve group earnings.

Oceana, with its diverse activities, stands on a p/e 9.3. Sea Harvest, almost entirely reliant on its hake catch and its ability to make and sell value-added hake products, offers a p/e of 12.4.

Both are well-managed companies operating in the food industry. It is almost an enigma that both are rated so well below the sector average p/e of 20. Almost, because the market inevitably perceives fishing and its associated activities as high risk. Even so, Oceana, especially, is sound value. Sea Harvest should perform well if hake prices continue to harden in Europe and in SA.

Strike stops frozen foods

Own Correspondent

CT 4/11/94
PORT ELIZABETH. —
Production at Pillsbury
South Africa at Perse-
verance, producing Har-
vestime frozen foods, is
at a standstill as more
than 250 workers dis-
missed on Monday dem-
onstrated outside the
company's premises

The workers were al-
legedly fired for refus-
ing to work overtime.

Earlier this week, a
union official said the
workers' refusal to work
overtime was caused by
the company's refusal to
backdate wage increases
to October 1.

No fireworks

display by Tiger Oats

■ BY CLAIRE GEBHARDT

Tiger Oats has produced unspectacular 3 percent higher earnings of 244c (237c) a share for the year to September in a trading environment characterised by little or no volume growth

Turnover was 9 percent higher at R10,97 billion (R10,04 billion)

Pre-tax income was 10 percent up in the wake of a lower interest bill arising from strong cash flow, but an increase in the tax rate from 28,4 percent to 33,4 percent reduced this to 3 percent

MD Nick Dennis said yesterday earnings per share would have been nearer 8 percent but for the provision of a bad debt of R20 million incurred by the international division — the matter is currently under litigation

A dividend of 54c share has been declared, bringing the total for the year to 85c — a 4 percent increase

A transformation in the cash position has left the group virtually ungeared, with borrowings down to R35 million (R382 million)

The R270 million net cash outflow at half-year has been reversed, with a positive inflow of R336 million at the end of the period

"Of this R606 million turnaround, R540 million was due to an improvement in working capital management."

In the branded consumer products division, profits were generally flat, while Langeberg's earnings declined by 10 percent

Tastic was adversely affected by high increases in rice prices.

The maize division was hard hit by surpluses and small millers bypassing the Maize Board's levy system

The international division was adversely affected by poor crops in the US

Dennis said restructuring and new strategies would reduce real growth in earnings in the coming year.

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Tiger Oats 'back on the road to recovery'

3 Day 10/11/94

LOUISE COOK

FOOD, pharmaceutical and fishing group Tiger Oats posted a 3% rise in earnings to R368m in the year ended September from R357m a year before amid difficult trading conditions and a high tax bill

Earnings were 3% higher at 237c a share from 244c in financial 1993

Financial director Wally Holmes said growth in earnings would have been nearer 8% "but for the provision of a bad debt of R20m incurred by the international division" The matter was under litigation.

Dividends of 85c a share were declared, 4% up on last year's 82c, after a final dividend of 54c. Turnover rose 9% to R10,975bn — up from last year's R10,039bn

Taxation increased 28% or R48m to R217m (R169m). Holmes ascribed the rise to the increased STC charge and higher effective tax rates in some operations.

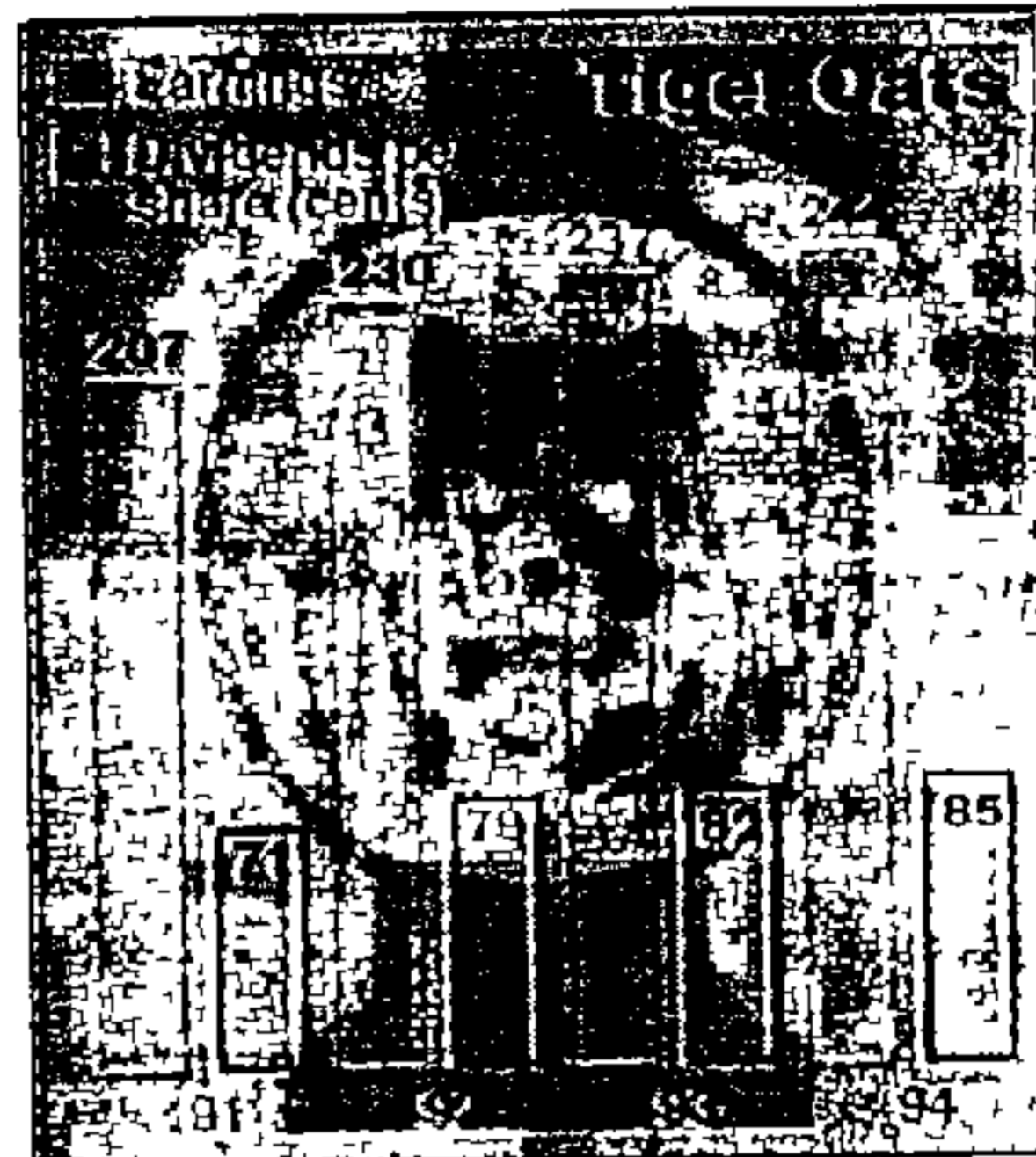
Extraordinary items of R144,9m, not charged against attributable earnings, included about R71m for goodwill and trademarks written off in acquisitions by Adcock, Logos and Oceana, while R74m was posted to closure costs of discontinued operations in Tiger Foods.

There were encouraging signs the group was "well on the road to restored health", Holmes said

"A transformation has taken place in the group's cash position. The R270m net cash outflow at half-year has been reversed with a positive inflow of R336m at the end of the period. Of this R606m turnaround, R540m was due to an improvement in working capital management"

Holmes said Tiger Oats was now virtually ungeared, with borrowings down from the previous year's R382m to a "negligible" R35m at year-end.

MD Nick Dennis said cash management was a "particularly pleasing" aspect of the group's short-term recovery



Graphic LEE EMERTON Source TIGER OATS

"Considerable restructuring and rationalisation has taken place in the past year with the objective in the short-term of addressing changing fundamentals and under-performing assets 186 (233)

"The long-term goal is that of building branded products and services which are globally competitive," he said.

This included the disposal or closure of unprofitable operations

Dennis said the trading environment during the year had been difficult, with little or no volume growth

"In the branded consumer products division, profits were generally flat, while Langeberg's earnings declined 10% "

Dennis said Fattis and Monis, Beacon Sweets, peanut butter, petfoods and Coleman's food divisions all increased their contributions, while Tastic was adversely affected by high increases in rice prices
Executive director Hamish McBain said yesterday the company was suing the Maize Board because of its insistence on recovering unpaid levy losses of R39,5m by calling up guarantees.

Poultry boom boosts Imperial Cold Storage

BEATRIX PAYNE

PROFITABILITY in food group Imperial Cold Storage's poultry operations helped the group post a 20% increase in attributable earnings to 197,5c a share for the year to September.

MD Roy Smither said at the weekend the performance during the second-half had improved and earnings growth was "very satisfying" in the light of difficult trading conditions.

Sales increased 15,9% to R2,8bn as the rise in red meat prices saw demand for poultry increase.

Operating profit before interest jumped 84% to R124,5m. But Smither said the figures were not directly comparable with the previous year because of the consolidation of Sea Harvest's results for the full 12 months.

Increased working capital requirements pushed up interest paid to R12,6m (R9,5m) and gearing was at 22%.

Income from investments rose to R12,4m (R11,1m) which left pre-tax profit 80% higher at R124,3m.

The tax bill jumped to R43,8m (R25,8m) after the 12-month consolidation of Sea Harvest's results and profits in the poultry division. After-tax profit including associate companies was 24% higher at R86,6m. Attributable profit rose to R75,1m (R62,4m) and a dividend of 60c a share (50c)

was declared.

Extraordinary losses jumped to R119,4m from R64,2m after costs were incurred related to goodwill written off, discontinued operations and restructuring costs.

The group sold its 40% interest in Commercial Cold Storage for R30m and had increased its stake in Sea Harvest by 10% at a cost of R50m.

Its poultry operation had achieved good results despite the very cold winter and the outbreak of Newcastle disease which had killed chickens. Subsidiary Festive Farms was merged with OTK to form Earlybird farm last year. (186)

Sea Harvest's results improved during the second half as a result of better quality catches and firm prices on international markets. Cheese and butter results were down in the dairy division and after the sale of the Clayville plant the fresh milk operations were similar to last year.

The Cold Chain had had a difficult year with a strike and stock losses in the PWV. Enterprise Foods had performed ahead of expectations but the full benefit of the Renown merger would be felt next year.

Smither said the group was well placed to benefit from an increase in consumer spending.

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Tiger in tie-up talks

Star 15/11/94

■ BY CHARLOTTE MATHEWS

Tiger Oats was talking to a number of multinationals, MD Nick Dennis said yesterday, but would not be drawn further on rumours that the food giant was negotiating with US-based HJ Heinz Company.

Heinz chairman Tony O'Reilly told Reuters last week the group was investigating various ways to invest in what was considered to be an expanding economy.

The competition in SA was very well entrenched and it was not an easy or cheap place to get into, he added.

An analyst said yesterday Tiger Oats and Heinz had been known to be talking for some time and Tiger Oats was also believed to be talking to Conagra, another US multi-national food group.

The type of deal that was likely to emerge between Tiger Oats and Heinz was uncertain — it could be either a joint

venture or a grassroots operation — but it would probably involve Langeberg.

"Langeberg would love to manufacture under contract for Heinz for re-export worldwide," the analyst said.

"They have the resources, including the largest tomato processing plant in SA. Apart from putting Heinz's ketchup or baked beans on local shelves, they can also export to other countries."

Heinz already has a 51/49 venture with the government of Zimbabwe, through which some of its brands are exported to SA.

In mid-1992, discussions between Malbak's Foodcorp and Heinz were called off temporarily, according to statements by the late CE of Foodcorp, Dirk Jacobs.

Although he gave no explanation, it was speculated at the time that political uncertainty was behind Heinz's decision to wait.

(186)

CG Smith subsidiaries head for mixed results

BEATRIX PAYNE

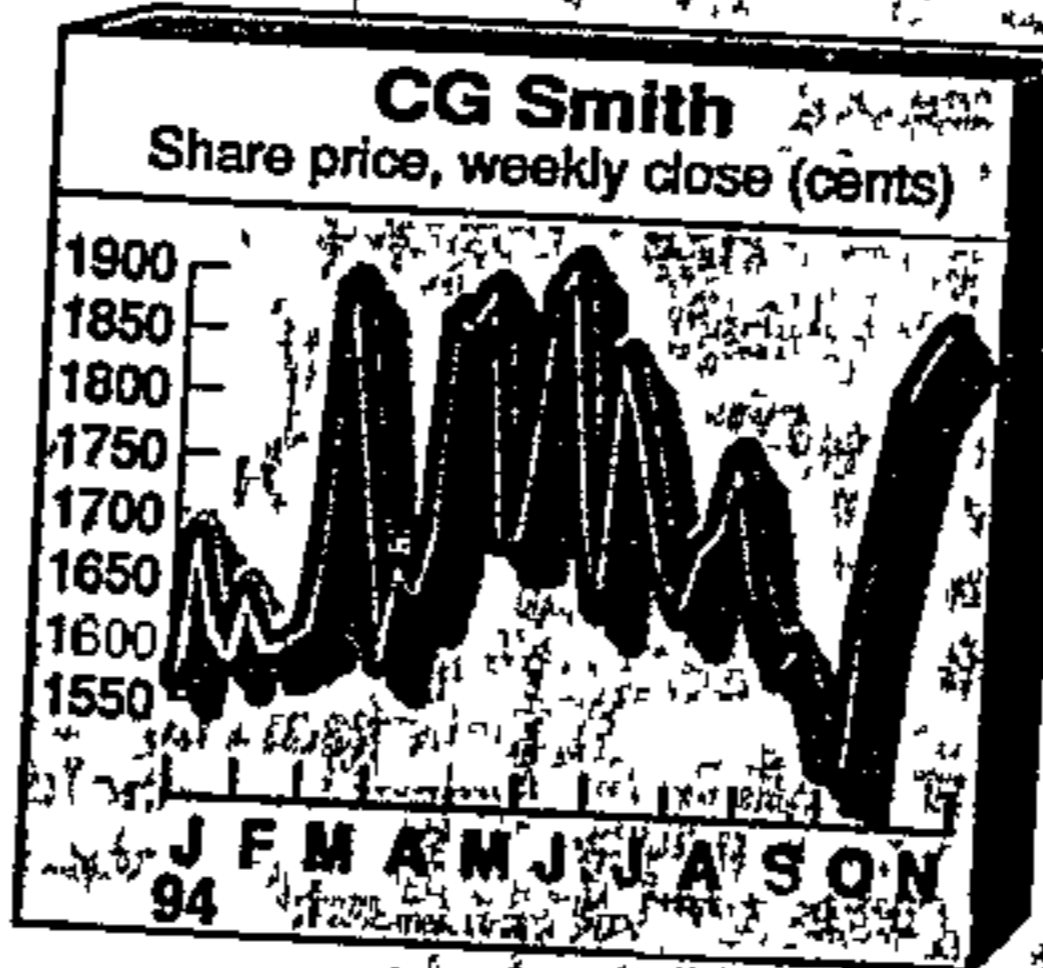
A MIXED performance from its subsidiaries was likely to see CG Smith Holdings show a 10%-12% rise in earnings for the year to September, analysts said yesterday. The group is due to report results this week.

The effects of an early upswing in consumer spending had been evident, particularly during the second half, but profits at many subsidiaries were affected by rationalisation costs, CG Smith said.

These costs had been taken above the line and it was difficult to estimate their extent. But with the benefits paying off during the current financial year, there was no sector within the group likely to post earnings growth of less than about 25% for financial 1995, one analyst said.

"We are fairly firmly into an upswing in consumer spending, but the transition levy could be a wildcard." Despite the levy leaving the majority of consumers unaffected, it was likely to hit middle-income groups. But it was likely to have only a short-term effect on spending.

The group's chief subsidiary, CG Smith Foods, was likely to show earnings growth of below 10% on the back of disappointing results from Tiger Oats, one analyst said.



"The food industry has been particularly upset this year with deregulation and problems in the maize industry," he said.

CG Smith Food reported an 8% fall in earnings to 152.1c a share for the half year to end-March. It was reported that the reduced contribution by CG Smith Sugar and operation losses in the egg and broiler operations had triggered the losses.

Illovo Sugar, formally CG Smith Sugar, reported an 11% rise in attributable earnings for the year to September after shrugging off the effects of drought during the first half. The division performed ahead of expectations, but its recovery was difficult to predict as it relied strongly on agricultural conditions.

Tiger Oats posted a 3% rise in earnings a share after sales rose 9%.

to R10.97bn. The group said earnings would have been higher but for a bad debt of R20m incurred by the international division.

Packaging division Nampak had shown "very good results" and had performed ahead of expectations, one dealer said. Rationalisation costs had obscured many of the benefits, but it reported a 17% rise in earnings to 71.9c a share after turnover rose 5.4% to R4.3bn.

Romatex's 37% earnings rise reflected a recovery off a low base and there was still a certain amount of value that could be added to the group, the dealer said.

The main benefit of the separation of Romatex from Island View Holdings would be to unlock latent value in Island View.

The holding company would hold the Island View storage, automotive components, extruded fabrics and non-woven products divisions.

ICS Holdings had done "very well", particularly during the second half, and reported a 20% increase in earnings to 197.5c a share.

One analyst said most investors preferred to invest in the group's listed subsidiaries as earnings growth in the holding company could obscure the better performers. He said unbundling of the group was a possibility as some of the subsidiaries had solid underlying growth.

FilmNet buys back shares from Dutch broadcaster

M-NET's loss-making European pay-TV operation FilmNet bought back shares in September previously owned by Dutch commercial broadcaster RTL 4SA, giving M-Net and Swiss-based luxury products group Richemont equal and total ownership of FilmNet.

None of the M-Net group's senior executives were available yesterday for comment. The transaction involved all the shares RTL 4 bought in July 1992.

FilmNet Television Europe MD Hans Klok said FilmNet's objective was to develop, extend and improve pay-television in Europe. "RTL's decision not be part of FilmNet equity offers new perspectives on strategic alliances in the future, particularly in the Dutch market."

RTL 4 CEO Henri Roemer said FilmNet's capital increase in March reduced RTL 4's share to 6.8% from 10%. "As a consequence, FilmNet is no longer of interest to RTL 4 in a strategic partnership," he said.

Coal trucks to be tested

MICHAEL URQUHART

PROBLEMS with the wheels on coal trucks could affect 15% to 20% of the truck fleet on the Richards Bay Coal Terminal (RBCT) line, regional manager Thys Engelbrecht said.

Two derailments on the line in early October had disrupted coal exports. Spoornet is still working to get the line back to full capacity.

Engelbrecht confirmed there had been a third derailment on the line, but said it had taken place in a repairing and would not affect capacity.

A manufacturing problem on wheels bought 10 to 12 years ago meant certain wheels were not up to standard tolerance levels, he said. Impurities in the casting process had caused the problems.

Engelbrecht said the affected trucks would have to go through a lengthy testing process. Trucks which did not reach the required tolerance level would be withdrawn.

Meanwhile, affected trucks were being run below tolerance. Teams were being drawn from other regions to help with the testing process.

AMANDA VERMEULEN

While FilmNet continued to make a loss, it was expected to break even in 1996. But it was constantly expanding its services, with the latest venture being the launch of the first pay-television channel in Greece. The channel would broadcast 24 hours a day, with a focus on international films and a strong sports bias.

The Greek operation would be controlled by Greek company Super Hellas, while MultiChoice Greece would handle subscription services in a joint venture with Greek commercial channel Mega, NetHold and L-TV, a pay-television channel of the MultiChoice group in Cyprus.

M-Net said yesterday MultiChoice would target the Middle East next year, and had already been involved in discussions with pay-television operators in several countries in relation to subscription management.

M-Net will be publishing its interim report, tomorrow.

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CG Smith earnings grow despite lacklustre sales

BEATRIX PAYNE

FOOD, packaging and pharmaceuticals holding group CG Smith posted a 12,5% rise in earnings to 106c a share for the year to September on the back of tighter cost control, chairman Derek Cooper said yesterday

The rise was fractionally above market expectations and was all the more remarkable as volumes during the year had shown virtually no growth, he said

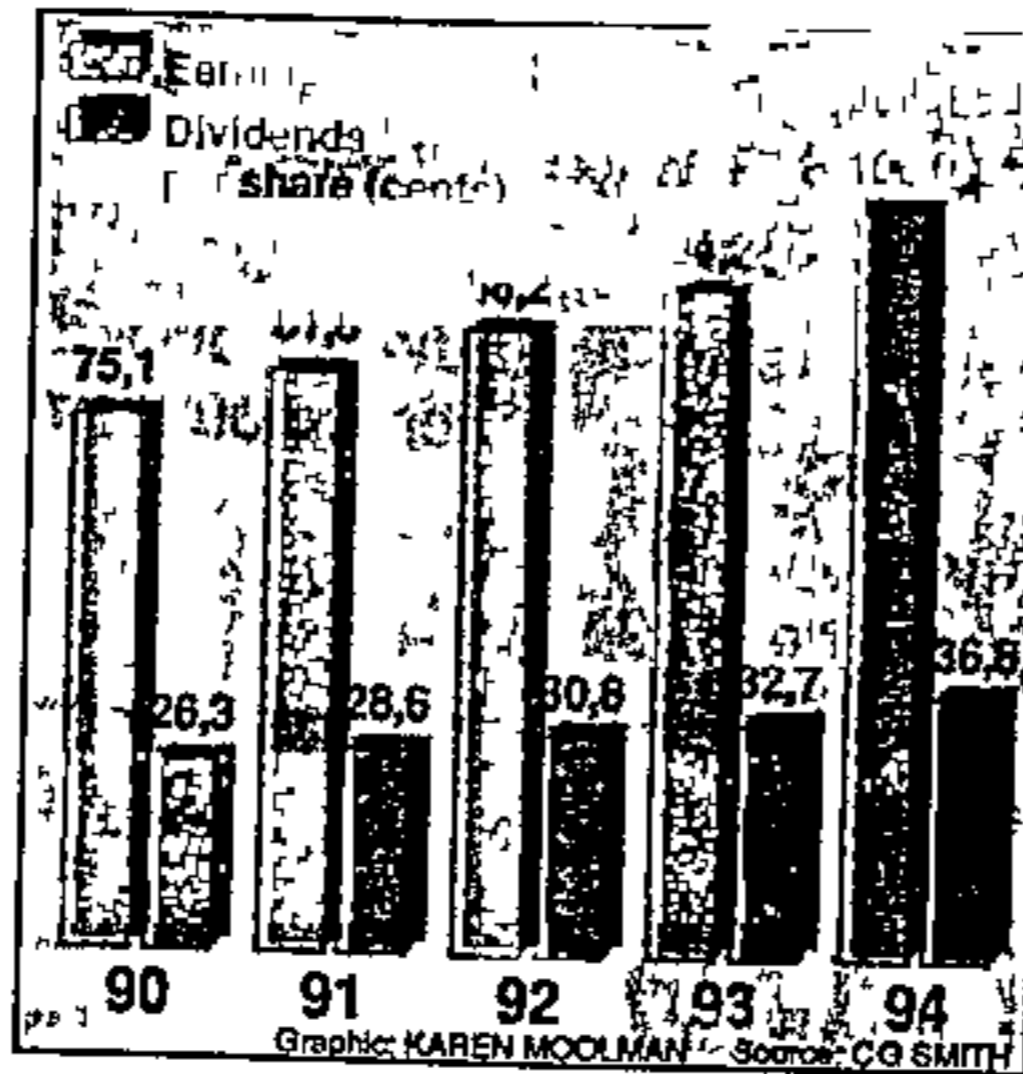
"Growth in sales of non-durable products was very sluggish this year and we are very pleased with the results," he said

Sales rose 9,1% to R20,9bn and the operating margin improved slightly on the back of cost reductions and internal efficiencies. Operating profit rose 9,3% to R1,6bn

Funding costs halved to R60,2m from R122,9m as "sound asset management" benefited cash flows. The tax bill rose to R511,1m (R436,8m) as the effective tax rate rose 1% to 34%, profits improved at certain subsidiaries and the STC rate increased

This left after-tax profit, including associate companies, 11,8% higher at R1bn. Funds attributable to shareholders rose 12,6% to R499,3m

Extraordinary items more than



doubled to R134,8m (R51,6m) after goodwill written off and the disposal of certain operations. The group declared a dividend of 36,8c (32,7c)

CG Smith Foods posted a 7,1% rise in earnings to 327,1c a share after Illovo Sugar rallied during the second half. An improved sugar crop saw earnings at Illovo increase by 11% for the full year (186) (172)

Turnover rose 10,4% to R15,3bn despite difficult trading conditions which placed pressure on volumes and margins

Operating profit increased 9,7% to R935,5m and funding costs fell to R57m from R94,4m during the previous year. This left pre-tax profit 15,8% higher at R878,5m

A fall in the nominal rate of company tax was offset by the transition levy and an increase in STC and the tax bill rose to R281,3m (R216,3m)

Attributable earnings increased to R309,1m (R288,7m) and a dividend of 106c a share (99c) was declared. Extraordinary items surged to R156,9m (R57,3m) on the back of restructuring at its subsidiaries

Cooper said the restructuring of CG Smith's subsidiaries had been crammed into the last 18 months due to deregulation of the agriculture sector and other.

Tiger Oats fell victim to depressed consumer spending and posted a 3% rise in earnings. However, the group was undergoing a major restructuring and a number of its operations had been realigned.

Cooper said the restructuring of the group's overall operations had helped to improve competitiveness and it was well placed to benefit from "any increase in consumer spending on non-durables"

Vice chairman Robbie Williams said spending on non-durables had "firmed" since September

"We are quietly confident of real growth in earnings during the current financial year," Cooper said, adding that company earnings should be above inflation

Tongaat-Hulett in topping form

Star 17/11/94

■ BY JOHN SPIRA

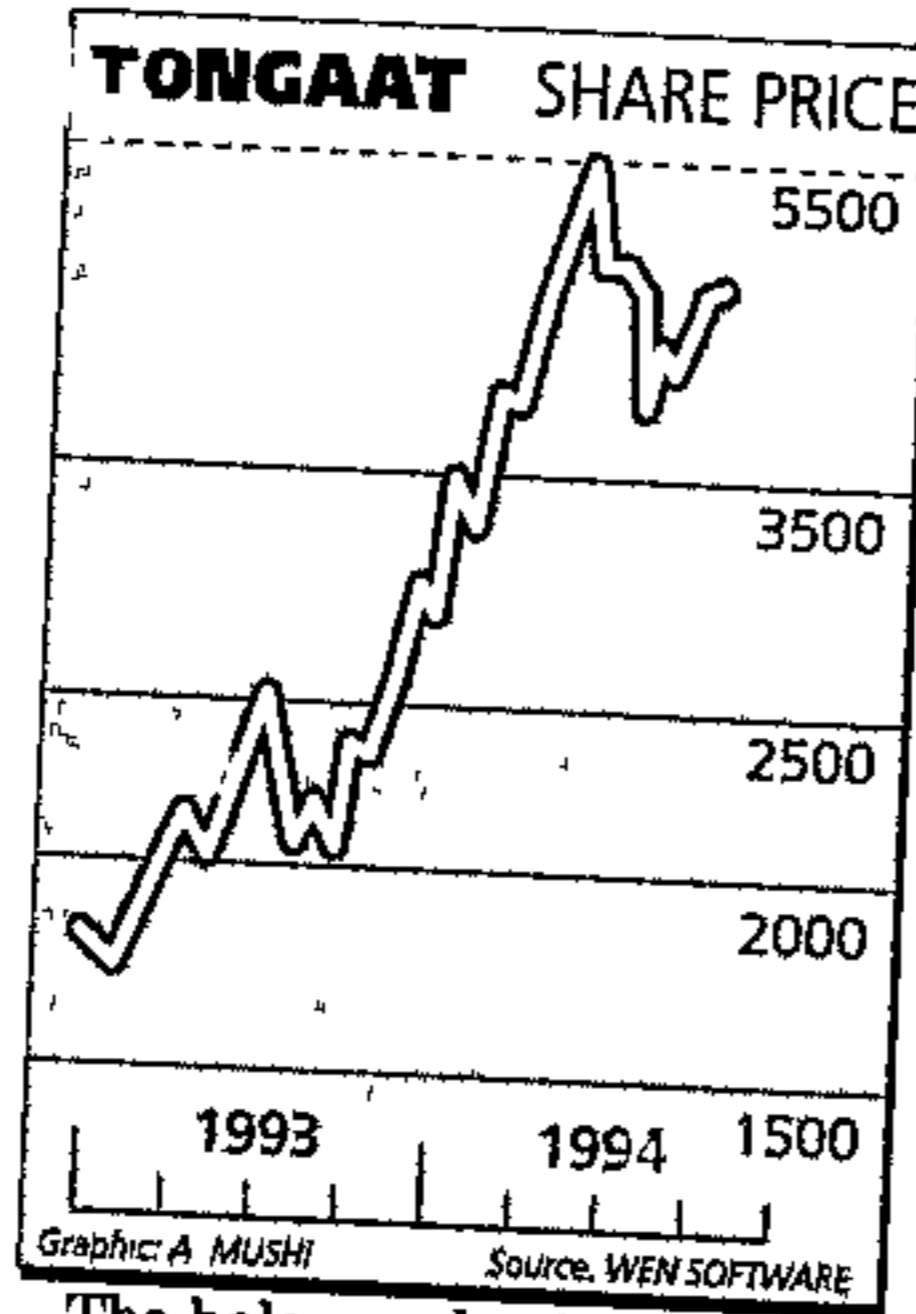
Tongaat-Hulett chalked up a splendid performance in the six months to September, with earnings ahead by 41 percent to 111,3c a share

The interim dividend goes up by 44 percent to 30c

And MD Cedric Savage expects the current strong performance to continue through the second half of the financial year

Although turnover rose by only 18 percent to R2,33 billion, strong cash flows and a substantial reduction in interest charges produced a 68 percent improvement in pre-tax profit to R154,8 million

Despite a more than doubling of the tax charge to R50,6 million, taxed profit rose by 48 percent to R104,2 million



The balance sheet continued to strengthen and the group expects to be unborrowed by year-end

Savage says timeous action in turning around underperformers and streamlining operations, combined with an upturn in the economy, boosted

profitability and operating margins for all divisions

"Biggest contributor again was the sugar division, which has done well to come through two-and-a-half years of the worst drought in history and still remain profitable

"The building materials divisions is experiencing a welcome turnaround and the textiles division doubled its contribution" (186)

CPC Tongaat Foods showed a considerable improvement, aluminium almost doubled its contribution and the starch and glucose division continued its upward trend.

Savage says Tongaat is now concentrating on growth

"We are currently investing more than R286 million in capital — mainly in the sugar, aluminium and starch and glucose divisions"

In addition, the group is con-

sidering a major expansion of rolled products capacity in its aluminium division and a further major expansion of its starch and glucose division.

Savage says Tongaat's joint venture with CPC International in consumer foods is working well

"The new dry-food packaging mill at Klerksdorp is to be opened in December. This will allow new products to be manufactured and will further reduce production costs"

The shares have been a firm market

Should the earnings improvement be extended at the same rate for the second six months, the distribution for the full financial year should total about 100c a share for a forward yield of 2,1 percent — not especially demanding, given the strong upward earnings trend.

Lebowa Bakery posts half-year loss

3 Day

17/11/94

LOUISE COOK

ONGOING recessionary conditions, violence and labour unrest saw Transvaal baker and confectioner Lebowa Bakeries post an attributable loss of R55 000 for the year to September against earnings of R4,3m in the comparable period last year

It posted a 0,2c loss a share against earnings of 17,4c a year before. (18b)

No final dividend was declared, leaving total dividends for the year at 2,5c (6,0c)

The operating loss was R1,4m against a profit of R6,2m last year

After interest paid of R168 000 (R507 000) and interest received of R540 000 (R1,3m), a net operating loss of just more than R1m was reported against

a net operating profit of R6,9m in financial 1993.

A tax credit this year of R965 000, against a tax bill of R2,5m last year, left a loss after tax of R59 000 against profit of R4,4m last year

Net asset value dropped to 105c a share from 129c last year and the company's total assets increased to R82m — up from R46m a year ago following the acquisition of six Sasko bakeries in the Northern Transvaal in July.

The group budgeted for capital expenditure of R10,5m for the next financial year

Thousands of chickens die in strike

CT 22/11/94
Own Correspondent

DURBAN. — Thousands of chickens have died and acts of sabotage have hit Rainbow Chicken in Hammarsdale where Food and Allied Workers' Union members are on a week-long strike in support of pay demands.

Company spokesman Mr Steve Pattinson said last night the situation at the plant had become intolerable following the dismissal of certain workers who had refused to return to work and accept an agreement which was endorsed last week by their union. (186)

The company is seeking an urgent court order to bring the situation under control, he said.

He said vital water lines supplying the chickens had been cut

Fawu refused to comment yesterday.

● Meanwhile Beacon Sweets employees continued striking yesterday.

(3) POULTRY

Chicken workers fired from Hammarsdale plant

Star 22/11/94

Durban — Rainbow Chicken yesterday dismissed an undisclosed number of employees at its Hammarsdale plant in Natal after a week of sporadic illegal strikes

The company said in a statement that employees at its other plants and farms affected by the strike last week had begun to return to work yesterday. An ultimatum for strikers to return to work by yesterday was issued by the company on Friday.

Rainbow said the Food and Allied Workers' Union had accepted a 10 percent across-the-board pay rise offer and a minimum wage through arbitration, but employees at various plants and farms had then embarked

on illegal strikes

The company said continuing industrial action at Hammarsdale was "intolerable"

Spokesman Steve Pattinson said a number of Hammarsdale employees had been dismissed for not returning to work.

He said strikers had intimidated employees who wanted to work and stoned vehicles entering and leaving the plant. Water pipelines had been sabotaged, two managers had been abducted and thousands of fowls had died through lack of care.

The situation had become almost uncontrollable at Hammarsdale and the company was now urgently seeking relief in the Supreme Court — Sapa

(186) (22)

Food sector listing for Kolossus

BY CHARLOTTE MATHEWS

Food and leather group Kolossus Holdings, which was formed as a wholly owned subsidiary of Vleissentraal (Co-op) last year, will list on the JSE next month with a market capitalisation of R360 million.

Group MD Tito Vorster said on Friday Kolossus had three divisions — food technologies, brand investments and leather resources.

Food technologies owns animal production units, abattoirs, food processing, canning factories and a distribution chain. (186)

Brand Investments contains interests, generally around 50 percent, in a range of brands including Bull Brand, Ball & Coalter Foods, Senvleis, which has the Country Bird broiler chicken business, Meator and Vetmesting. 28/1/94

Leather resources has tanning and curing centres, which serve the garment, shoe, small goods and upholstery markets.

The group, with a total of 4 337 staff, with 23 executive management and supporting staff, has lost only one day through strike action in the past year.

Since January 1994, over 60 percent of its skilled vacancies have been filled by non-white employees.

One of its embryonic projects is setting up meat franchises — Mighty K Meats — both as container-based operations with black entrepreneurs and in conjunction with existing butcheries.

Kolossus will list 36 million shares through a private placing at 600c a share.

Already, 68 percent of the shares have been taken up, with Vleissentraal holding 40 percent, Absa 11,2 percent and a management consortium 16,7 percent.

Earnings a share for 1994 are 80,75c on the basis that the R216 million raised by the listing will reduce Kolossus's gearing from 72 to 38 percent. The forecast EPS for 1995 is 99,04c.

On the 600c a share listing price, this puts them on a historical P/E of 7,4 and a projected P/E of 6, against the food sector's current average of about 21.

Bonnita shows good growth after listing

CAPE TOWN — Dairy product-group Bonnita Holdings has reported its first interim results since listing on August 16, with earnings up 39% to 10,4c a share in the six months to end-October 1994.

Turnover climbed 13% to R413m, while operating profit was 32% up at R34,8m, with the higher growth at operating profit level attributed to tight cost control measures, Bonnita sales director Marius Kritzinger said.

Interest paid was negligible at R670 000 and taxation climbed to R12,3m from R9,8m.

Attributable profit increased 39% to R21,9m and an interim dividend of 2,2c (1,5c) a share was declared. Shareholders were offered a capitalisation share award of 0,9 shares for every 100 held — to strengthen cash resources of the company — or the cash dividend option.

The company expected earnings growth to continue in the second half.

Two new ice cream factories — one in Cape Town and one in Midrand — had been completed in time for the summer season.

Kritzinger said the company was confident sales growth in the first half would be continued in the

EDWARD WEST

second half

Building operations for the new UHT plant in Cape Town were on schedule and the facility — which would provide additional capacity for the production of long life milk and fruit juices — would become operational early next year.

Notwithstanding capital expenditure, the ratio of interest-bearing debt to shareholders fell to 3,5% at the end of the interim period from 12,7% at year-end in April 1994, partly as a result of control over working capital.

The company was therefore well positioned for investment in profitable projects, it said.

Bonnita had committed R14,7 to capital expenditure in the second half of the financial year.

This would be financed internally.

Subsequent to the publication of results for the year ended April 30, the company decided to adopt a more conservative approach to the writing down of trade marks and results for the year-end were restated to reflect a slightly lower profit.

Earnings a share dropped 0,8c from those originally published.

Bonnita churns out good profits

Star
BUSINESS STAFF

Bonnita Holdings, the 53-percent held Premier Group dairy subsidiary listed in August, grew earnings a share by nearly 40 percent in the six months to October to 10,4c against the same period in 1993. Turnover grew by 13 percent to R413,0 million but operating profit climbed more steeply, by 32 percent to R34,8 million. After a lower interest charge and lighter tax rate, attributable profits were 39 percent above last year's at R21,9 million. Shareholders are being offered capitalisation shares in the ratio of 0,9 for every 100 shares held, equivalent to 2,3c a share at Friday's closing price of 255c.

Share offer

Alternatively, they may take a cash dividend of 2,2c a share, 47 percent better than last year's 1,7c.

Bonnita's directors said most shareholders were likely to accept the shares, which would further strengthen its cash resources.

The group's gearing at mid-year was 3,5 percent, against 12,7 percent six months previously, which means the company is "exceptionally well positioned for investment in profitable projects," the directors said.

Capital expenditure commitments for the second half of the year are R14,7 million, which will be financed from internal resources.

Two new ice cream factories, in Cape Town and Midrand, have been completed in time for the summer season. The new UHT plant in Cape Town is on-schedule to be operational in early 1995 and will provide additional capacity to produce long-life milk and fruit juices. At their current price Bonnita shares are on a par of 18,6. This is below the food sector average of around 21, reflecting both slightly more negative perceptions of farming companies than food companies as well as a limited number of shares trading.

Low expectations of Tiger

Star

7/12/97

■ CHARLOTTE MATHEWS

Tiger Oats' shares reflect low expectations of the group's prospects after recent results for the year to September showed a meagre three percent improvement in attributable profits

At their current level of R48,25, the company's shares are well below the 12-month high of R56 in May but an improvement on R40,25 at the end of

September.

Tiger Oats chairman Robbie Williams said in the group's latest annual report that the past year had been a challenging one. Steps had been taken to position the group for sustainable future growth

A number of unprofitable or low return operations have been sold or closed and joint ventures formed in some areas. These actions mean the

group is less exposed to volatile commodities and markets (186)

The focus will be on brand leadership, commitment to quality, low cost production and people development

"There are growing signs that the SA economy is improving and that consumer and investor confidence is beginning to return," Williams said

Tongaat-Hulett group extends scope of black empowerment

Star 8/12/94

BY JOHN SPIRA

In a deal worth R53 million, the Tongaat-Hulett group has sold an 80 percent stake in its catering business, Supervision Food Services, to a consortium consisting of Kagiso Trust Investment Co, Khulani Holdings, FirstCorp Capital Investors and senior management

Cedric Savage, Tongaat-Hulett managing director, comments "The move is a major step in the group's black economic empowerment programme, which is to facilitate participation of black entrepreneurs and managers in businesses complementary to our core activities

"Our retention of a 20 percent shareholding demonstrates our ongoing commitment to contribute to the future success of this business"

Savage adds that two more similar deals are in the pipeline. According to Eric Molobi, chairman of Kagiso Trust Investment Co (wholly owned by Kagiso Trust) "The acquisition

by the consortium of a majority shareholding in Supervision Food Services meets our criteria of investing in sound businesses which will provide ongoing dividends to invest in development projects, in partnership with management and leading corporates

"The catering industry is of particular interest to us, as it is adequately profitable while providing good employment opportunities and supplying basic nutritional requirements to large numbers of people"

Khulani Holdings' Zuzi Buthelezi says partnerships with established companies are essential to facilitate the transfer of skills

Supervision Food Services is one of the country's largest catering concerns, with nearly 5 000 employees and an annual turnover of R320 million. It provides catering services to more than 550 clients countrywide

Savage says the deal will have minimal impact on Tongaat-Hulett's earnings and net worth



Signing . . . Tongaat-Hulett MD Cedric Savage and Kagiso Trust Investment Company chairman Eric Molobi (seated) at yesterday's signing. Others present were (from left): Zuzi Buthelezi of Khulani Holdings, Steven Saunders (THG) Nigel Dunlop (SFS), Johnson Njeke (Kagiso Trust) and JB Magwaza (THG).

186

FOODCORP
Fm 16/12/94
Building blocks ready

Activities: Engaged primarily in the production, marketing and distribution of food

Control: Malbak 76%

Chairman: G S Thomas MD D Kennealy

Capital structure: *48,3m ords Market capitalisation R1,6bn

Share market: Price 3 300c Yields 1,8% on dividend, 6,7% on earnings, p e ratio, 15, cover, 3,7 12-month high, 4 100c, low, 2 700c Trading volume last quarter, 871 000 shares

Year to August 31	'91	'92	'93	'94
ST debt (Rm)	164	240	87	112
LT debt (Rm)	101	24	54	106
Debt equity ratio	0,70	0,43	0,21	0,28
Shareholders' interest	0,45	0,52	0,53	0,56
Int & leasing cover	4,11	3,75	4,95	8,95
Return on cap (%)	12,6	14,1	14,1	13,6
Turnover (Rm)	1 201	2 430	2 657	2 755
Pre-int profit (Rm)	109	165	181	188
Pre-int margin (%)	9,1	6,8	6,8	6,8
Earnings (c)	193,3	184,3	210,7	220,5
Dividends (c)	53	56	60	60
Tangible NAV (c)	1 654	1 214	1 399	1 500

* Including 239 000 convertible prefs ‡ 12-months to March 31 † Unaudited management accounts for 12 months Actual reporting period of 17 months

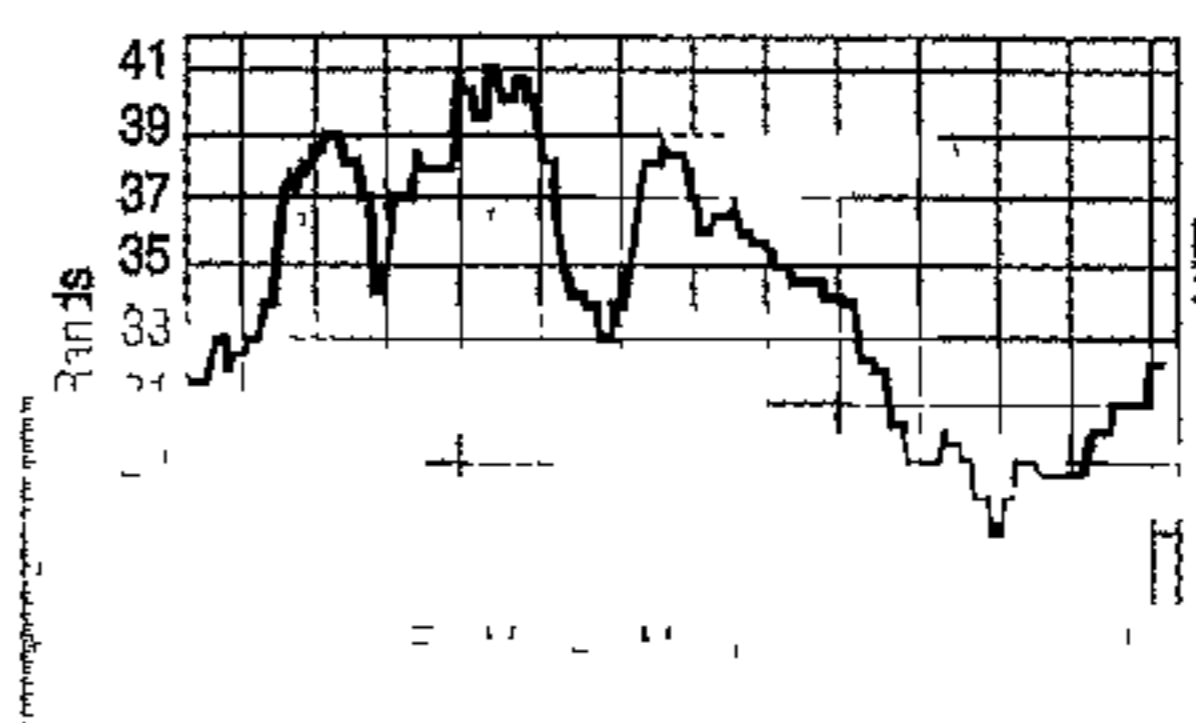
(186)

One advantage about food-related companies is that, by and large, their products are always in demand

This is not to say, however, that this formula leads invariably to ever-expanding profits. Industrial conglomerate Malbak's vehicle in this field, Foodcorp, certainly demonstrates the truth of this with its results this year This should not be taken as a gratuitous criticism all food companies in SA have had similar difficulties

But I am constrained to say that, for a company which improved its EPS only 5%, it has devoted much energy and resources to an unnecessarily colourful annual report The dividend record is unhappy 47c in 1990, 60c this year after 60c last, it isn't exactly going anywhere fast

Foodcorp



Fm 16/12/94

However, what comes through clearly is that new CE David Kennealy has a different approach from that of his predecessor, Dirk Jacobs (murdered in his home almost a year ago) The share price dropped dramatically on news of Jacobs's death Kennealy's unenviable task has been to step into the shoes of a charismatic MD and revitalise a demoralised company.

The group restructuring, begun under Jacobs, has largely been completed a major enhancement to the Ruto maize mill came on stream in financial 1994, a joint venture was launched with Pillsbury US to market Green Giant products, and a new fishmeal and canning factory was opened at Pesquera del Norte in Chile

What Kennealy calls the building blocks are, therefore, now in place The issue for 1995 is whether the company can turn these to good account By his own admission, Kennealy says Foodcorp has a number of exceptional assets, the pity is these haven't been made to sweat enough

The balance sheet is sound and though there has been a perceptible increase in borrowings, these are not at a level to cause any concern (186)

Neither Kennealy nor chairman Grant Thomas say much about prospects for 1995 The counter is on an historic p e of 15, close to Premier but well below Tiger and far off the sector average of nearly 22 It is a stock about which, in a highly competitive section of the economy, I remain undecided

David Gleason

Fin 23/12/94

Activities: Processes and distributes dairy products, meat, poultry, fish and frozen vegetables Has investments in catering and meat canning

Control: C G Smith Foods 69,1%

Chairman: R A Williams MD R Smither

Capital structure: 38m ords Market capitalisation R1,05bn

Share market: Price 2 750c Yields 2,2% on dividend, 7,2% on earnings, p e ratio, 13,9, cover, 3,3 12-month high, 2 750c, low, 2 000c Trading volume last quarter, 770 000 shares

Year to Sept 30	'91	'92	'93	'94
ST debt (Rm)	30,2	32,2	73,3	175,3
LT debt (Rm)	70,2	36,3	36,5	13,5
Debt equity ratio	0,21	0,12	0,03	0,22
Shareholders' interest	0,50	0,49	0,46	0,36
Int & leasing cover	1,8	3,5	n/a	n/a
Return on cap (%)	3,9	4,4	5,6	9,7
Turnover (Rbn)	2,11	2,47	2,44	2,83
Pre-int profit (Rm)	32,5	42,3	67,3	124,5
Pre-int margin (%)	1,5	1,7	2,8	4,4
Earnings (c)	119,7	147,0	164,0	197,5
Dividends (c)	37	45	50	60
Tangible NAV (c)	1 091	1 204	1 152	973

* Restated to comply with revised standards for joint venture and associate companies

second half are partly responsible, the main thrust comes from benefits now being felt from joint ventures (186)

Operating income jumped 85% on a 16% turnover rise But the operating result is distorted by the consolidation of the results of Sea Harvest for the full 12 months in 1994, compared with just five months the previous year

The group strategy, embarked on in early 1992, is to move away from basic protein commodity products towards higher margin, value-for-money branded products Underperformers and businesses that don't fit into ICS's strategic plan are to be closed or disposed of Not surprisingly, ICS sold its loss-making Clayville dairy in October The 40% stake in Commercial Cold Storage was sold for R30m

Investments were made too A further 10% stake in Sea Harvest was acquired in August for R50m, increasing ICS's holding to 72% Earlier in the year ICS merged its broiler interests in Festive Farms with those of Earlybird Farm, a subsidiary of co-operative OTK

There are still problem areas though MD Roy Smither says underperforming assets such as DairyMaid-Nestlé, the tanning operations and The Cold Chain, continue to be addressed

Deregulation of the meat industry has intensified competition in wholesaling as barriers to entry are low, especially in the rural areas Because margins are thin, market share remains under pressure

Though debt increased 72% to R189m, cash held by joint venture and subsidiary companies reduces net gearing to a manageable 22% The balance sheet is further strengthened by the sale, after year-end, of investments in Commercial Cold Storage and the Clayville dairy

Capex in 1994 absorbed R83m, of which R17m was spent on expansion The rest went to upgrades and replacements Though

ICS - Fin 23/12/94
Coming out of the cold

After long being a target of market scepticism, ICS is finally being accorded the recognition it clearly deserves (186)

EPS for the year to September climbed 20%, significantly better than the 6% interim advance The share's performance over the past year more than matches the earnings growth The price is up 36% to R27 Margins have improved from only 1,6% in 1991 and 1992 to 4,4% And, though improved trading conditions in the

Fin 23/12/94

bedding down the new ventures will be accorded priority, Smither says capital investment is unavoidable if new challenges are to be tackled successfully

Though ICS's cash flow still needs to improve, profitability ratios such as return on net assets are encouraging This ratio has improved to 21% from 12% in 1990 Smither says further improvement in this figure is a key objective (186)

On a 13,9 p e and yield of 2,2%, the share is still cheaper than many others in an expensive market With food sales set to improve in the new year, the stock is worth considering

Marylou Greig

Del Monte's Imerman silent on Hero

PROCESSED food giant Del Monte Foods International CE Vivian Imerman was tight-lipped at the weekend about the possible acquisition for £500m of quoted Swiss-based jams and fruit manufacturer Hero.

(186) BD 19/12/94
Reacting to a report in the London Sunday Telegraph, Imerman said the group "is almost constantly involved in negotiations which could lead to acquisitions" But some of these came to nothing, and no negotiations had proceeded far enough to justify comment, he said

The Telegraph report said the purchase price for Hero was "about £500m", which represented a premium

But Del Monte's merchant bank adviser

LOUISE COOK

SG Warburg deputy chairman Ken Costa "sought to talk down the £500m price tag".

Among the options for the SA-controlled Del Monte was a partial merger, with Hero's listing being maintained — paving the way for a London stock market listing for the combined Del Monte-Hero group.

The Telegraph reported that the companies' products and geographical strengths were complementary, despite them competing in some countries

The report said finance was a constraint for Del Monte Foods International despite Anglo American backing it, largely because of SA's exchange controls.

Del Monte link puts Hero on buy list

(186) BD 22/12/94

ZURICH — Rumours linking Hero AG to Del Monte Foods International are hardly new, but the latest wave of rumours has convinced some analysts that investors could make a profit by picking up shares in the Swiss food group

Analysts said long-running talks between Hero and Del Monte Foods, part of SA Del Monte Royal Holdings, have apparently progressed and a rumoured price of £500m for Hero is realistic and could give its shares a potential upside of at least 10%

"I am aware of three independent rumours and they all pointed in the same direction. I think the risk is on the upside," said James Amoroso of Credit Suisse, who has put Hero on his "buy" list

Other analysts, such as Roger Birrer of Bank Julius Baer, are less confident about Hero's upside potential. Birrer said "I don't exclude a takeover, but it is very speculative." He prefers other shares

Since Sunday, when Britain's Sun-

day Telegraph published the latest report about the talks — including the £500m price — Hero's bearer share has inched up only 5.6% to Sf655, on Tuesday

Industrial logic speaks for a link between the two firms. Hero, a Swiss producer of jams and fruit juices, needs to be taken over to develop its brands and Del Monte has acknowledged it is looking to expand its presence on the European continent

Rene Weber of Bank J Vontobel, who also has Hero as a "buy", was quoted as saying "Hero and Del Monte are an ideal fit"

Analysts also agree the rumoured price of £500m, or around Sf1bn, for Hero is realistic

A price of Sf1bn compares with Hero's current market capitalisation of Sf867m

Although the price represents only 80% of Hero's estimated 1994 sales of about Sf1,25bn — less than most acquisitions in the food sector — analysts note extraordinary account

for a large part of Hero's profits these days and the company does not own any huge brand names

"One billion francs is the best Hero can hope for. It is a good price, it is a fair price," Weber said

But the potential profit gain for minority shareholders from a bid by Del Monte for Hero will be determined by the treatment given to minority shareholders

This issue sparked an emotional debate following the recent acquisition of Fust by Jelmoli, when minority shareholders received a 5% premium over majority shareholders

In the case of Hero, 40% of its capital and a little more than 50% of its shares are held by chairman Rudolf Stump and treasurer Felix Dony through holding company FIM

Analysts look for Del Monte to pay a premium of about 10%-15% to Stump and Dony over the price that could be offered to minority shareholders — Reuter

TIGER OATS

Jan 23 112194

Back on the trail

(186) (202)

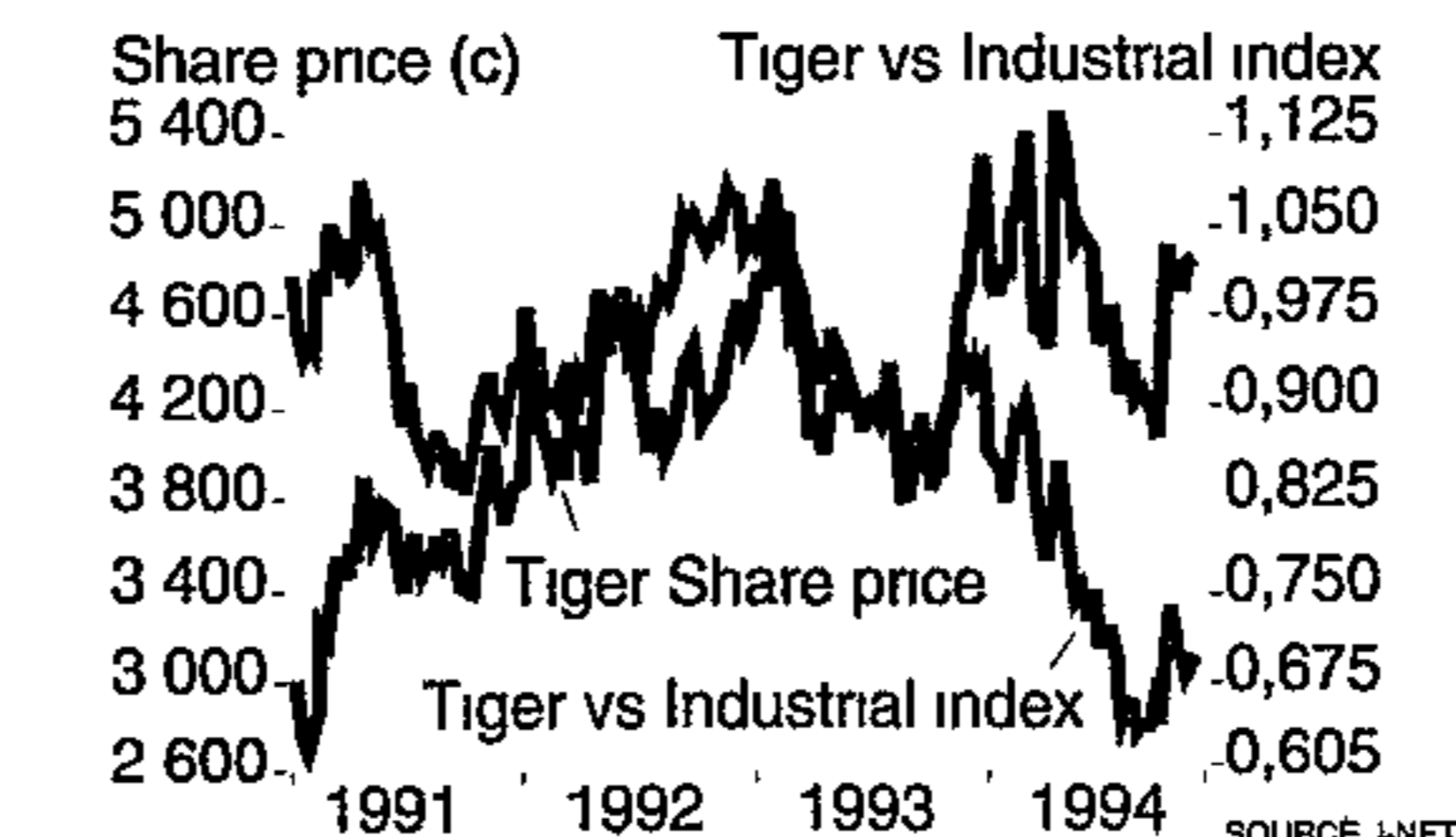
The key to success is value-for-money products for the mass market

Just four years ago Tiger Oats, once described as a JSE blue chip darling, lost its way. The return to primacy is proving painful, though there are indications now that the strenuous restructuring and rationalisation will be successful.

During the Eighties, Tiger — still benefiting from the generalship of the charismatic Rudy Frankel — produced earnings invariably better than market expectations. It was intensively focused and was buttressed by a consistently large cash cushion (thanks partly to the R200m inflow from the sale of its shares in associates J Bibby & Sons and Makro). It adopted a highly conservative approach to just about everything, especially acquisitions. Tiger's position at the top of the food sector pile seemed unchallengeable.

However, top companies — like heroes — have feet of clay. In the last years of the decade, Tiger's relentless focus wavered: the company moved down the acquisition trail, and not always with prudence.

It bought into areas such as fruit canning (Langeberg), broilers and eggs (County Far), wholesaling (Spar) and pharmaceuticals (Logos) to add to Adcock Ingram just as the longest and hardest recession of the



WHY INVESTORS ARE INTERESTED

century arrived.

Some of these did well, others did not, and their purchase revealed a company which had become complacent. In 1989, the broadly based milling division, including baking, contributed about 30% of Tiger's operating profit, in 1994 the division provides only 6%, a statistic which reveals how staple foods, originally Tiger's core business, has declined in importance.

Tiger was not alone in this phenomenon — Premier too became increasingly reliant on higher-margin and value-added products to support its earnings. Since 1988, Tiger's compound growth in earnings has been a miserly 13% compared with the JSE's 15,5% and inflation's 12,8%.

This change was preceded by the 1982 takeover of the company by Old Mutual and its subsequent insertion into Barlow Rand — apparently just a week ahead of a similar move planned by Anglo American Corp's Tongaat-Hulett. Though Frankel stayed on for some years, Barlow managers slowly infiltrated Tiger's operations.

These changes in management and, therefore, in profile and execution, revealed differences in the approach to capital expenditure. Tiger suddenly chose to increase investment in the capital plant supporting milling and baking. Ironically, these were the very assets which were not sweating hard enough for a living — and margins in Tiger Foods began to slide.

Tiger's cash cushion diminished. Growth in earnings declined, return on capital employed fell. The market responded by downrating the share. For the first time in memory, the share's performance lagged that of Tiger's traditional rival, Premier.

It's hardly surprising that Tiger's immediate owner, C G Smith Foods, decided spring-cleaning couldn't be delayed. Early this year ICS MD Nick Dennis was moved

to Tiger as CE, replacing Clive Wolpert. Dennis's brief was to repeat his success at ICS, where he concentrated on reducing commodity-based activities in favour of adding value.

Dennis's self-imposed mission is to build a globally competitive food business with a dominant share of the SA market and to produce, for local and international consumption, products and services which are branded and differentiated. The key to Tiger's success, he says, is to produce value-for-money products for the mass market.

He began by reducing head office staff 70 of the 113 ex-

ecutive and support staff were retrenched. Dennis says he won't apologise for an action which was clearly warranted. Second, he got rid of a variety of under-performing assets. Third, Dennis restructured Tiger's divisions on marketing criteria, previously there were four divisions, now there are seven.

This year's annual report contains a wealth of information. For example, Tiger Foods accounts for 86% of group turnover but only 61% of operating income. Pharmaceuticals bring in 10% of sales but contribute almost a third of operating income. The rest comes from fishing — 4% of turnover and 7% of income.

These figures emphasise that Tiger is much more a food counter than Premier, whose food activities account for 30% of its turnover and 44% of income. Premier's diversification started earlier and has progressed further than Tiger's. Even so, Premier's food component regularly pulls down its combined results.

These statistics show why Dennis has focused his initial attention on Tiger Foods: there is a huge asymmetry between Tiger's concentration of capital employed in Foods and the returns this sector produces. Previously, capital was applied automatically to the bigger concerns. No longer, capex must now satisfy specific hurdles.

A consequence is that Tiger's cash flow is showing a remarkable return to health: at the March interim, the net cash outflow was R270m. By year-end this was reversed to an inflow of R336m, a move of R606m in just six months reflecting a massive decline in working capital.

Management has taken the opportunity to repay borrowings by R347m. These now stand at R35m and net gearing is an unusually low 1%. Dennis can now contemplate strategic acquisitions though he is

BURNING BRIGHTER

ACTIVITIES

Makes and distributes... Also has pharmaceutical and fishing interests

CONTROL

C G Smith... Chairman R A Williams
MD N Dennis Capital structure 150m ord
Market Capitalisation R7 39bn

SHARE MARKET

Price 4 925c Yields 1 75% on price, 5,0% on earnings, PE ratio 20,2, cover, 2,8 12-month high 5 600c, low, 4 000c Trading volume last quarter 4 20m shares

Year to Sep 30	'91	'92	'93	'94
ST debt (Rm)	524	304	353	657
LT debt (Rm)	153	498	560	424
Debt equity ratio	0,38	0,25	0,15	0,01
Shareholders' interest	0,44	0,48	0,40	0,43
Int & leasing cover	6,7	9,1	8,6	16,5
Return on cap (%)	17,2	14,9	10,9	11,4
Turnover (Rbn)	7,98	9,21	10,04	10,96
Pre-int profit (Rm)	605	685	670	695
Pre-int margin (%)	7,5	7,4	6,6	6,2
Earnings (c)	207	230	237	244
Dividends (c)	71	79	82	85
Tangible NAV (c)	930	1 249	1 440	1 533

likelier to follow the ICS pattern, where he forged joint venture relationships with existing businesses

This year's balance sheet contains one curiosity: a sudden change is made to the value of other investments without explanation. A substantial R65,6m last year becomes R18,5m. This relates to a Zimbabwean company and reveals a cavalier approach.

Nevertheless, the vast improvement in cash flow hasn't yet made itself felt on the 1994 income statement which is frankly disappointing. Attributable income barely rose (3% to R368m), Dennis took the opportunity to sweep clean — he wrote off R145m as extraordinary items below the line.

Despite a write-off equal to 40% of earnings, Tiger paid a marginally higher dividend of 85c (1993 82c), this indicates either folly or supreme confidence in ultimate recovery.

Tiger's trading margin peaked in 1988 at 8,4%, this year it is at a 10-year low of 6,4%. It may not seem much, but a 24% fall equals R221m this year, no wonder Dennis wants to restore margins in food by developing added-value operations.

Branded consumer products — Colman's, Jungle Oats, Pasta Tastic Rice, King Food, Beacon and Langeberg — registered sales of R2,4bn, making the highest contribution (from food related operations) to operating income of R214m.

Tiger's persistence with its investment in Langeberg, the former co-operative now listed on the JSE and which has consistently under-performed, is puzzling. During the year, Tiger increased its stake from 58% to 64%. Dennis admits it has been difficult, last year former MD Clive Wolpert apologised profusely.

Indeed, the Langeberg experience has coloured investment opinion to such an extent that Premier's venture with Bonnita was treated with some scepticism.

Tiger's interests in poultry and eggs (its commodity products) appear to have survived Dennis's tough approach. Unlike Premier, Tiger has retained its interest in the sector and though this has been a drain on margins and profitability, benefits are at last being felt. Though turnover last year increased a pedestrian 8% to R453m, operating income swung significantly by R55m, made possible through a better product mix, simplification of its business and improved realisations.

Results of the staple foods division were impaired by the overcapacity in the maize milling industry, a record maize crop and the large differential in producer and miller pricing — encouraging the bypassing of the single channel marketing system

This is an important issue, with significant political overtones. Premier and Tiger — unlike the smaller operators — are prejudiced because they must follow regulations. ¹⁸⁶ ²³²

Within Tiger, this division's sales increased 2% to R1,7m but operating income more than halved from 1993's R83m to R38,5m. Dennis's view is that this market will remain competitive, despite changes to selling procedures. Tiger will have to focus on being the lowest-cost producer and this may well result in further rationalisation. Dennis doubts the ability of food majors to compete with the small operators.



Dennis

Wheat milling operations are unlikely to escape unscathed. Performance has been disappointing, affected by a depressed market and lower volumes. The eradication of loss makers in Tiger's food operations, and the possibility of a solution

to the maize price differential should push the margin on foods from 4,4% now towards a targeted 6%.

Within the wholesale operations, Spar remains an important asset and has yet to reach its potential. It makes the largest contribution to Tiger's turnover: R3,2bn compares with pharmaceuticals' R1,2bn and fishing and cold storage's R454m.

Compared with previous years, the vegetable oil industry remained relatively stable and provided a realistic return on investment. Dennis blames this on higher world prices, the weaker rand and reduced tariffs. Though volumes remained static, the improvement in margins is encouraging.

Dennis has rescued Tiger from its unprofitable, cash-hungry venture into sunflower oil extraction in the US. The company's two plants in America have been leased over a long term to a major US oil processor. Last year the international division's sales fell 7% to R908m and operating income

halved to R38,5m.

Exports are an important aspect of Tiger's earnings: in 1994 they accounted for 11% of turnover (R1,2bn). But Dennis is adamant that while future earnings growth will have to come partly from offshore acquisitions, he believes it fundamental first to restore the profitability of local operations. And offshore acquisitions are likely to be joint ventures.

The food sector hasn't been an investors' heaven over the Nineties. Efforts to provide balance through diversification, into pharmaceuticals for example, have succeeded only to highlight the comparative poverty of the original core businesses.

The problem is that corrective action is sometimes expensive in itself and the path to the rainbow's end often seems longer than the early promise. Shareholders will rightly wonder when these changes in management, style, profile, culture and direction will bring results to the bottom line and to dividends.

Market expectations are that Dennis will restore Tiger to its premier position. This renewed confidence is showing in the share price, despite 1994's poor results.

At 4925c, Tiger's historical P/E is 20,2. It is on a much better rating than Premier's 15,4, and the share looks expensive. However, indications are that Tiger will produce real earnings growth over 1995, perhaps 15% nominal, that will take EPS to about 281c on a forward P/E of 16,7. In a reviving economy, Tiger is again a stock to be bought for the bottom drawer. *Marvlou Greig*



Mobile butcheries for townships

(186)

BD 23/12/94

LOUISE COOK

FOOD and textiles manufacturer Kolosus planned to increase market share next year by expanding into townships, rural areas and neighbouring states with mobile, stainless steel butcheries

"We hope to have at least 150 of these franchised butcheries up and running by the end of next year," business development manager Jakes Fennie said

Rural areas were the main targets for Kolosus's butcheries, which would sell fresh and processed meat

Setting-up costs ranged between R60 000 and R100 000, but Fennie believed that black entrepreneurs would have no problem putting up deposits

Fennie said traditionally the black butcher's biggest problem had been the inability to transport meat to outlets. Volumes and prices had suffered because of lack of transport and the hot climate that

prevented consumers from buying in bulk

"Mobile butcheries set up in the heart of townships will take care of this problem"

Consumers would be able to buy fresh or processed meat "that is refrigerated, and from outlets close to home"

Kolosus would retain responsibility for deliveries to the mobile butcheries.

Fennie said the company would also closely follow products along their distribution routes to keep tabs on prices

In a related project, Kolosus was upgrading several butcheries that had become unprofitable

These were all in rural areas and patronised by black consumers

Defunct butcheries would be turned into high-quality delicatessens catering for the sophisticated black consumer, Fennie said

CT 27/12/94
**Unifoods buys
Tongaat arm**

JOHANNESBURG —
CPC Tongaat Foods has
announced plans to sell
its edible oil business,
CPC Tongaat Oil, to Unil-
ever South Africa sub-
sidiary, Unifoods, for an
undisclosed sum

Tongaat and Unilever
said in a joint statement
the sale formed part of
the Tongaat Hullet
group's ongoing ration-
alisation drive

Unifoods — refiners
and packagers of CPC
Tongaat Foods' edible
oils since 1991 — would
thereby effectively take
over the remaining
scope of Tongaat's ed-
ible oil business com-
prising sales and mar-
keting of oil products
under various brands

ICS, Tiger Oats set sights on real earnings

By MAGGIE ROWLEY
Deputy Business Editor

FOOD groups Tiger Oats and ICS Holdings — both in the CG Smith Foods stable — are looking to real earnings growth in the current year on the back of an upturn in the economy and improved consumer confidence.

CG Smith Foods chairman Robbie Williams, who also heads up both operating subsidiaries says in his annual reports that while there are definite signs of economic improvement these were, however, tempered by concerns for the high levels of unemployment and violence in many parts of the country and consequently the

increase in consumer purchases of food was still fragile.

Both operating companies have recently undergone restructuring exercises which have included the disposal of underperforming assets which should position the companies for sustainable future growth, he says.

Regarding ICS, he says the results of the group would continue to be influenced by the level of surplus or shortage in the meat, dairy, poultry and fishing industries.

The group's vulnerability to these industries had been reduced by the strategic realignment of its portfolio and it was well placed to benefit from any increase in consumer spending, he

says

ICS, he says, remains supportive of the move towards an environment in which there is minimal regulation provided that appropriate health and hygiene standards are adhered to.

As a signatory to the General Agreement of Tariffs and Trade (GATT), South Africa, like all other participants, was obliged to establish tariffs for all agricultural products and to lift remaining quantitative import restrictions before the implementation date of the agreement.

"The Board of Trade and Industry has already introduced import tariffs in respect of meat, poultry and recently dairy products.

"These tariffs are generally lower than GATT

binding levels and imports of meat and poultry are entering the country as a result of local shortages. It is therefore essential for the company to maintain and enhance efficiencies in order to compete effectively.

"It is however important that appropriate anti-dumping measures be implemented, bearing in mind the support systems enjoyed by farmerse and exporters in countries around the world."

Writing in the Tiger Oats annual report, Williams said that good progress had been made through the Wheat Forum towards the restructuring of the wheat industry while the maize industry should benefit from structural

changes which have been agreed to in principle for the season starting May 1995.

"The previous maize scheme was inherently defective in that it encouraged smaller millers to bypass the scheme through direct purchases from producers and avoid payment of the levy that would otherwise be payable to the Wheat Board

"This placed larger industry participants at a competitive disadvantage and as a consequence, certain participants including Tiger Oats withheld payment of levies in respect of purchases of maize made directly from produc-

growth