BUSINESS DAY (Late Final)
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COMPANY COMMENT

Imports keep poultry under pressure

RAINBOW Chicken, now known as RCL Foods, and fellow poultry player Country Bird, both reported dismal figures this week. It's the same old story — surging chicken imports from around the world, and escalating feed costs, continue to hammer profits. Both companies are engaging with the government on the introduction of import tariffs.

Most countries have some sort of protection against dumping, but not SA. About 50% of the 400,000 tonnes of total poultry imports now come from Brazil, while the European Union has penetrated the "bone-in" or chicken pieces market, where it has achieved a 70% share. In addition, droughts in Argentina and the US have had a significant effect on global maize and soya prices, with extremely low stock levels in the US heightening price volatility.

The only saving grace for domestic poultry companies seems to be diversification into other markets.

RCL Foods now wants to be a consumer focused food business through the range of market leading brands it acquired through Foodcorp, which typically sells about 200-million loaves of bread and 120-million pies a year.

It also makes Yum Yum peanut butter and Ouma Rusks and manufactures ready-to-eat products for Woolworths and other retailers.

Meanwhile, Country Bird is doing well elsewhere in Africa, with Zambia is turning out to be an important market — the country's improved economic prospects are spurring an increase in the per capita consumption of chicken, and the cost of production there is a lot lower because maize is subsidised.

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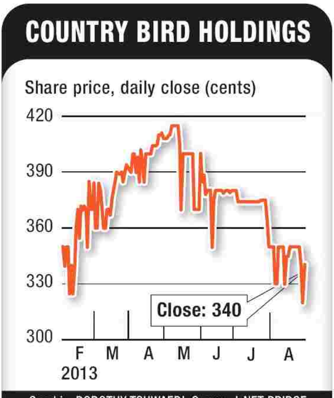

Graphic: DOROTHY TSHWAEDI Source: I-NET BRIDGE

GROWTHPOINT Properties' results, released yesterday, confirm that the listed property sector remains on a firm footing despite huge share price declines in the sector over the past few months. The company reported 7.2% distribution growth to 149c per share for the year to June, beating its forecast a year ago of 6.1% growth. While other funds have also shown strong growth, the two listed funds that have been struggling for some time — SA Corporate Real Estate Fund and Emira Property fund — have shown turnarounds.

Most listed funds have reported healthy growth, strong financial positions and improving portfolios. However, they have little influence over their share prices, which have taken a hammering.

This is a function of bond yields, which began to weaken sharply from mid-May in anticipation of the US Federal Reserve "tapering" its monetary stimulus. Listed property and bonds are closely correlated as they both generate income for investors.

Growthpoint CEO Norbert Sasse said yesterday while the fundamentals of Growthpoint's portfolio remained strong, with arrears at their lowest level in five years, the entire sector would have to contend with "a structural shift upwards in global bond yields".

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