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El Nino makes Astral take a conservative view

By Florence de Vries

JSE-listed food group Astral would continue to take a conservative view on the procurement of raw materials, given the global outlook for agriculture commodities as a whole and the predicted El Niño weather pattern on South African grain crops.

"As a result of the continued economic climate, our ability to recover increases in costs from the market remains limited," chief executive Chris Schutte said this morning.

Astral had increased its revenue by 8 percent to R8.8 billion (2008: R8.2 billion) and operating profit by 6 percent to R580.9 million in the year to September.

The poultry division produced healthy revenue growth of 13 percent to R5.5 billion despite a 5 percent drop in sales volumes.

Operating profit for this division increased by 73 percent from R162.9 million to R281.6 million for this year end. Operating margin showed a vast improvement from 3.4 percent to 5.2 percent.

In the beginning of the year a decision was taken to reduce the slaughter age of birds from 37 to 35 days as a result of the high feed costs during the first half of the year and depressed consumer spending during the second half of the year.

"This, together with increases in the selling price of poultry meat, was the reasons behind the increase in the margin." Schutte acknowledges.

The group's feed division's performance was impacted mainly by the reduced live stock feeding requirements across all specie groups, which resulted in excess capacity, which in turn also culminated in a margin squeeze for Astral.

The division's revenue remained at a similar level as 2008, namely R5.1 billion.

Astral's finance costs increased marginally by 2 percent from R49.4 million for the year ended 30 September 2008 to R50.2 million for the current period. The group retains a strong balance sheet with a net debt to equity ratio of 13.7 percent.

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