MANUFACTURING — FOOD

1995

Del Monte under pressure in Europe

(186) CT 16/2/95

JOHANNESBURG — Del Monte Royal Foods, which sharply raised marketing expenditure in 1994, said it would continue to strongly defend its brands under attack in Europe

CEO Vivian Imerman said, after announcing static annual results, that it would continue a stringent cost-cutting and rationalisation programme in 1995 to offset the squeeze on margins in difficult trading conditions

It reported extraordinary costs of R29m below the line from the streamlining process in the year to November 30

Delfood increased marketing and promotional spending by 37% to R172m in 1994, and Imerman said this level would be maintained in the current year

"We will defend our brands because we feel they're our main asset," he said.

Delfood's leading high-premium brands were being challenged mainly by lesser brand competitors, and not supermarket no-name products

He said the international food industry was undergoing "massive reconstruction" as a result of the recent recession, oversupply of core products and the proliferation of discounters and non-name brands

Capital expenditure for 1995 was estimated at R60-65m versus R68m in 1994 to enable the group to continue to invest in state-of-the-art technology and maintain its low-cost base

On the production side of operations, Delfood would try to improve its recoveries and efficiencies

Imerman said Delfood was still considering some acquisition candidates and hoped to conclude a major deal this year He declined to comment further on the issue but added that it was also seeking one or more international partners for its Royal Beech-nut business

The type of acquisition could include producers of complementary brands but any deal would be aimed at giving Delfood the "critical mass" it needed in its core markets, he said

Trading conditions were picking up as economies improved, he said especially the price of pineapple products, which contributed 25% to total group turnover of R1,5bn in 1994

Although cut-backs in world production and a drought in Thailand had seen the oversupply in pineapples shrink and prices rise recently, margins would remain under pressure until the Kenyan shilling depreciated to a more realistic exchange rate, he said

Delfood was expanding into the Far East but not under its own labels at this stage, chief operating officer Enrico Solo said

Delfood reported share earnings at 61,5c for 1994 versus 61,0c in 1993, and maintained its final dividend at 13c, making 21,5c for the year versus 21c

"We're not a postion to make a forecast on (1995) earnings at this time," he said — Reuter

Kolosus does well (186)

E Lon 13/12/95

BY ROSS HERBERT

Kolosus Holdings, the recently listed food products and tanning firm, announced on Friday interim results for the six months to November, which included sales up 49 percent and attributable profit up 60 percent

Total turnover jumped from R476,2 million in the first six months of 1993 to R709,5 million in 1994 Attributable profit hit R30,3 million, up from R18,8 million in 1993.

Earnings per share were 50,4c, up from 31,4c in the first half of 1993.

The group's food businesses include Supreme, Bull Brand, Country Bird and Kolosus Animal Production

Its leather tanning business supplies hides for automobile seats and the shoe industry

The food businesses performed well, with improved productivity in the meat division and bad debt down 90 percent over the previous five year average

Loan capital fell by R8 million during the period. No dividend has been declared.

The company was listed last December

"Management is confident that the projected results as stated in the prospectus will be met," it says

Kolosus is trading at a P/E ratio of seven, compared with the food-industry average of 20,3.

Delfoods reports small earnings rise

(181) BD 16/2/95

MARCIA KLEIN

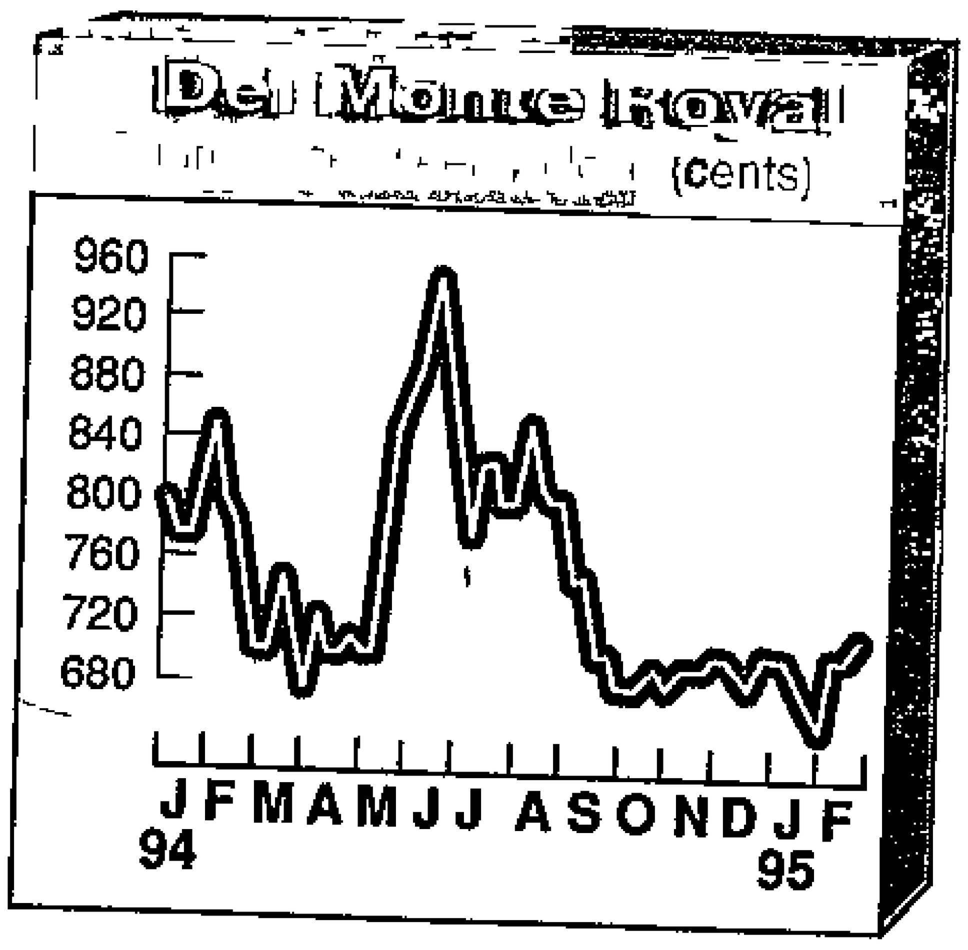
BRANDED foods group Del Monte Royal Foods' (Delfood) earnings edged up marginally to R210,1m (R208,5m) in the year to end-November as poor trading conditions, low pineapple prices and unfavourable exchange rates subdued growth

The largely European-based group, controlled jointly by Anglo American and chairman and CE Vivian Imerman, reported a 10,6% rise in turnover to R1,55bn (R1,4bn) — a flat result in sterling terms

Gross margins improved, but after increasing its marketing and promotional spending 37% to R172m to defend its market position, operating income was 6,7% up at R248,9m (R233,3m)

In the second half, Imerman said, hard currency margins for pineapple products were affected by an unexpectedly strong Kenyan shilling and Philippine peso Most of the pineapples, which represented 25% of group turnover and 23% of operating profit, were sourced from these areas

Although the total interest charge for the year had increased, it had declined in the second half with a reduction in working capital. Pre-tax income was R205,1m



against R202,4m previously. The extremely low tax charge of R1,3m — reflecting tax losses and an efficient tax structure — was expected to continue in the foreseeable future

Delfood's share of associates' earnings dropped sharply to R7,3m from R20,1m There was a deterioration in the second half performance of the Philippines operation, in which it had a 35% share Earnings

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Delfoods (181) BD 16/2/95

☐ From Page 1

were 61,5c (61c) a share and an unchanged final dividend of 13c a share brought the full year dividend to 21,5c (21c) a share.

He said major international food manufacturing companies were rationalising and restructuring to strengthen their market positions Delfood had cut costs, rationalised production and consolidated its marketing networks to become more cost-competitive. These actions were reflected in an extraordinary item of R29m, of which R7m related to the associate company in the Philippines.

Delfood had considered "a considerable number of acquisition candidates" in Europe and elsewhere. The right acquisition would improve its critical mass to be successful in the core markets it had identified, Imerman said.

Apart from a major acquisition, speculated to be Hero, the group was also looking for an international partner for local company Royal Beech-Nut. An acquisition, an international partnership and the introduction of new Del Monte products "form the cornerstone of our policy of growing the profitability of the group on its existing low-cost base".

While he would make no earnings forecasts for the current financial year, Imerman said trading conditions should show some improvement and higher sales volumes were expected. Pineapple prices had shown some recovery in the past few months as the oversupply situation was corrected, but margins would remain under pressure unless there was a more realistic Kenyan shilling exchange rate.

Overseas recession hampers Delfood

Star 16/2/95 (186)

Del Monte Royal Foods (Delfood) reports a marginal increase in earnings for the year to last November

Attributable earnings rose to R210,1 million from R208,5 million in 1993

Group turnover increased 10,6 percent to R1,546 billion (R1,397 billion), while operating income was up 6,7 percent to R248,9 million (R233,276 million)

Earnings per share rose 0,5c to 61,5c (61c)

An unchanged final dividend of 13c has been declared, bringing the total for the year to 21,5c (21c)

CEO Vivian Imerman says results were adversely affected by the after-effects of a prolonged recession in Europe.

"Consumer expenditure remained depressed in all our major markets as a result of stagnant disposable income and little or no improvement in unemployment levels"

Group results were negatively affected by developments in Kenya, where a resurgent shilling impacted on hard currency margins for pineapple products

Furthermore, profit margins were pressured by oversupplies of the group's core products and a proliferation of cheap no-name brands

The group has responded to the trend in international food manufacturing towards rationalisation and restructuring of operations.

He says some European acquisition candidates are still under consideration

The South African operations are performing well

Imerman says the group's 1995 performance depends upon economic recovery in the major markets. — Sapa.

Fast food cooks up fat profits

(186) ARU 18/2/95

Business Staff

THE fast-food fraternity fried fat profits and consumed mountains of ingredients as South Africans snacked their way through the summer festive season.

One of the major players in the Western Cape easy-eating market, Steers, reported an average increase of 18 percent at its franchises — after allowing for inflation — compared to summer 1993.

Nick Efstathiou, of Cape Franchising, Western Cape licensors for the Steers Group, said overall business at outlets for the take-out company in the province were up 41 percent, although this included the opening of six new branches

The increase in Steers branches to 28 translated into 84 new permanent jobs in service positions and another 15 in administration and management. During peak times a further 140 casuals were added to the payroll

The degree of activity in the fast food industry over the holiday period can be measured by its consumption of primary foodstuffs

In December, Steers went through 60 tons of potatoes, 11 tons of meat, and six tons of tomatoes.

Nearly a quarter of a million rolls were made to cater for the 8 000 customers who passed through Steers' doors in the Western Cape each day.

(186) ~~FISHING~~ FISHING

Good catch for I&J

Business Staff ARG 21/2/95

FISHING and food group Irvin & Johnson increased its taxed profit by 31 percent to R41,7 million equal to 144,9c a share in the six months ended December

But the directors say they are not satisfied with this result.

"The improvement in profitability, while pleasing, is in terms of returns on investors funds and capital employed still not at the levels last achieved in 1989"

They plan a further improvement in returns. The higher profit is the result of an upturn in economic conditions both in South Africa and overseas, and also to new projects coming on stream, the directors report

Turnover rose by 19 percent to R1,06 billion while improved margins led to operating profit rising 25 percent to R56,6 million

I&J has not declared an interim dividend. It declares an annual dividend (last year, 86c) in August.

Upturn gives I & J welcome lift

(186) FISHING

By AUDREY D'ANGELO

IRVIN & Johnson's (I &J) results for the six months to December show the effect of the economic recovery here and in its export markets.

Operating profit was 25% higher at R56,5m (R45,4m) than in the first half of the last financial year.

This was achieved on a 19% rise in sales to R1bn (R886,5m). Earnings were 31% higher at R41,7m (R31,7m) This translates into 144,9c (110,5c) at share level The company traditionally pays no interim dividend.

The tax bill was 33% higher at R11,2m (R8,4m) and the interest bill 4% higher at R9,3m (R8,9m)

Income from investments was 46% higher at R5,6m (R3,8m). Profit after tax was R41,6m (R31,8m).

Longterm borrowings have been reduced to R69,2m (R72,9m). The total asset value per share has risen to 1 736c (1 546c).

The directors say profitability in terms of returns on investors' funds and capital employed is still not at the levels last reached in 1989. But they expect earnings for the full year to continue to improve

Fishing and food manufacturing company I & J was badly hit by the recession in 1993, when earnings plunged by 24% in the year to June Sales fell in SA and abroad and margins were squeezed.

But, although the market was still weak, earnings began to recover in the six months to December 1993. In the year to June 1994 earnings were 11% higher as sales picked up.

CT 21/2/95

Now the directors say improved economic conditions in SA and international markets, together with the effect of new projects coming on stream, have led to improved turnover and better margins. This, together with lower financing costs, lifted profits.

Sales of value-added products increased sharply in both domestic and international markets. Vegetable exports have continued to grow although sales in the domestic market are only marginally higher than at this time last year.

Hake catches in Namibian waters were poor, which resulted in a poor performance from Kuiseb Fish Products. But capital investment is continuing to increase the factory's capacity for value-added products for the international markets .

Sowetan 21/2/95 (186)

Employee quits after union row

AN employee of Fedics Food Services in Randburg, Gauteng, has resigned after a union objected to her telling employees they should put their queries on taxation to President Nelson Mandela, managing director Mr Colin Walker said yesterday

Mrs Janet Sherrard's comment was made at an employees' meeting in Linksfield, Johannesburg, in December

After a disciplinary hearing she was given a final written warning and both she and the company apologised for the remark

However, the Hotel, Liquor, Catering Commercial and Allied Workers Union rejected her apology and threatened industrial action unless she was fired Hotelica spokesman Mr Alfred Plaatjie on hearing Mrs Sherrard had resigned said if it were not true the union would decide on further action -- *Sapa*

Unilever shows 'contrasting performances'

BD 22/2/95 (18b)

LONDON — Anglo-Dutch food and consumer products group Unilever said yesterday that 1994 pretax profit jumped 24% to £2,38bn from £1,93bn a year before.

Analysts noted that the rise in profit, which compares with median expectations for around £2,45bn, was exaggerated by an exceptional charge of £490m taken in the 1993 results.

Unilever said underlying sales growth in the year accounted for 2,5 percentage points of the 6% advance, with acquisitions accounting for three points. Disposals accounted for the rest.

At constant exchange rates, sales rose by 8% from 1993.

Unilever Chairman Sir Michael Perry said 1994 was a year of "contrasting performances".

European economies improved during the year, but "growth in Europe was restrained, partly because of the unsuccessful launch of the Power range of detergents in some countries".

The "most significant aspect" of the results was the improvement in the US. Businesses in the rest of the world "continue to grow rapidly", accounting for 27% of worldwide sales.

Operating profit in Europe fell before exceptional items during the year to £1,31bn from £1,33bn.

In the US operating profit rose 18% to £502m from £427m and detergents restructuring "continued, and while sales were lower, profit was maintained"

The rest of the world also saw a strong rise in operating profit, up 15% at £768m from £668m.

India and SA "recorded particular progress and the Latin American businesses continued to expand, most notably in Argentina and Chile". — AP-DJ.

(186) FM 24/2/95

DEL MONTE ROYAL

Defending brands

Results for financial 1994 from Del Monte Royal — Anglo American's entry in the European food business — are frankly disappointing, though at least one analyst says he is prepared to live with the outcome given the extent of last year's problems

The nub of these is that the European recession has turned out to be harder and longer than anyone expected, not least a buoyant Vivian Imerman in the heady days when he was advocating its purchase If he has any reason to be chastened it is that he seriously underestimated the extent and duration of this downturn Not that he was alone in this, given the size of Anglo's participation, it must have examined the situation with equal concentration and came up with the same expectations.

A BIT WRINKLED

Year to November 30	1993	1994
Turnover (Rm)	1 397	1 546
Operating income (Rm)	233	249
Attributable (Rm)	[illegible]	210
Earnings (c)	61	61,5
Dividends (c)	[illegible]	21,5

Though Del Monte's turnover improved 10,6% to R1,55bn, this increase didn't find its way down to the bottom line Operating income rose to R249m, but that reflects a decline in margin from 16,7% to 16,1% though that is still acceptable in this competitive business

Increased interest payments, up nearly 42% to R43,8m, shook whatever complacency was left, this was restored only by a small tax bill of R1,3m After a disappointing contribution from associates (only R7,3m — 1993. R20,1m), EPS of 61,5c compares with 1993's 61c It is as close as a whisker Gearing is little changed at 13,5% (1993 15%)

All this draws attention from Del Monte's really crucial problem it is that — as with every international food company which owns a unique brand — it has been forced to defend itself from the unrelenting attack mounted by dedicated house brands Great supermarket names such as Tesco, Sainsbury and Safeways are all putting their own labels on their shelves

As Ed Hern Rudolph research partner Syd Vianello says "Spending R172m on marketing and advertising may seem a lot but seen as 11% of turnover it's barely enough. The industry norm varies between 12% and 15% of turnover."

Del Monte is an integrated producer; marketing is crucial if it is to preserve the leadership which its brand name confers Every other major player has been similarly affected, which explains why Nestlé and Unilever, for example, are diversifying their risks across the globe This is an option Del Monte can't adopt easily because it is confined geographically in its use of the brand label Any expansion it makes into the Far East, for example, will have to be through new labels

However, it is widely rumoured that Del Monte is in active negotiations for the purchase of the Swiss company Hero, among the world's leading jam makers The price is said to be about R2bn and the effect will be to buy a major share of the German

FOX

Second, Sage is actively pursuing its policy of distributing North American financial products through its marketing operation centred on New York and now apparently highly profitable The development of an international flow of funds will supplement Coronation's own advanced programme Last, the alliance suggests a growing synergy between the two companies which may result in some interesting developments over the next few years *David Gleason*

IRVIN & JOHNSON (186)

Perking up

FM 24/2/95

Irvin & Johnson (I&J)'s improved interim performance justifies the confidence tacitly expressed in its future by parent Anglovaal Industries

Since 1989 I&J's return on capital has fallen each year, partly because of indifferent results but also because the asset base has been expanded through extensive capital spending programmes With economic recovery, this result points to improving returns and a more attractive investment prospect

Though nearly half of turnover comes from distributing fresh and frozen chickens, income from this source for the last 18 months was limited when chicken supplies were cut by Newcastle Disease Also, the recession curbed consumer demand

While the disease now appears to be under control, prices continued to increase throughout the six months to December 3 Volume throughput fell 9%, but rising red meat prices encouraged consumers to buy more chicken and frozen fish products, and prices of these to rise.

I&J has been spending considerable amounts on re-engineering the catch process on its trawlers and on improving handling efficiencies in its processing plants Benefits of these capex programmes partly explain the better margins

I&J's export revenues of value-added hake products improved in the first half With the average hake price up by about 15% in US dollars in Europe, the export programme contributed significantly to the better result Though volumes fell across the board, sales values and margins increased nationally and internationally

Production from the new R40m potato plant and other projects in the prepared foods divisions contributed to the turnover increase Vegetable exports have continued to grow, but local sales were only slightly ahead of the previous year New margarine ranges and new protein products helped sales volume growth, says financial director John Morrison

As the local economy improves, consumer demand for I&J's products should strengthen Sales volumes of most of its products have been constrained over recent years Growth would enable wider margins

The outlook is for real earnings growth of at least 10%, giving EPS of 260c At a forward p e of just under 17, the share appears reasonably priced *Gerald Hirshon*

Delfood bruised by Kenyan bob

DEL Monte Royal Foods' fortunes in the year to November 1994 were marred by the humble Kenyan shilling's ascent.

Kenya is one of the group's two pineapple-growing regions, the currency doubled in strength between planting and harvest and cost Del Monte "several millions of pounds", according to holding company chairman Graham Boustred

Delfood lifted turnover by 10,6% to R1,55-billion. A small drop in margin meant a smaller increase in the bottom line to earnings of R210-million or 61,5c a share — half a cent up on 1993

Del Monte tucked R29-million of extraordinary items under the line when they could readily have gone upstairs under current international practice. The losses related to closures and streamlining

Delfood chairman and chief executive Vivian Imerman says global recession has led to major restructuring and rationalisation among international food players Faced with stiff competition, Delfood strove to contain costs and to retain market share through aggressive advertising Marketing and promotional expenditure was raised by more than a third to R172-million

This leads almost to a Catch 22 The company spends money which might otherwise accrue to the bottom line on maintaining the Del Monte brand name so that its products can command a premium which is also destined for the benefit of shareholders

Delfood's Enrico Sola gives an example of how Del Monte fruit juices defended market share in England at 79p a litre against house brands of 55p and no-name brands of 34p

Mr Imerman says prices for many fruits have increased by up to 50% in the past few months but that the lag effect will defer the benefits until later in the year Pineapples, which make up a quarter of sales and 23% of profit, have recovered well from their lowest level in 30 years They are also grown in the Philippines, where the peso firmed

It appears that currency speculators have dabbled in the Kenyan market and when they decide to head for the door, the shilling is expected to crack.

Delfood will improve from a recovery in consumer spending, a reduction in the oversupply of many products, the elimination of discounters and the smoothing of anomalies in exchange rates.

Locally, the Del Monte brand won a 12% market share four months after its launch. Royal Beech-Nut also had a good year and

(186)

Mr Imerman says an international equity partner or partners are sought for this part of the group

Del Monte is also looking for acquisitions in Europe and markets in the Far East to achieve a critical mass at which the expenditure on marketing becomes spread over a greater product base and market share It had mixed fortunes in Europe, mostly better but worse in Germany.

The group has low gearing at only 13,5% It spent R68-million upgrading plant and equipment to maintain its cost-competitiveness

The drop in the share to 675c from R10 last June now shows that the market had anticipated Delfood's low earnings growth Observers will need to see some improvement in earnings before they rerate the share but I still think there's value on fewer than 11 times historic earnings.

ANTON BOTHA

ST (BT) 26/2/95

No action against Del Monte — chief

(186) Star 10/1/95

■ BY NEIL BEHRMANN AND CHARLOTTE MATHEWS

Del Monte Royal Foods chairman Vivian Imerman yesterday denied that Anglo American was suing Del Monte's European canned fruit business for R336 million.

He said Del Monte Royal Foods subsidiaries had initiated proceedings in London against the sellers of Del Monte Foods International (DMFI) in 1992, and that all claims were against the sellers of the company and not the company itself

Anglo subsidiary Royal Foods bought DMFI in 1992 for R2,2 billion, of which Anglo American contributed R800 million.

Imerman was responding to a London report that the suit had arisen because DMFI's accounts did not give a true view of its affairs and its directors did not disclose a deterioration in the financial situation

Imerman said the writ against the sellers was a standard procedure to protect the Del Monte Royal Foods subsidiaries' warranty claims against the sellers, specifically in relation to a time limit relating to the escrow accounts established at the time of the sale

The outcome of the claims would not affect the value of the group or its results, which would be published on schedule, he said.

DMFI, which is based in the UK, processes and markets canned pineapple, deciduous fruits, fruit beverages and tomato products Most of its deciduous fruit requirements are sourced from SA.

Delfood's operating profit in the year to November 1993 was well below the forecast made at the time of the acquisition - R259,2 million against a forecast of R331,5 million.

However, this figure was redeemed by interest payments and a low tax rate and attributable profits came in R3 million ahead of forecast.

Delfood's directors said on releasing interim results in July that a modest improvement over 1993 was likely for 1994.

Del Monte pours cold water on report

MARCIA KLEIN
and MADDEN COLE

DEL Monte Royal Foods (DMR) last night poured cold water on reports that Anglo American was suing any companies in the Del Monte Group.

It was reacting to a weekend report emanating from London that Anglo was suing Del Monte's European canning business for more than £60m. The report said Anglo claimed Del Monte's accounts "did not give a true and fair view of the group's affairs" and that Del Monte directors "did not disclose that there had been a deterioration in their company's financial situation". (186)

However, a source close to Del Monte said yesterday the issue related to a much smaller amount which had formed part of the initial purchase price of Del Monte and "had no bearing on the present business of the company" The source said this was "normal legal process"

In 1992 the then Royal group, together with Anglo, took control of Del Monte Foods International (DMFI) in a deal worth more than R2bn

DMR subsidiaries had issued proceedings in London against sellers DMFI in 1992 The claims were against the sellers of the company and not against the company, DMR said. The writ was standard procedure to protect DMR subsidiaries' warranty claims against the sellers, specifically in relation to a time limit concerning the escrow account established at the time of sale.

The outcome of the claims would not affect the value of the group as all amounts were fully provided for at the time of acquisition

The claims had no effect on its financial results, which would be published on schedule, DMR said

One analyst remained sceptical about the denial, saying Del Monte's sluggish share price could indicate that the market was aware of a problem in the group BD 10/1/95

Anglo American declined to comment on the issue

Overstocked markets (186) hold back Langeberg

■ BY CHARLOTTE MATHEWS

Food group Langeberg expects to improve its earnings in 1995 compared with 1994 despite the taxation of GEIS from March 1 and the reduction of the GEIS incentive for the full year, chairman Nick Dennis said in the group's latest annual report

In the year to September 1994 difficult operating conditions resulted in a fall in attributable profit to R60 million from R67 million and the dividend was reduced to 12,5c from 14c

Dennis said the past financial year had been difficult because of disruption in the period leading up to the election, slow recovery in overseas economies and reduced peach and pear crops in SA. Star 12/1/95

With all Langeberg's important markets experiencing an overhang of stocks, demand for canned fruit remained sluggish

Increased demand could materialise in 1995 if the improved economic outlook in SA continues, combined with a revival in overseas economies

As carry-over stocks in international markets are absorbed, sales should improve

Langeberg's rationalisation in 1994, which has lowered its cost structures, together with lower interest-bearing debt, should contribute positively in 1995, Dennis said.

In the past year there was a positive cash flow of R105,2 million, contrasting with the previous year's R23,2 million outflow

Langeberg shares were trading at 390c this week, where they are at a P E of 10,7, well below the sector average of 21,2

Since reaching 750c two years ago the shares have crept downwards and are bumping along their all-time lows

LANGEBERG (186) FM 20/1/95

Ready for recovery

Activities: *Canning, freezing and drying fruit and vegetables*
Control: *Tiger Oats 64%*
Chairman: *N Dennis MD R G Brown*
Capital structure: *160m ords Market capitalisation R640m*
Share market: *Price 400c Yields 3,1% on dividend, 9,4% on earnings, p e ratio, 10,7, cover, 3,0 12-month high, 530c, low, 390c Trading volume last quarter, 987 000 shares*

Year to Sept 30	'91	'92	'93	'94
ST debt (Rm)	14,9	23,9	17,3	0,3
LT debt (Rm)	50,4	50,5	81,7	0,1
Debt:equity ratio	0,27	0,28	0,29	n/a
Shareholders' interest	0,61	0,59	0,58	0,75
Int & leasing cover	4,6	6,7	7,5	12,9
Return on cap (%)	19,8	20,4	14,5	15,0
Turnover (Rm)	646	742	755	819
Pre-int profit (Rm)	79,4	102,9	82,9	74,4
Pre-int margin (%)	12,3	13,9	11,0	9,1
Earnings (c)	39,8	54,7	41,9	37,5
Dividends (c)	11,3	16,0	14,0	12,5
Tangible NAV (c)	152	185	207	233

If your quest is for what the professionals refer to these days as "relative value" on the JSE, keep an eye on the giant canning operation Langeberg.

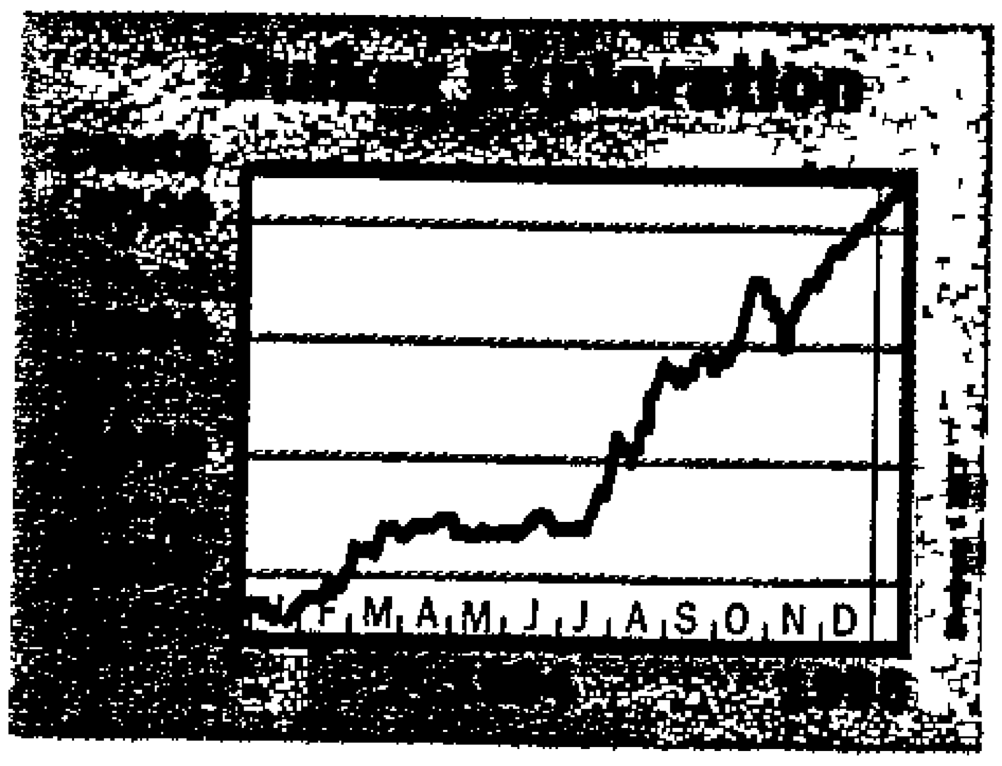
Listed in June 1992, its opening price was 800c. It moved to a high of 820c two months later but thereafter declined steadily to a low of 390c and is now trading marginally higher at 400c Both the fundamentals and the charts indicate the share is attractive at this price

Since 1992, Langeberg has had to endure poor local economic conditions which stunted demand for its products and a massive overhang of raw material stock on the international market after bumper fruit crops in Europe and the US in 1992

In the first half of financial 1994, exports continued to decline and local supply was restricted by frost damage to the Transvaal tomato crop and partial loss of the pea crop Now market conditions are improving in SA and the northern hemisphere

Overseas, excess stocks have been drawn down to normal levels. Locally, provided no full-blown drought or unforeseen political upheaval affects either supplies or the economy, consumer demand is set to improve In addition, the rationalisation within

COMPANIES



to thermal power stations This has the disadvantage in years of limited international demand of exposing the company to low prices.

However, in times of rising demand and soaring prices (the last spot price through Richards Bay is reported to have been at US$36/t fob), the converse is true Duiker is unusually well positioned to take full advantage of a seller's market, especially since its exposure to long-term export supply contracts is also limited (apparently to a modest 200 000 t/year to Taipower for five years)

The company is said to move most of its uncommitted export quality coal through Swiss-based trader Marc Rich, and is heavily geared to the recent turnaround in the spot market. This partially explains the surge in the share price from about R5 in January 1993 to the current R88

There are some concerns however. Anthracite colliery Mooihoek, in which Duiker holds a 40% interest, is due to close in March. The extent of its contribution to Duiker is unknown, so the effect cannot be quantified Second, the anthracite division has lost money for successive years, causing some worry Third, significant amounts are perceived to be needed for rehabilitation and environmental controls

But the balance sheet is strong, with net cash resources now at probably about R70m (after paying the special dividend of R36m, an event which has led some analysts to ask whether it was done because Lonrho needed the cash)

There is some speculation Duiker's share price will break R100 this year, that will put it on an historical p e of a demanding 26, and it must be unlikely it will run much further.

David Gleason

LEBOWA BAKERIES (186) FM 20/1/95

Unpalatable mixture

Activities: *Operates a group of bakeries in the Northern Transvaal Bakers and confectioners*

Control: *Sasko 88,4%*

Chairman: *Prof S P Manaka MD To be appointed*

Capital structure: *57,2m ords Market capitalisation R57,2m*

Share market: *Price 100c Yields 2,5% on dividend 12-month high, 110c, low, 75c Trading volume last quarter, 53 400 shares*

Year to Sept 30	'91	'92	'93	'94
ST debt (Rm)	0,8	1,3	1,4	2,2
LT debt (Rm)	3,1	2,0	1,8	1,0
Debt equity ratio	(0,38)	(0,24)	0,02	(0,06)
Shareholders' interest	0,65	0,68	0,73	0,73
Return on cap (%)	27,2	23,2	13 8	(1,95)
Turnover (Rm)	91,1	102,2	98,6	125,9
Pre-int profit (Rm)	10,6	10,8	6,1	(1,4)
Pre-int margin (%)	11,7	10,5	6,2	(1,1)
Earnings (c)	23,0	24,2	17,4	(0,17)
Dividends (c)	9,25	10,5	6,0	*2,5
Tangible NAV (c)	94	116	125	89

* Interim dividend only

Drought and unemployment continue to depress bread sales in the Northern Transvaal and the performance of Lebowa Bakeries Limited (Lebaka) in 1994 reflects the general hardship

Attributable earnings have fallen just over 100%, from R4,3m in 1993 to a loss of R55 000 (0,2c a share), and no final dividend was paid The group is also suffering from the effects of deregulation, which has increased competition and driven up indirect costs such as marketing and distribution

During the year Lebaka closed two unprofitable bakeries and bought five more from holding company Sasko, but the resulting 27,7% increase in turnover to R125,9m (R98,6m in 1993) did not carry through the trading loss was R1,4m Sasko has taken over management of all the bakeries, with the aim of returning them to profitability in the next two years

Sasko director Leon Cronje says the plan is to upgrade plant and vehicles in the original Lebaka bakeries, to bring them into line with Sasko plants The major costs result from skewed distribution patterns and uneven capacity usage Sasko intends to cut expenses by optimising production and distribution over the group of bakeries

The Sasko deal has pushed up the share price 35% from its 12-month low of 74c in September but the deal was financed by increasing the share capital from 30m to 57,2m shares Sasko has benefited by retaining its market share in Lebowa and gaining management control of Lebaka

Lebaka's profits are unlikely to improve materially for some time as cost-cutting reforms are instituted by the new management This is a share to be watched, rather than bought now *Margaret Anne Halse*

C G SMITH FOODS (181) FM 20/1/95

Subsidiaries offer more

Activities: *Holding company of Smith Group's food and pharmaceutical interests*
Control: *C G Smith (80%)*
Chairman: *R A Williams*
Capital structure: *94,5m ords Market capitalisation R5,5bn*
Share market: *Price 5 825c Yields 1,8% on dividend, 5,6% on earnings, p e ratio, 17,8, cover 3,1 12-month high, 5 900c, low, 4 050c Trading volume last quarter, 851 151 shares*

Year to Sept 30	'91	'92	'93	'94
ST debt (Rm)	665	561	685	1 070
LT debt (Rm)	388	723	781	632
Debt equity ratio	0,31	0,30	0,21	0,12
Shareholders' interest	0,45	0,47	0,47	0,44
Int & leasing cover	6,0	7,7	8,2	14,0
Return on cap (%)	14,6	12,5	10,9	11,0
Turnover (Rbn)	11,3	13,1	13,9	15,3
Pre-int profit (Rm)	803	890	864	946
Pre-int margin (%)	7,0	6,8	6,1	6,1
Earnings (c)	301	322	306	327
Dividends (c)	99	105	99	106
Tangible NAV (c)	1 588	1 973	2 133	2 198

From a trading standpoint, business conditions for C G Smith Food in 1994 were not much different from 1993

As chairman Robbie Williams says in his annual review, there was little or no growth in volumes for most food products and this, with restrained price increases, continued to place margins under pressure

But the group had two things going for it last year that helped propel attributable earnings to a new high One was a revival at Illovo where an improved 1994-1995 sugar season helped the company to an 11% annual earnings improvement and was largely responsible for adding R6,1m to Smith Food's bottom line — 30% of its total attributable profit increase

Another factor, probably to the relief of head office management, was that operational restructuring over the past few years is finally starting to pay off The benefits are evident in the group balance sheet, while the income statement gained in that resolutions of some of ICS's problems enhanced its growth rate from 12% in 1993 to 20%, which in turn helped to get the combined food and fishing sector, by far the biggest contributor to group earnings, out of the previous year's rut

Possibly the most important feature of the 1994 group financial statements is the continued rapid degearing that has taken place The net debt equity ratio of 0,30 of two years ago is now down to 0,12 This has been accompanied by a halving of net interest paid over the same period and a virtual doubling of net interest cover from 7,7 times in 1992 to 14 now — underlining the capacity for expansion available in the financial structure

A point that initially looks a bit odd is that the reduction in group net borrowings has occurred entirely as a result of a rise of almost R1bn in cash holdings since 1992 Gross borrowings have risen by R418m over the two years, which is proportionately more than the increase in the total asset base

Intuitively, one could conclude that, given the differential between deposit and lending rates, surplus cash could be put to better use by reducing debt Williams points out, though, that the situation arises because of the consolidation of a number of individual companies with disparate financial structures — the cash is not held at centre and so cannot be used to offset debt

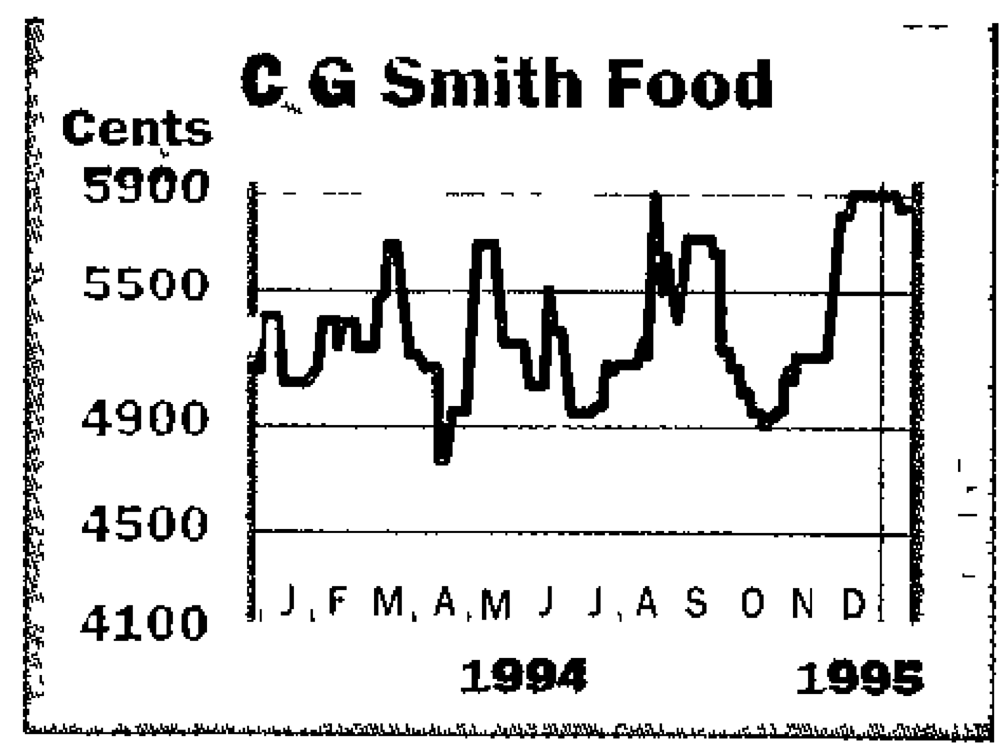
Smith Foods' Williams *little or no volume growth*

Regarding prospects for this year, the main listed companies in the group are forecasting growth that ranges from "satisfactory" for Oceana Fishing to "strong" at Illovo — the latter being dependent on a satisfactory 1995-1996 sugar season Assuming there will not be a repetition of the increase in the tax rate that dulled earnings growth in 1994, it is probably safe to expect earnings to improve by at least double last year's 7%, with dividends rising in line

If this happens, the share, on a forward p e ratio of around 15,5, is hardly expensive Against this, however, remains the problem that the group has seldom managed to get all its cylinders firing evenly The pharmaceutical sector (Adcock Ingram and Logos), the smallest of the three sectors into which the group divides itself, has shown by far the strongest earnings growth with a 29% average annual compound gain over the past five years This contrasts with 6% from food and fishing, which still account for 59% of total earnings

The conclusion reached by the *FM* a year ago was that while this situation persists, there is little incentive for investors to go for Smith Food rather than some of its faster-growing subsidiaries For now, there seems to be no pressing reason to change this view

Brian Thompson



SECTOR CONTRIBUTIONS

Attributable earnings (Rm)

	1993		1994	
Food/Fishing	175,1	(61%)	182,7	(59%)
Sugar/Chemicals	57,5	(20%)	63,6	(21%)
Pharmaceuticals	56,1	(19%)	62,8	(20%)
Total	288,7	(100%)	309,1	(100%)

(186) 31/1/95

Fruit workers strike

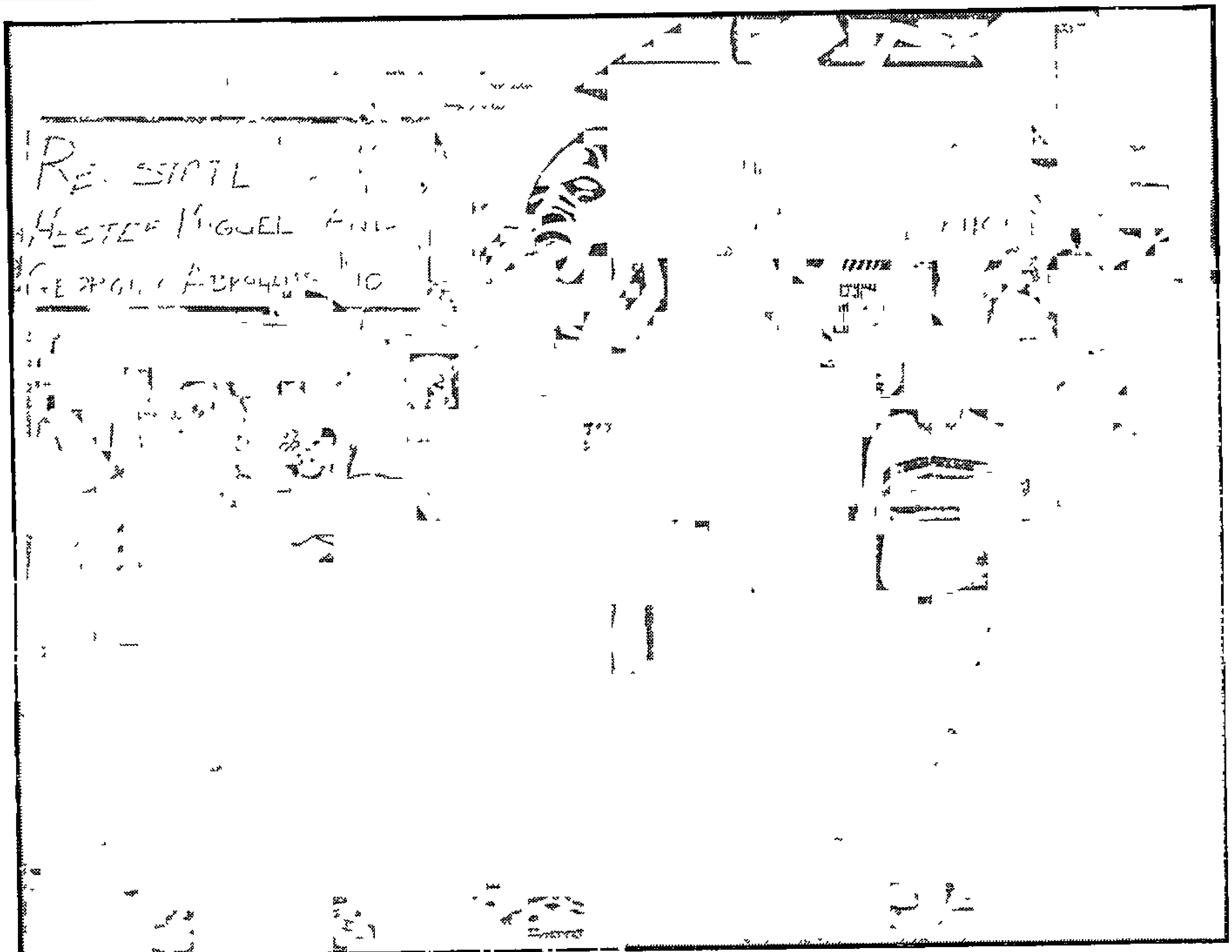
Staff Reporter (186)

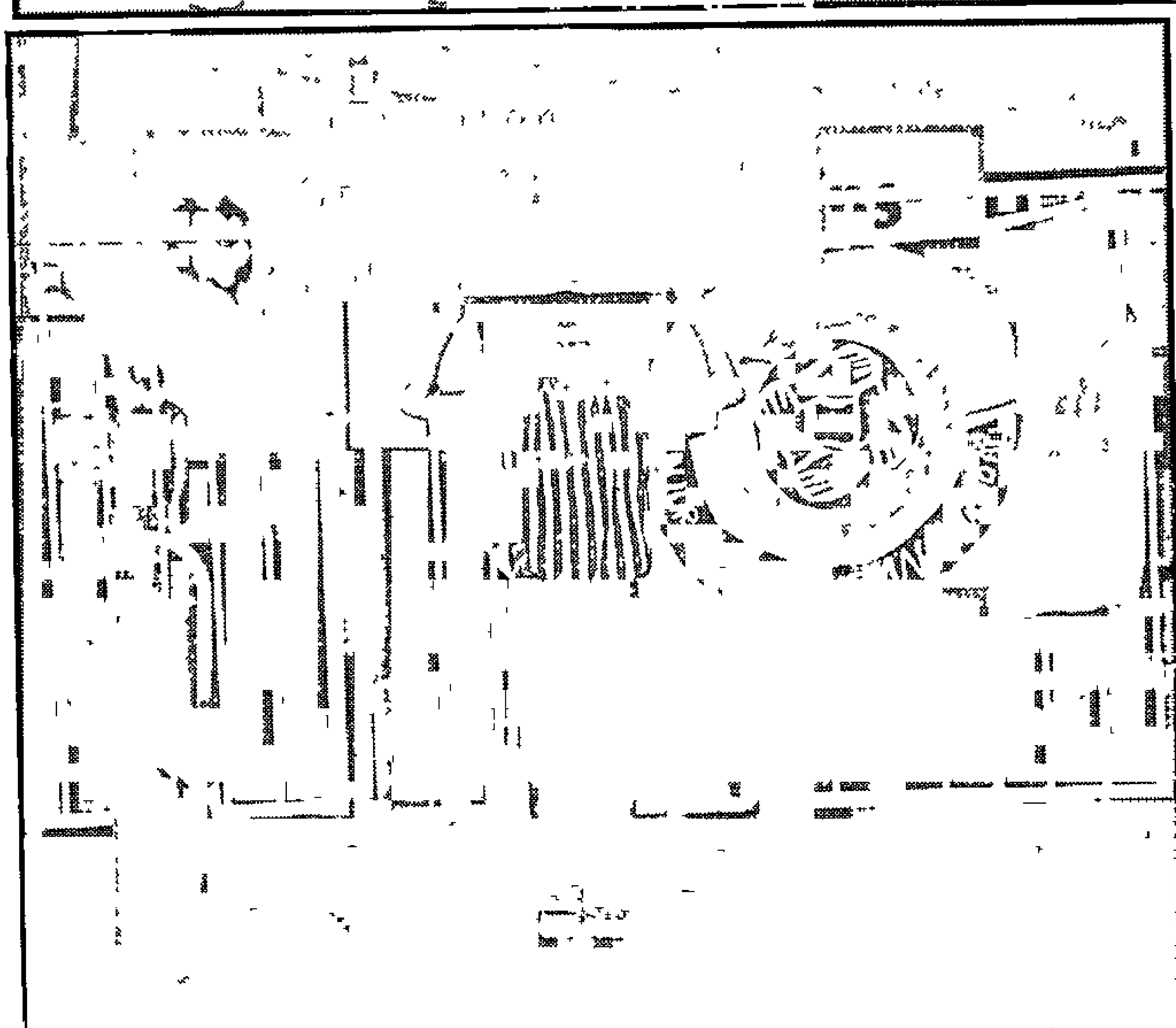
About 1 000 employees of the South African Dried Fruit Co-Op (SAD) — 350 of them from the Western Cape — are striking for higher wages.

The Food and Allied Workers Union (Fawu) members are seeking an 18 percent pay increase. They have been offered 13 percent.

The national strike — the first legal strike at SAD — was proceeding peacefully, a SAD spokesman said.

ARG 31/1/95





Workers on strike over 'witch-hunt'

186

Pictures LEON MULLER, Weekend Argus

□ **ON STRIKE** Food and Allied Workers Union members employed by the Simba Group have been on strike since Monday over allegations that the company conducted a clandestine witch-hunt against workers in an attempt to root out theft The company claimed to have smashed a theft ring and dismissed several workers as a result But, the workers claimed their dismissed colleagues were dismissed without evidence, and demanded their reinstatement The workers are also demanding the "removal" of manager Paul du Plessis, on whose orders the witch-hunt was allegedly conducted ARG 28/1/95

Workers on strike over 'witch-hunt'

ROGER FRIEDMAN, Labour Reporter

FOOD and Allied Workers Union (Fawu) members employed by the Simba group are on strike because they say the company refused to reinstate workers dismissed after an alleged undercover witch-hunt (186)

The company also refused to accede to the union's demand that they "remove" the risk control manager, who apparently ordered the witch-hunt, the union said yesterday ARG 24/1/95

According to Simba, the surveillance operation was a success and a theft ring, which included sub-contracted security staff, was smashed.

Regional director Ray Priestly said today that the strike — which started yesterday — was being viewed as "unprocedural"

The company was concerned that last week's strike ballot was rigged

The union had refused to make its strike ballot register available for scrutiny

"We have offered mediation and are waiting for the union's response," he said

Mr Priestly said the company had offered to go into arbitration last week but the union had refused.

Firing the risk control manager would constitute an unfair labour practice.

According to Fawu, two of its members were dismissed on the balance of probabilities

Workers did not condone theft but resented the "clandestine methods of surveillance" employed by Simba

Firm and union in deal on contract workers

(186) ARG 13/1/95

ROGER FRIEDMAN
Labour Reporter

THE Food and Allied Workers Union (Fawu) and a Goodwood potato chip manufacturer seem to have avoided clashing in court over the company's plan to fire contract workers and hire temporary staff through an employment brokerage

The parties met their lawyers yesterday after the union's lawyers fired off a letter giving Brass Ladle Foods three days to reverse its decision to dismiss 21 workers or face interdictory proceedings in the Industrial Court

Its refusal to grant permanent employee status to the 21 workers was an unfair labour practice, Brass Ladle Foods was told

"We regard your conduct in threatening to terminate the service of the 21 so-called casual employees as not only compounding the unfair labour practice but also as a criminal offence"

A similar letter was addressed to employment brokerage Status Personnel, which the company had approached to supply temporary labour from February 1

By helping Brass Ladle Foods in "committing an offence in terms of the Labour Relations Act", Status would have "knowingly committed a delict" against the Fawu members and could be liable for damages

Last week the owners of Brass Ladle Foods said they could not afford costly litigation and if Fawu proceeded with legal action, they threatened to warn off potential foreign investors by telling international media what "investing here entails"

But a meeting between the union and company in the presence of a local industrial relations firm seems to have settled their differences

The company agreed to reconsider its position and offer full-time employment to at least some of the workers who faced the axe The company also recognised the principle of union organisation

In return, the union agreed to suspend legal action and withdraw its conciliation board application The union also agreed that chip making was a seasonal business and that some of the contract workers would not be employed permanently but have their contracts extended

The final details of the agreement will be thrashed out at a follow-up meeting on January 24

Company co-owner André Maart declared himself "absolutely happy" with the agreement, while Fawu could not be contacted for comment

Job-seekers barred

(186) Sowetan 2/3/95

By Mokgadi Pela

THE Rand Supreme Court has made a final order barring job-seekers at New Age Beverages's Germiston plant from harassing or intimidating company personnel in the operation of their business

The order lays to rest the long battle between hundreds of job-seekers who have insisted on being employed on their own terms by the company

The company has said it reserves the right to employ whoever it chooses in line with set criteria

Makenna, Serobe and Partners, who represented New Age in the matter, said if the job-seekers ventured within 500 metres of the company premises, they would be in contempt of court

The court order further states that job-seekers should desist from harassing and intimidating people contracted to New Age to deliver its products On January 19 a large group of job-seekers prevented New Age employees from entering the company's Germiston south plant

At the time company chief executive Mr Khehla Samuel Mthembu said "They tried to storm our premises They stopped our trucks from entering or leaving the depot. We are bound to suspect, along with everybody else, that there is a concerted effort by powerful forces to sabotage this black initiative "

The job-seekers' action contradicted an agreement signed by both parties and mediated by the Independent Mediation Services of South Africa The job-seekers undertook not to interfere with the operations or obstruct access to the company premises by staff, customers, contractors or visitors

BUSINESS

Cadbury holds firm despite fall in sales

186 CRAN 8/3/95

■ BY CHARLOTTE MATHEWS
INVESTMENT EDITOR

Food and soft drinks giant Cadbury Schweppes grew its bottom line by 19,4 percent to R83,2 million in the year to December 1994 despite a decline in sales in the first half

An 18,1 percent growth in earnings a share to 231,2c brings the group's five-year compound growth rate to 22 percent a year, achieved in a period when all the group's principal markets were declining, chief executive Peter Bester said in an interview yesterday

Turnover for the year grew by 14,9 percent to R940,4 billion while operating profit was 10,8 percent higher at R91,8 million

This shows the operating margin down to 9,7 percent from 10,1 percent previously

Bester said the lower margin reflected difficult trading in 1994, with disruptions caused by public holidays, the general election and increased competition Margins were also squeezed by growth in exports at lower margins, but this was offset by the tax advantages

As a result of export concessions as well as the announcement of capitalisation shares which avoided Secondary Tax on Companies (STC), the group's tax rate for the period was 21,9 percent from 24,3 percent

Competition

Financing costs dropped by a third to R8,1 million, reflecting partly a repayment of debt which brought gearing down to 18 percent from 25 percent, and partly a restructuring of debt towards long-term rather than short-term repayment terms

Capitalisation shares, or a final cash dividend of 73c (62c) was declared, bringing the total cash dividend for the year to 93c from 80c

Bester said the group's activities were fairly evenly divided between confectionery and soft drinks and although the relationship fluctuated in the short term — in 1994 soft drink sales had been stronger than confectionery sales — over a 10-year period the two grew at the same rate

The advent of competitors in both of the group's markets in 1994 — Mars and Pepsi Cola — had not had a major impact on its market share

Pepsi Cola, although a formidable group likely to take a few percentage points of market share away from each competitor, was expected to stimulate the market overall

Bester said early signs were that the market would continue to grow off its low base and satisfactory growth in earnings was likely to be maintained in 1995

Cadbury Schweppes shares firmed 75c to R48 yesterday, putting them on a P E of 20,7 on the latest figures, close to the food sector average of 20

However, the shares have fallen sharply from a high of R61 last June

Cadswep overcomes decline in its markets

(186)

MARCIA KLEIN

CADBURY Schweppes (Cadswep) achieved an 18,1% increase in earnings to 231,2c (195,8c) a share in the year to December off a high base and despite a decline in the soft drink and confectionery markets in which it operates.

CE Peter Bester said the 14,9% rise in turnover to R940,4m (R818,4m) reflected improved trading conditions in the second half and higher export sales. Turnover was just 7% up at the interim stage.

He said the 10,8% growth in operating profit to R91,8m (R82,9m) was achieved in a competitive market.

Financing costs were slashed a third to R8,1m on the back of lower interest rates, improved cash generation from operations and cash retained from Cadsweps' previous capitalisation issue. This enabled the company to lift pretax profit 18,3% to R83,7m (R70,7m).

BD 8/3/95

Financial director John Buchanan said the tax rate benefited from higher export sales. This and an 11,3% increase in dividend income and equity-accounted earnings — from its interest in soft drink bottler ABI — saw it lift attributable earnings 19,4% to R83,2m (R69,7m).

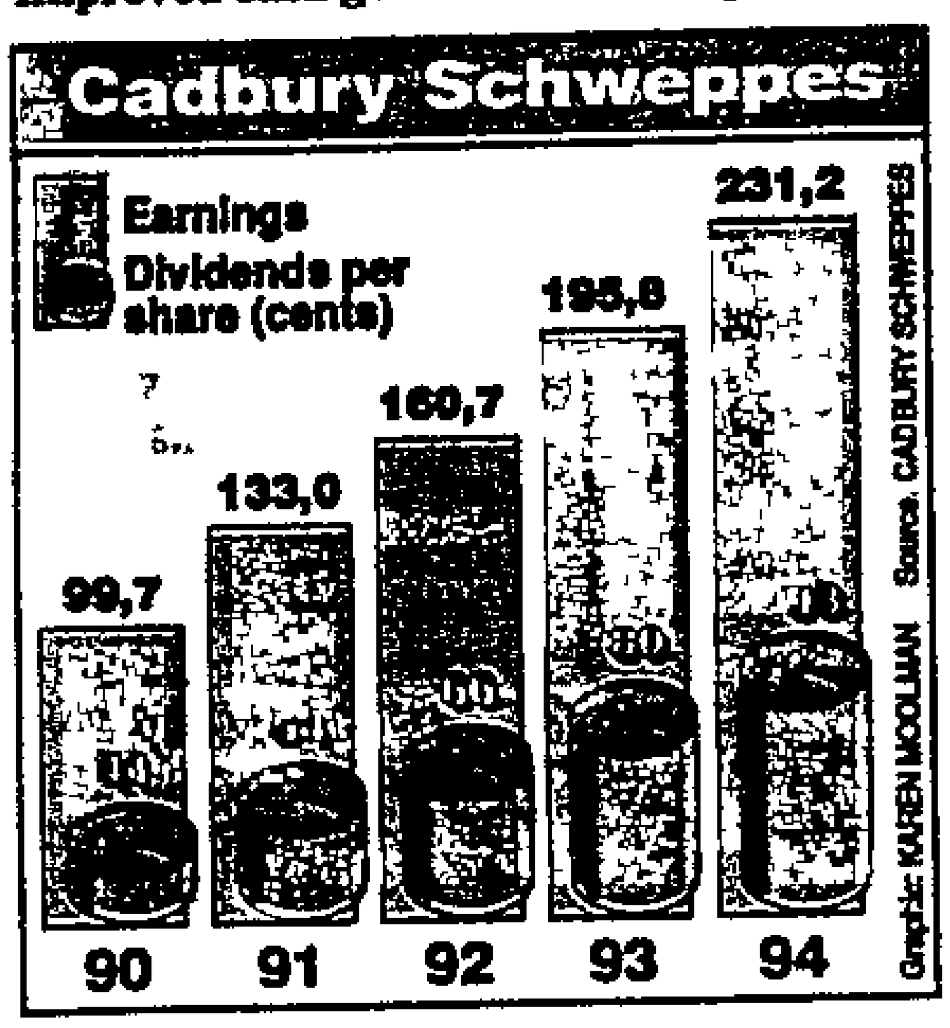
A final dividend of 73c a share would bring the full year dividend up 16,3% to 93c (80c). Shareholders have been offered a capitalisation share award in a move aimed at retaining cash resources.

Bester said the confectionery division had a difficult year.

The soft drinks businesses showed strong growth in the second half, and the growth in industry volumes was resumed.

Bester said Cadswep was budgeting for growth in the confectionery and soft drink markets, which had been under severe pressure for several years.

The company has achieved compound earnings growth of 22,2% over the past five years in a period when its markets have been in decline. Despite its long term performance record, the share has been languishing in recent months. Yesterday the share gained 75c or 1,5% to close at R48, just off its February low of R46,50 Cadswep was trading at R61 in June last year.



above their 300c l w at the end of February

lion's delayed reaction to Monday's currency turmoil, joined trial index was 20 points higher at 6598

maintain its momentum for the full financial year

Cadbury firm despite fall in sales

CT(BR) 8/3/95 (186)

By Charlotte Mathews
Investment Editor

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However, the shares have fallen sharply from a high of R61 last June

PETER BESTER *'Difficult trading conditions'*

Nestlé group to invest R600m in local operation

BD 9/3/95 MARCIA KLEIN (186)

SWISS food group Nestlé would invest R600m in its local subsidiary in the next three years in an effort to increase market share and boost exports.

The Financial Mail reported yesterday that half the investment would be offshore funds while half would be generated from local profits.

In the past three years, Nestlé invested R70m in the local company, whose products include Carnation, Crosse & Blackwell, Maggi, Rowntree and Lopis.

Chairman Helmut Maucher, who was in SA last week, said the investment would be aimed at increasing Nestlé South Africa's market share and seeing it become "a significant exporter into Africa, the Indian Ocean islands and the Middle East". The company would control sub-Saharan Africa, sourcing products locally and from other regional Nestlé factories.

Close to R100m would be spent on a milk powder factory in Harrismith. Corporate affairs manager Dave Upshon said a large portion of the extra production would be for export. The chocolate factories in East London and Maritzburg would be upgraded at a cost of R150m, and R20m would be spent on doubling production of the Maggi noodle factory.

Maucher said Nestlé South Africa was expected to double its current R2bn turnover by 2000.

CADBURY SCHWEPPES (186)

Fattening finals

FM 17/3/95

Despite shrinking volumes in the confectionery and soft drinks markets, Cadbury Schweppes has unwrapped highly satisfying profits.

Operating profit for 1994 is up 10% on the previous year to R91,8m. Attributable profit has increased 19,4% to R83,2m. Growth flows partly from better trading and partly from efficient cash management. Finance director John Buchanan says the group has cut financing costs, helped by lower interest rates, and generated more cash in the business. Last year's capitalisation issue bolstered the cash reserves and another optional award will be made this year.

SWEET STUFF

Year to	Jan 1 1994	Dec 31 1994
Turnover (Rm)	[illegible]	[illegible],4
Operating income (Rm)	[illegible]	[illegible]
Attributable (Rm)	[illegible]	[illegible]
Earnings (c)	[illegible]	[illegible]
Dividends (c)	[illegible]	[illegible]

The outlook for 1995 is much brighter Buchanan expects competition to be severe as the major producers fight for share in markets that are barely beginning to grow but he forecasts a strong recovery

"It has been a long time since we have seen such a severe reduction in the soft drinks market as has happened over the past two years," he says. Consumers tend to trade down from carbonated drinks to the squashes in bad times and Cadbury Schweppes has benefited from being in both markets — it has gained market share in the overall soft drinks market. It holds about a third of the total confectionery market, though its share of chocolate sales is slightly higher. Buchanan says the upturn in the industry this year is noticeable

At R47,50, the share is near its 12-month low This seems unfair given the group's achievements during the recession but perhaps its success has temporarily dimmed its allure Investors may see recovery stocks coming off a lower base as having better value because their growth is more dramatic "It is remarkable that we managed to get 22% growth over that period," says Buchanan.

If it is true that when the chips are down investors buy stocks for the quality of their management, this is a good choice There is a long way to go before this counter exceeds its worth.

Margaret Anne Halse

Del Monte to the fore

ARG 23/3/95 (186)

Deputy Business Editor

FOOD group Del Monte's rationalisation programme is bearing fruit and its South African operations are looking up after a difficult year, directors say in the annual report

Chairman Vivian Imerman and chief executive Graham Boustred expect better trading conditions this year

Last year was a tough one for the industry worldwide, they say, with suppliers slashing prices by up to 20 percent to maintain market share

But several markets showed strong growth Del Monte's sales volumes in France rose 26 percent, and in Sweden, where the Del Monte brand now holds 23 percent of the market, to 15 percent

The launch of Del Monte Iberia secured a 27 percent market share in Spain for the group

But results in Germany and Britain were disappointing

The group said pineapple prices had shown a marked recovery, though the continuing strength of the Kenyan and Philippine currencies was affecting hard currency margins for pineapple products

■ Toronto-listed mining and exploration company **Trillion Resources** is to take a 30 percent stake in Consolidated Mining in a R40 million deal

Initially, Trillion is to pay R14,4 million for 41 million new Cons Mining at 35c each and another R25,6 million for 9 million new shares in West Wits at 285c each

Cons Mining said the Trillion cash injection would assist the group's expansion plans Projects on the go included a major drilling programme in Mali and the assessment of a large copper deposit in Congo Brazzaville

■ **Condura Investment Corporation**, the holding company for TEK Electronics, will control the new R800 million group formed by the merger of Sankorp's electronic interests in Plessey Tellumat SA and TEK Electronics

The merger follows the sale of TEK's appliance interests, under the Defy brand, to Malbak and its Airco air conditioning business to management

Condura will change its name to Plescorp

Plessey Tellumat chief executive John Temple, who will be CE of Plescorp, said the merged group would have excellent growth prospects

There would be no staff reductions

The merger followed the restructuring of Plessey Tellumat into three core businesses Plesman, which is headed by MD John van Zyl and includes the Retreat factory, research and development and all management support services, Plesgem, under MD Alan Roy, which includes all general electronics, mining and defence interests and operates mainly from the Plessey/Laingsdale site in Plumstead, Cape Town and Plestel, under MD Rob Shaw, which includes all telecommunications activities

The fourth core activity of Plescorp would be provided by TEK Corporation, including TEK Electronics, under MD Gavin Thomson, which manufactures and distributes Telefunken TVs, M-Net decoders and Pioneer audio equipment The TEK factory is in East London

■ **Foschini** chairman Stanley Lewis has been appointed chairman of British clothing retailer Etam, succeeding Sir John Nott

Mr Lewis joined fellow Foschini Director Michael Lewis on the Board of Etam last year Both are on the board of Oceana Investment Company, Foschini Limited's associate company which has a 37 percet shareholding in Etam

■ Wool and mohair group **Gubb & Inggs** reported a 90 percent increase in shareholders' profits to R6,1 million in the six months to December, compared with the same period in 1993, on the back of a 149 percent hike in operating income

The dividend has been doubled to 40c, covered 7,5 times

Directors said processing facilities had maintained better volumes thanks to stronger demand for both wool and mohair

(186)

Del Monte seeks suitable groom for sweet bride

■ BY CHARLOTTE MATHEWS

SMN 23/3/95

Del Monte Royal Foods is looking for an appropriate international equity partner for Royal Beech-Nut to enhance the company's technological and brand development base in the confectionery sector, chief executive and chairman of Del Monte Royal Foods Vivian Imerman said.

In the group's latest annual report released this week Imerman said the group had considered a number of acquisition candidates, some of whom had been discarded, while others remained under consideration.

The opportunities for acquisitions, a partnership and the introduction of new products under the Del Monte label are the cornerstone of the company's policy of growing its profitability from its existing low cost base

Delfood earnings slightly up

MARCIA KLEIN

BRANDED foods group Del Monte Royal Foods (Delfood) has been cautious in its forecasts for the current financial year.

In the year to November, poor trading conditions, low pineapple prices and unfavourable exchange rates saw it report a marginal earnings rise to R210,1m on 10,6% higher turnover of R1,55bn.

In their joint chairmen's and CE's statement in the annual report, Vivian Imerman and Graham Boustred said trading conditions were improving, and pineapple prices had shown "a welcome recovery in recent months". But pineapple margins would remain under pressure unless there was a more realistic exchange rate for the Kenyan shilling (186)

They said global sales volumes of processed fruit had fallen sharply in the past few years, "and suppliers have had to reduce prices by as much as 20% in an effort to maintain market share".

The pressure on prices saw group sales show a marginal decline in unit value. This, and some unfavourable cost variances, had squeezed profit.

In reaction to these factors, Delfood embarked on a major rationalisation programme over the past two years which has brought savings to date to R33m.

A difficult year had been forecast for SA-based Royal Beech-Nut. But it showed sharp improvements in sales volumes in all its major brands.

Delfood had one of its best years ever in France, with a 26% rise in volumes and a significant improvement in profitability. In Scandinavia, trading improved after several years of decline, and prospects were good.

In Germany, Delfood lost all the gains achieved in the previous year. It had taken steps to correct the situation, and expected improved results in 1995 BD 23/3/95

Swiss franc hits Nestle

(186)

VEVEY — Nestle SA, the world's biggest food and drinks company, said yesterday that last year profit rose nearly 13% to Sf3,25bn ($2,8bn).

The Swiss multinational promised shareholders a 6% dividend hike to Sf26,50 a share, up from Sf25

The sale of Nestle's stake in the Cosmair cosmetics business to L'Oreal brought in a one-time capital gain of Sf306m. BD 24/3/95

By contrast, the strength of the Swiss franc, which makes exports more expensive on foreign markets, had a "very marked impact" on sales, Nestle said

The company announced earlier this year that sales in 1994 fell to Sf56,90bn, down from Sf57,49bn in 1993, largely because of the strong franc. Profit in 1993 stood at Sf2,89bn.

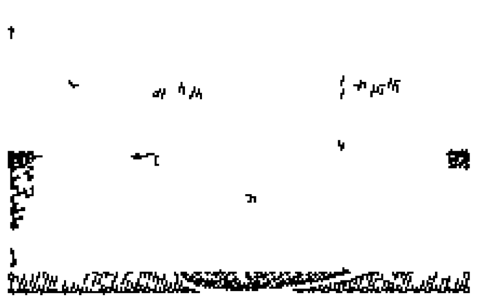
Food analysts voiced concern at the effect of the adverse currency movements on the company's performance "It appears that operating gains in the first half of 1994 were wiped out by currencies in the second," said Bank Sal Oppenheim analyst Frederick Hasslauer. — Sapa-AP.

PREMIER

In search of vision

(186) FM 24/3/95

Doug Band will be judged on how the declining core business is handled



Doug Band's inheritance as chairman and CE of Premier can't be the happiest He faces a host of problems, theft and fraud among them But the dilemma he least expected lies in Premier's core food business, milling, where it all began when Joffe Marks first started the company

There should be no mistaking the seriousness of the challenge Band's reputation precedes him, he is said to be a willing surgeon This time round, though, a lot is riding on his ability to coax and, if necessary, bully change out of a foods operation which has fallen on hard times

Premier's real problem is that it doesn't know what it is, because its principal shareholders are themselves unsure about what they want it to be

They — new investment holding company Johnnic (Johnnies Industrial Corporation) principally, but Liberty too — will deny this But the pattern of Premier's erratic growth, followed by reduction and then by growth again over two decades, points to a lack of direction It confirms the view that when Premier's legendary Joe Bloom died, the group lost its vision

This is important, because Premier now represents a major pillar on which rests Johnnic, which was recently spun out of mining house JCI

Johnnic is slated to be available for eventual purchase and control by black interests, as is JCI itself (though not its platinum operations) Premier's contribution to this is potentially vital And that leads, in turn, to an historical perspective

In the early Sixties, Bloom persuaded Garfield Weston, at the time the eccentric and controlling shareholder of Associated British Foods (ABF), to take control of the Premier group In effect, Bloom sold the control position to the UK's biggest flour miller and baker Given Sharpeville, the Jaffee and Bloom families probably figured they had cause to be thankful

Bloom remained securely in the Premier saddle He had nothing to worry about He delivered profits and growth as regularly as the morning paper No wonder Weston, who was said (perhaps apocryphally) to have frequently sacked the workforce of whole factories on a whim, left Bloom alone

The big change came when the financial rand was abolished in 1983 — for the first time That was when Tony Bloom, Joe's son and by then CE following his father's unexpected death, approached Anglo American with a scheme he said couldn't fail

It involved buying out ABF through the unified currency and giving Gary Weston, by now Garfield's successor, a windfall currency profit even he could not ignore (the price was R337m) Exit the Weston family (also, by the way, the casual owners of London's Fortnum & Mason)

However, the Bloom scheme involved rather more than simply buying out ABF It also entailed injecting the Anglo/JCI holding in SA Breweries into Premier Bloom, by now firmly supported by JCI chairman Gordon Waddell, persuaded Liberty's Donny Gordon to come to the party

The result was dramatic From being a food company with minor pharmaceutical interests, Premier suddenly became a massive industrial conglomerate which controlled one of SA's leading companies

There is more to this manoeuvre than meets the eye It also enraged Old Mutual chairman Johannes van der Horst, who resigned in a fury from the Anglo board More than one market observer now suggests the deal was part of a complex play to neutralise Mutual's growing power in the control structure of SA Breweries

Band *considering a few unkind cuts*

Another effect was to change radically the nature of Premier, making it a true investment holding company

But it also became clear, from an outraged and mortified SA Breweries CE Dick Goss, that Bloom had to stand down as chairman of Premier in favour of someone Goss would accept — in the event, no less a luminary than new Anglo chairman Gavin Relly In the end, not even that was enough for Goss, who went off to sulk wealthily with Sol Kerzner in Sun International, Kerzner having extracted the casino operations from Southern Sun for a snip

Six years later, the ball game changed again This time it was caused by Bloom's peremptory announcement that he intended emigrating, apparently for personal reasons "We know now," says a senior broker unkindly, "why he left The truth is Premier's performance left a lot to be desired Its earnings were about to fall out of bed"

And suddenly there was consensus that Premier was the wrong vehicle in which to park control of Breweries Premier's holding was lifted and stored in Bevcon, along the way, Liberty had accrued further shares in SAB so it became SAB's largest single shareholder Curiously, over one decade, one large life assurer has been replaced by another in controlling SAB

The effect on Premier was instantaneous. At one point it was a food company with a few other, substantially smaller, interests Then it became a massive investment conglomerate Now it was being shrunk again This is not the kind of tactical interplay which comforts long-term investors

Since then, running parallel with these developments, the group has been "grown" again Its manufacturing pharmaceutical interests have expanded and accounted for 24% of attributable earnings over financial 1994 (though the group's pharmaceutical distribution has been an unmitigated disaster)

Similarly, the purchase made by former group MD Gordon Utian of Metro Cash & Carry, when that company appeared to be on its knees, is now regarded as a stroke of genius

"I have to admit it," says Ed Hern Rudolph research analyst Syd Vianello, "it's been a roaring success I have to take my hat off to them"

The story of Premier's involvement in pharmaceutical distribution is less edifying Originally, the company took a stake in a small distribution company, run largely for the benefit of a group of Pretoria dispensing chemists, called Pretoria Wholesale Druggists It was moderately successful and could be developed, it was thought, into a profitable national wholesale business Wrong

As United Pharmaceutical Distributors

(UPD) encountered the twin difficulties of an economy slipping into recession and steadily increasing competition, so the decision was made to link up with the newest and most aggressive contestant, Norman Knight's Medical Cash & Carry

Former Premier chairman Peter Wrighton was forced to concede this turned out to be a bad deal "We've done some good ones (deals) and we've had those which haven't turned out so well This is definitely one of the latter"

Yes, it was Knight and his team chased market share, it seems at almost any price That was followed eventually — much too late — by a detailed investigation which pilloried everyone in sight from the auditors to the managers

Knight has subsequently been sequestrated and charged with six counts of fraud and theft totalling R40m The impact on Premier has been severe Among other actions it was forced to convert R275m into fixed interest-free subordinated loans, virtually an acknowledgment that the money is tied up for ever

"Effectively," says an analyst, "it's been sterilised Their chances of getting it back are close to zero"

This can't be said of Premier's excursion into the chicken business, which had all the makings of calamity but from which the group emerged smiling

Utian's portfolio included Farm Fare, which he promptly used as the vehicle for a merger with those run by Bokomo and Sacca to form Bonny Bird Premier held 50% of the new company

But it was a bad time for the broiler business Premier succeeded in selling the whole parcel to Rainbow along with a half share in Epol, the feed manufacturer already under severe pressure from Tiger's Meadow Feeds

"In retrospect," says a broker, "that must be the masterstroke of Utian's career Not only did he transfer all the problems associated with chicken production to the country's biggest operator, but he also neatly capped Tiger's aggressive expansion into this aspect of feeds"

Premier's real difficulties, however, lie in its food division, its original core business

A single line reveals the extent of the problem attributable earnings from Premier Foods fell from R108m in 1993 to R96,5m in 1994 and it is likely to be a lot worse this year

Milling has never been easy In SA, the difficulties are compounded by the existence of a single channel marketing system manipulated by the Maize Board and which levied an extraordinary differential charge on millers of R185 a ton in the 1993/1994 season And thereby hangs a tale

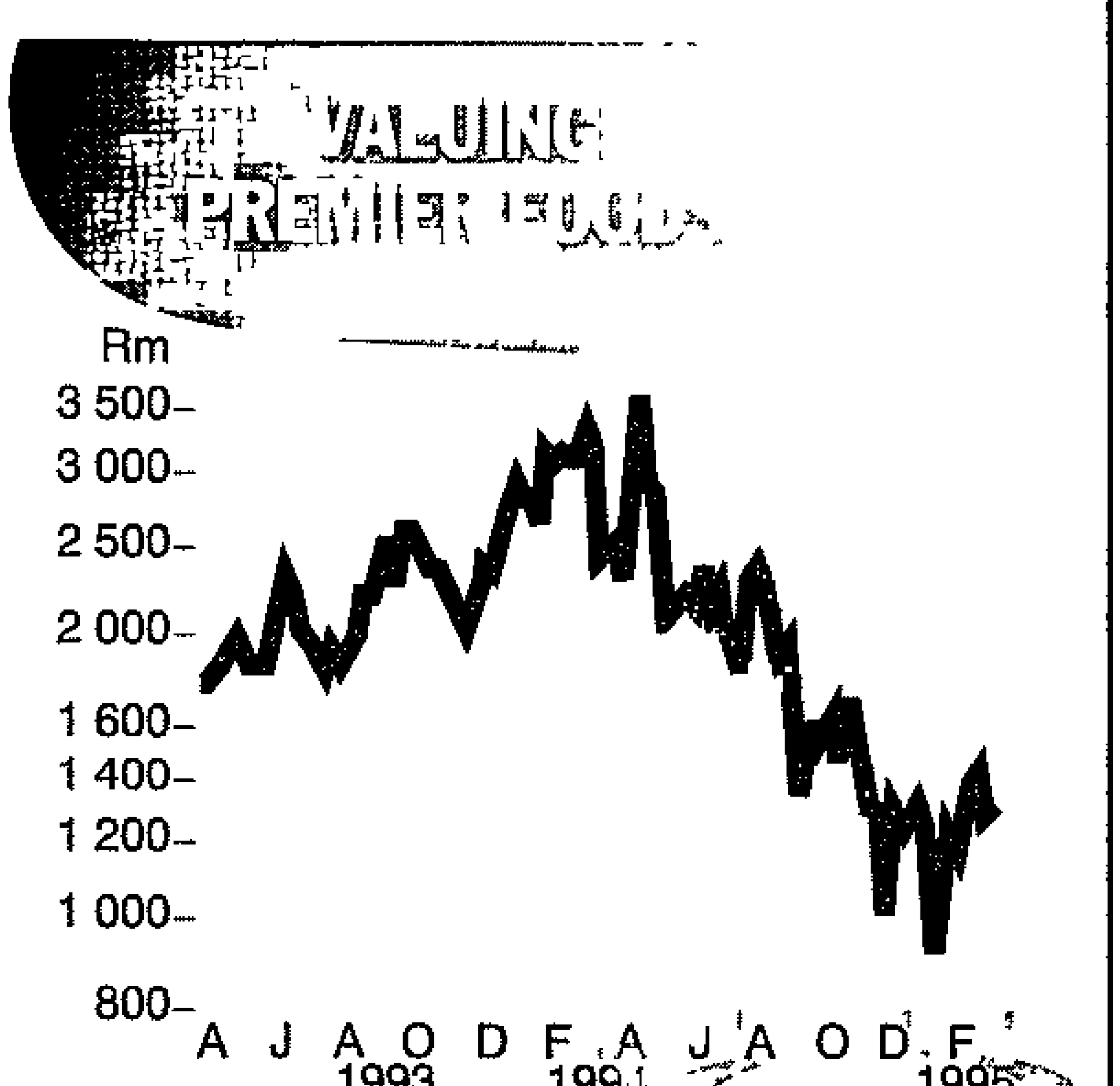
Technological innovation waits on no-one In the case of milling, recent advances have been so unusual they led to the invention of what is now called the "mini-mill" This is a milling facility small enough to be carried on a bakkie and operated by one man And the revolution it created was extensive

Utian

It enabled entrepreneurs, many of them farmers and including some black businessmen, to take advantage of an inherent, double weakness in the industry structure First, the capital and technical barriers to entry were effectively breached Second, the size of the Maize Board's levy — from which big players like Premier and Tiger could not escape — and its inability to police it adequately, invited challenge from small operators They could — and did — cock a snook at officialdom

In a plentiful maize growing season, small millers hitched up their mini-mills and roamed the countryside, buying rough maize wherever they could, processing it and selling it on, heavily discounted courtesy the Maize Board The quality may not have been up to Premier's and Tiger's excellence, but the discount in rural areas after years of recession counted for much more

The result was something approaching disaster for large business And it spelled the end for the Maize Board as then constituted A new factor this year is a pervasive drought, which means maize has become a rare commodity in rural areas It will have to be imported and millers will have to pay a uniform price to get their hands on it The mini-mills will be oiled and mothballed in barns this season



SOURCE I NET

For the rest, Premier's business is well constructed and spread between retail, entertainment and leisure — made up of its dominant interests in Clicks, CNA Gallo and Teltron (14% of attributable earnings in 1994), wholesaling — exclusively Metro — 18% of attributables last year This illustrates how important it is to Premier's future that Band and Utian get Foods right Last year, it provided 44% of the group's earnings base

Utian is now chairman of Premier Foods, which he is leading through yet another restructuring He is decentralising to the extent that individual businesses will become discrete profit centres, broken down into four businesses milling, baking, grocery products (Epic oils) and Bonnita, the group's successful and recently listed dairy operation

What is different now for Premier Foods — just as it is for its big rival, Tiger — is that the original core of the groups was concentrated in staples, for many decades areas of steady growth

No longer Added value is the key and the problem which awaits Utian, once he has trimmed the division and restored operating margins, is to change philosophy essentially, milling is a harvesting game He needs to reap the cash flows from milling and turn those into new, value added, high growth operations It is a tall order

Meanwhile, Band will superintend Premier's other businesses directly, all the while peering over Utian's shoulder at Foods And he has another problem which may seem minor but is highly symbolic the company's luxurious head office is out of place and size — Band's own office is large enough to double as a ballroom

Over 10 years, under Tony Bloom and then Peter Wrighton, Premier grew too big for its shoes and much of that was a chimera, put in place to satisfy the needs of disparate times and different managers It went exhaustingly from large to huge, to smaller, then to huge again

Inevitably — and even though the companies have actually become very different — comparison will be made with Tiger Oats if for no reason other than that closer parallels don't exist And the fact is that Tiger is once again rated by the market ahead of Premier

Still, any company with turnover of R14bn a year, attributable earnings of R259m and a market capitalisation of R4,3bn demands to be taken seriously Against that, however, Premier's share has retreated a third from its 12-month high of 775c Even at this level, though, the current p e of 17 may be too demanding, given the problems which have to be overcome

For Band and Utian, the next year will be particularly important A critical market is watching their every move *David Gleason*

Foodcorp eats up critics

CT(BR) 28/3/95 (18L)

By Charlotte Mathews

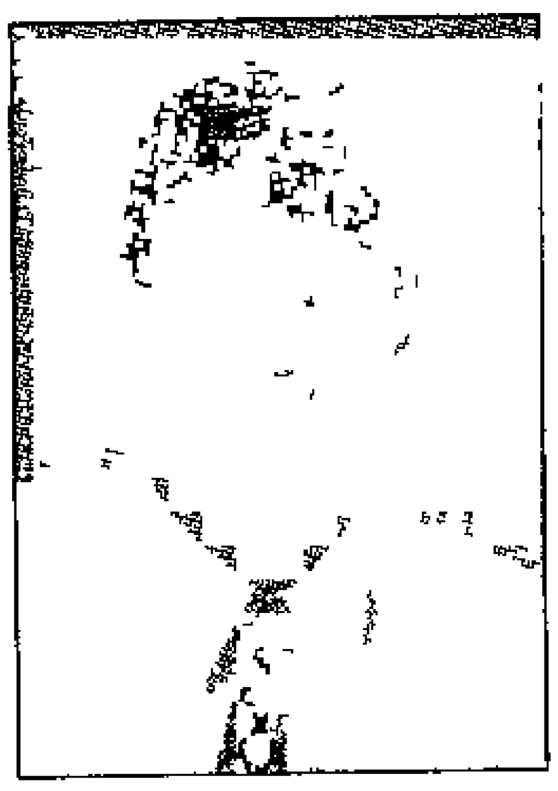
Investment Editor

Foodcorp, which is 75 percent owned by Malbak, has confounded analysts with an 18,5 percent improvement in attributable earnings to R56,3 million in the six months to February — well above market expectations

The main impetus for the increase came from higher volumes, coupled with tight control of expenses

Turnover grew by 19,3 percent to R1,6 billion and operating profit by 19,4 percent to R101,6 million, showing unchanged operating margins at 6,4 percent

Chief executive Dave Kennealy said gross margins had declined because of a sharp rise in input costs, but this had been offset by controlling expenses



Dave Kenneaiy, Foodcorp's group CE

Financing costs had risen sharply to R14,3 million from R9,7 million previously as a result of higher working capital requirements, and a tax payment of R51 million from R5 million in the same period last year

The tax rate was almost unchanged at 33,9 percent from 33,6 percent, and could have been even lower if the group had been able to issue capitalisation shares in lieu of dividends This was prevented by covenants in the company's debenture trust deed

The contribution to minority shareholders, mainly in bakery companies, declined to R1,4 million from R2,5 million

On fully diluted earnings per share of 105,8c (89,6c), a dividend of 27,0c (23,0c) was declared

Kennealy said the grain-based and edible oil operations, which consisted of Nola, Ruto and Sunbake, had all improved results, Nola had done particularly well

Agri-Business had also increased its contribution, while Marine Products' fishing operations in South Africa and Chile performed in line with expectations

Simba, the snack foods division, improved quality but held prices static, which resulted in increased market share and factory throughput Simba has not increased prices since September 1993, but Kennealy said this had not depressed profitability significantly since it was a high-margin product He believed there was still scope to grow the market and hold prices

Simba now has about 57 percent of the snack foods market

Disappointing results were declared by the joint venture operations — Enterprise, Pillsbury and the Cold Chain Enterprise was hit by the shortage of local pork, and had to import several months' supply at higher per ton cost and higher holding costs

Pillsbury, involved mainly in frozen vegetables, was affected by the need to buy in frozen vegetables at the end of calendar 1994 The Cold Chain, a joint venture with ICS, has been struggling to bring its operations in Gauteng under control

BIGGER AND BIGGER

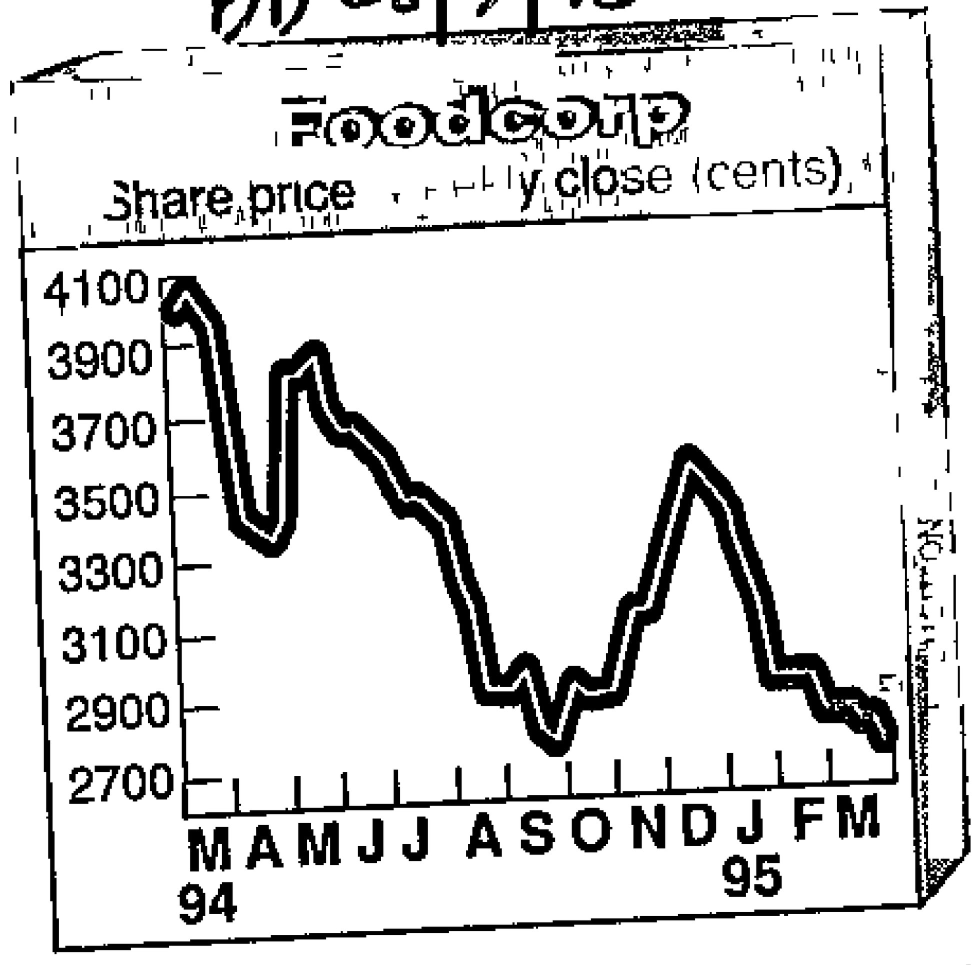
CELL MULTIPLICATION *Dee Gibbs, a Motorola executive, displays her company's products at Telkom '95 With 330 000 subscribers, South Africa is the world's fastest-growing cellphone market* PHOTO ETIENNE ROTHBART

Foodcorp beats all expectations

(186)

BD 28/3/95

MARCIA KLEIN



MALBAK's food group Foodcorp exceeded market expectations and its own forecasts with an 18,5% earnings rise to 116,5c (98,3c) a share in the six months to February.

CE Dave Kennealy said yesterday the results reflected particularly good performances by its grain-based and edible oil businesses — Nola, Ruto and Sunbake Its protein businesses and market share gains by Simba were also good, but its three joint ventures, Enterprise, Pillsbury and Cold Chain, performed poorly

Increased sales volumes and higher prices in most divisions, especially in the protein-based operations — saw turnover rise 19,3% to R1,58bn (R1,32bn)

Although higher input costs affected gross margins, tight control of expenses enabled the group to lift operating income 19,4% to R101,6m (R85,1m) The sharp rise in financing costs to R14,3m reflected higher interest rates and increased borrowings due to increased stock levels This, and a higher tax rate, saw taxed income grow 15,4% to R57,7m (R50m). After minorities, attributable earnings were 18,5% higher at R56,3m (R47,5m)

Foodcorp was unable to offer a capitalisation issue due to "certain covenants in the debenture trust deed", and so declared an interim cash dividend of 27c (23c) a share. Kennealy said a capitalisation award would have added 5% to earnings

☐ To Page 2

Foodcorp

(186) BD 28/3/95

☐ From Page 1

He said last year's restructuring of Simba had started producing dividends It had shown a large volume increase, and Ibis figures showed that it had a 57% share of the snack market. The agribusiness operation increased its contribution, and Marine Products' fishing operations were in line with expectations.

But the joint ventures were "disappointing". Kennealy said Enterprise's results were purely a reflection of raw material costs as it had to import pork "at considerable expense" due to a local shortage. The net effect was that although it did well in terms of sales volumes it could not maintain margins. The supply situation was now under control.

Pillsbury's results reflected lower volumes and competitive pricing. Kennealy said there had been management problems, and more marketing-orientated directors had been appointed.

The good performances of certain branches of the Cold Chain were dragged down by losses in Gauteng. Foodcorp did not manage this joint venture but had put pressure on management to sort it out.

Kennealy said there was still a major emphasis on exports, which made up about 7% of the group's business. Foodcorp would like to see exports at 10%. Earnings growth was put at 16%-19% for the year.

Foodcorp astounds analysts' forecasts

(186) Star 28/3/96

BY CHARLOTTE MATHEWS
INVESTMENT EDITOR

Foodcorp, which is 75 percent owned by Malbak, confounded analysts with an 18,5 percent improvement in attributable earnings to R56,3 million in the six months to February, well above market expectations.

The main impetus for the increase came from higher volumes coupled with tight control of expenses.

Turnover grew by 19,3 percent to R1,6 billion on which operating profit was up 19,4 percent at R101,6 million, showing operating margins unchanged at 6,4 percent. Foodcorp chief executive Dave Kennealy said gross margins declined because of a sharp rise in input costs but this was offset by control of expenses.

Financing costs rose sharply to R14,3 million from R9,7 million previously as a result of higher working capital requirements and a tax payment of R51 million from R5 million in the same period last year.

The tax rate was almost unchanged at 33,9 percent from 33,6 percent and could have been even lower if the group had been able to issue capitalisation shares in lieu of dividends.

The contribution to minority shareholders, which are mainly in bakery companies, declined to R1,4 million from R2,5 million. On fully diluted earnings a share of 105,8c (89,6c) a dividend of 27,0c (23,0c) was declared.

Dave Kennealy

Kennealy said the grain-based and edible oil operations, which consisted of Nola, Ruto and Sunbake All improved results, and Nola in particular had done exceptionally well. Agri-Business also increased its contribution while Marine Products' fishing operations in South Africa and Chile performed in line with expectations.

Simba, the snack foods division, improved quality but held prices static, which resulted in increased market share and factory throughput.

Disappointing results were declared by the joint venture operations Enterprise, Pillsbury and the Cold Chain.

Langeberg to restructure: Food processing group Langeberg is undergoing a restructuring which could see up to 20 percent of full-time staff no longer directly employed by the co-operative. Managing director Ray Brown confirmed the group's entire operation was being reassessed to see which functions could be out-sourced to make operations more cost-effective.

(186)

CT (BR) 3/4/95

186

Langeberg allays fear of mass sacking

CT 4/4/95

MAGGIE ROWLEY
DEPUTY BUSINESS EDITOR

THE fears of Langeberg staff that 20% of them might lose their jobs as a result of restructuring were allayed yesterday by group managing director Mr Ray Brown.

He said that of 2 800 full-time staff, 560 could be affected, but only two or three percent might actually lose their jobs.

The group was currently assessing all its operations from management downwards to see which functions could be "outsourced" to make them more cost-effective

Mr Brown said that in looking at the viability of "outsourcing" certain functions, they were considering, among other things, setting up certain staff members in their own businesses or employing them on a consultancy basis to carry out these functions

"Our main function, and one that we perform well and efficiently, is the processing and canning of fruit and vegetables, but that does not necessarily make us, for example, good transport managers," he said

"Every aspect of the value chain of our business is being looked at and assessed Where the value of the operations is outstripped by their cost, it will raise questions "

The process would take at least three months, Mr Brown said

Aussie franchiser chooses SA

CT(BR) 6/4/95 (18b)

By Shirley Jones

Staff Writer

Australia's second fastest growing company – Lenard's Chicken – has chosen South Africa for its first off-shore venture

South African partners Barry Hundley and Rob Clemo signed the deal in February

Lenard's has a network of 80 outlets in Australia South Africa was the obvious choice for Lenard's expansion because of cultural similarities

Hundley and Clemo opened their first store in Randburg in February this year The second opened in Pinetown last month

"The growing sophistication of South African consumers has created a gap in the market between fast foods and the limited pre-packed lines available in supermarkets, butcheries and delicatessens

Hundley expects a good response to this new retail concept

The market in black communities will be tested by providing samples from a mobile unit at strategic points

Although Hundley and Clemo's licence extends to the whole of Africa, except Egypt, they will develop the South African market first Once all is in place here, they will move north

Lenard's will concentrate on establishing franchises along the Durban-Pretoria axis Once there are more than 10 franchises, the operation will move to the Western Cape At the end of the year more than 100 outlets should be operating across the country

750 jobs

Considering that each outlet is likely to employ at least seven people, Hundley is confident this will create more than 750 jobs

Hundley says the Australian and South African parents will provide training The South African parent will police the system to see that franchises are run according to standard

Hundley says Lenard's will create opportunities across the business spectrum, from small businesses to major corporations

There will be spin-offs for the agricultural, food processing and building sectors

He says that as a value-added product, chicken has not been fully developed in South Africa and that Lenard's will have a significant effect on chicken consumption patterns and hence on the broiler industry

It is unlikely that Lenard's South Africa will be able to source its chicken from a single national supplier and has committed itself to drawing on regionally based sources, stimulating local industry

"Lenard's Stores will be better served by strong regionally based chicken producers

"Even then, the stores' specific requirements of three distinct weight ranges will create a market for smaller niche suppliers, thereby spreading the growth of opportunities

"Lenard's will draw on the whole local broiler industry rather than concentrating on one or a few large producers"

Rebuffed after approaching Rainbow as a supplier, Lenard's has appointed Chubby Chick in Potchefstroom and Early Bird Farms as its first suppliers, Hundley says

DEL MONTE GROUP

The battle continues

(186) FM 7/4/95

About the best that can be said of this food group in the Anglo American Corp stable is that it has stood still over financial 1994

Chairman Graham Boustred doesn't exactly carry a beacon of light for investors when he says· "We expect 1995 to be a disappointment too" This assessment is probably based as much on Boustred's obvious concern about the state of international currency rates as on anything

However, and despite that gloom — perhaps intentionally offered so as not to beguile shareholders — there is evidence that the group has made significant progress in low-key, low-visibility areas not easily discernible from the annual report of the three listed companies

The financial statements from Del Monte Royal Foods (Delfood) are sobering on the

Activities: *Markets well-established branded food products internationally*

Control: *Anglo American and Imerman family consortium*

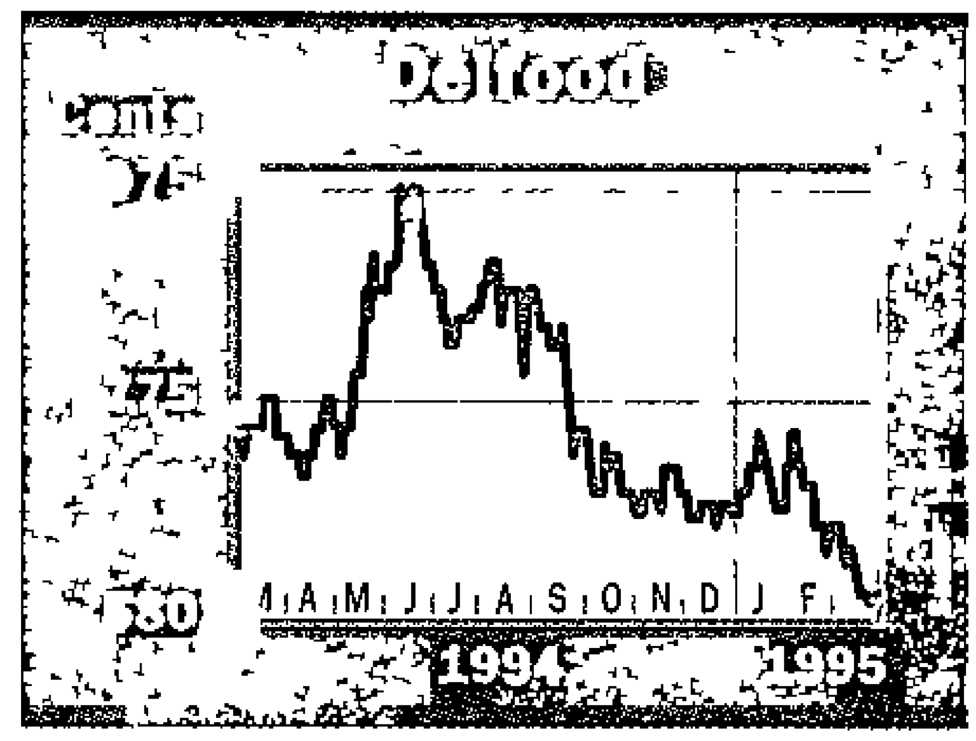
Chairman: *V S Imerman* COO E Sola*

Capital structure: *342m ords Market capitalisation R1,5bn*

Share market: *Price 625c Yields 3,4% on dividend, 9,8% on earnings, p e ratio, 10,2, cover, 2,9 12-month high, 1 000c, low, 595c Trading volume last quarter, 5,5m shares*

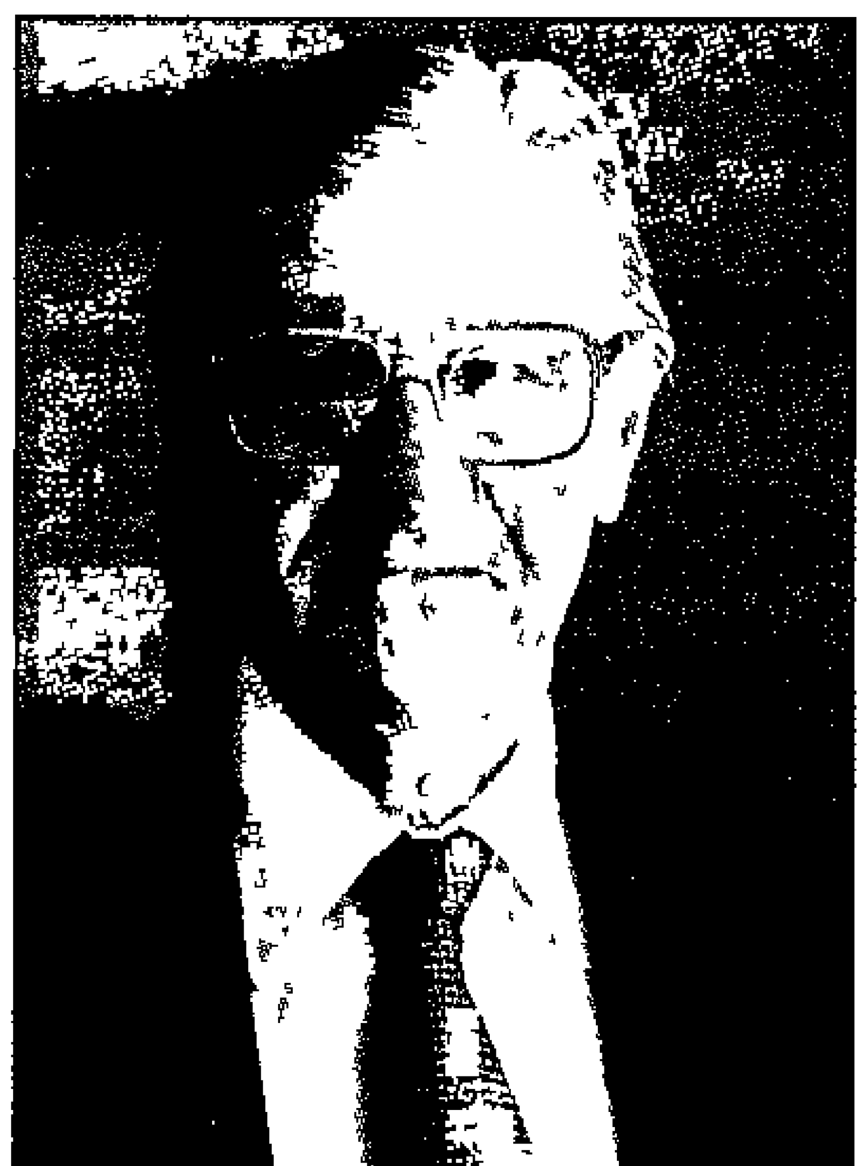
Year to November 30	'92	'93	'94
ST debt (Rm)	67,9	119,7	89,6
LT debt (Rm)	19,7	327,3	346,3
Debt equity ratio	0,41	0,15	0,13
Shareholders' interest	0,52	0,70	0,71
Int & leasing cover	4,9	8,5	5,7
Return on cap (%)	0,17	0,07	0,06
Turnover (Rm)	374	1 397	1 597
Pre-int profit (%)	67	264	249
Pre-int margin (%)	0,18	0,19	0,16
Earnings (c)	36,4	61,0	61,5
Dividends (c)	12,1	21,0	21,5
Tangible NAV (c)†	119	68,6	117

* W G Boustred is chairman of Del Monte Royal Holdings
† Trade marks excluded



surface Turnover improved 11% in rand terms to R1,55bn — modest enough However, the operating margin of 16% (operating income before interest and tax as a percentage of turnover) is high in the food industry It must be unlikely that Del Monte can squeeze more than another percentage point from this area Indeed, it has fallen marginally from 1993 — evidence of the intense competition in this business

The area of most pain is in the contribution of Delfood's associates this has fallen from R20,1m to R7,3m Principal causes for this abrupt decline are the strengths of the Filipino peso and substantially weaker pineapple prices



Boustred *expects 1995 to be disappointing, too*

Another factor impairing profitability has been the extraordinary strength of the Kenyan shilling Both countries are important suppliers of pineapples to Delfood, Kenya more so In the Philippines, the currency has retreated to its previous low against the US dollar and some commentators say it will now plummet

That isn't so for Kenya where the currency remains strong That has its source, at last partially, in the massive inflow of fund capital into Kenyan government bonds The effect last year was to reward speculators with high capital gains (said to be about 45%) together with handsome interest payments of around 25% Understandably, Delfood's managers can't wait for this bubble to be pricked

Del Monte's business is to buy in fine quality food products from independent sources — as well as its own, directly owned suppliers — and to process these for sale, usually as canned goods in European supermarkets The Imerman family and Anglo took control of the European arm of the group in 1993

Unfortunately, the timing could not have been worse Bumper fruit crops over 1991-1992 meant canners bought more and processed more The result was a glut on European markets Producer prices plunged It was also an ideal opportunity for the large supermarkets to challenge brand names with their own labels

This has happened in many other packaged areas Indeed, a feature of the early Nineties has been the extent to which brand names have been attacked They make an easy target This is not exactly comforting for Delfood, its whole rationale is based around its name and the implied excellence of its product However, it is also true that in some markets, such as the UK, Monte brands on the shelves — hard against the supermarket's own product and at twice the price — have held their own That says something for customer loyalty bred out of long-established and consistent quality

An interesting conundrum is Delfood's policy towards the German market, long held out to be the key to success in Europe Delfood made a strong showing there in 1993, only to give away nearly all its gains in 1994 By contrast, the group read the French market accurately and made strong inroads So the question must be whether — given the unusual structure of the German market — it is worth persevering with Delfood managers confirm there are other, more lucrative areas waiting for development

Finally, there is the matter of the group's growth and whether this is to be by the slower organic method or by acquisition. Del Monte has been in talks with Swiss jam manufacturer Hero for about a year Boustred says Del Monte has been talking to a number of parties but declines to identify

Outlook 'better than ever' for Cadswep

(~~183~~) (186)

MARCIA KLEIN

THE outlook for Cadbury Schweppes (Cadswep) is "better than ever" with a stable political structure and signs of accelerating economic growth, CE Peter Bester said in the annual review

The soft drink and confectionery group reported a 19,4% rise in attributable profit to R83m on 14,9% higher turnover of R940m as problems in the confectionery division were more than offset by successes elsewhere

Bester said that although its major markets had suffered significant volume declines since 1990, Cadswep had delivered real earnings growth each year Its 22,2% compound growth over the past five years compared with the average annual growth of 4% by JSE-listed industrial companies

This was achieved because of its balanced portfolio of products and markets, the strength of its brands, its competitive ability and determination among employees to succeed. BD 12/4/95

Chairman Alan Clark said the export programme to Russia had been "highly successful" and there was a good increase in exports of other products, notably chewing gum, into Africa and other markets.

During the year Cadswep bought concentrated cordial drinks manufacturer Rodney's, whose sales volumes and trading profit had exceeded forecasts

Clark said there was "an above average potential for growth in our markets during the next few years" There would also be an intensification of competition, particularly from international brands.

Cadswep was expecting competition from abroad, but Clark said the group "has the resources and experience to successfully counteract competition".

There was potential for recovery in the confectionery division from the low base of financial 1994

CADBURY SCHWEPPES (186)

Sweet elation

FM 28/4/95

Activities: *Manufactures and markets confectionery and soft drinks*
Control: *Cadbury Schweppes Plc 55%*
Chairman: *A J L Clark MD P M Bester*
Capital structure: *36,1m ords Market capitalisation R1949m*
Share market: *Price 5400c Yields 1,7% on dividend, 4,3% on earnings, p e ratio, 23,4, cover, 2,5 12-month high, 6100c, low, 4650c Trading volume last quarter, 189 356 shares*

Year to December 31	'91	'92	'93	'94
ST debt (Rm)	13,8	35,8	57,9	17,8
LT debt (Rm)	46,9	35,9	8,6	40,0
Debt equity ratio	0,12	0,10	0,09	0,08
Shareholders' interest	0,67	0,71	0,74	0,73
Int & leasing cover	4,8	4,6	6,8	11,3
Return on cap (%)	9,8	8,8	9,5	9,9
Turnover (Rm)	610	724	818	940
Pre-int profit (Rm)	60,6	70,5	82,9	91,8
Pre-int margin (%)	9,9	9,7	10,0	9,8
Earnings (c)	134	161	196	231
Dividends (c)	54	66	80	93
Net worth (c)	1174	1613	1813	1883

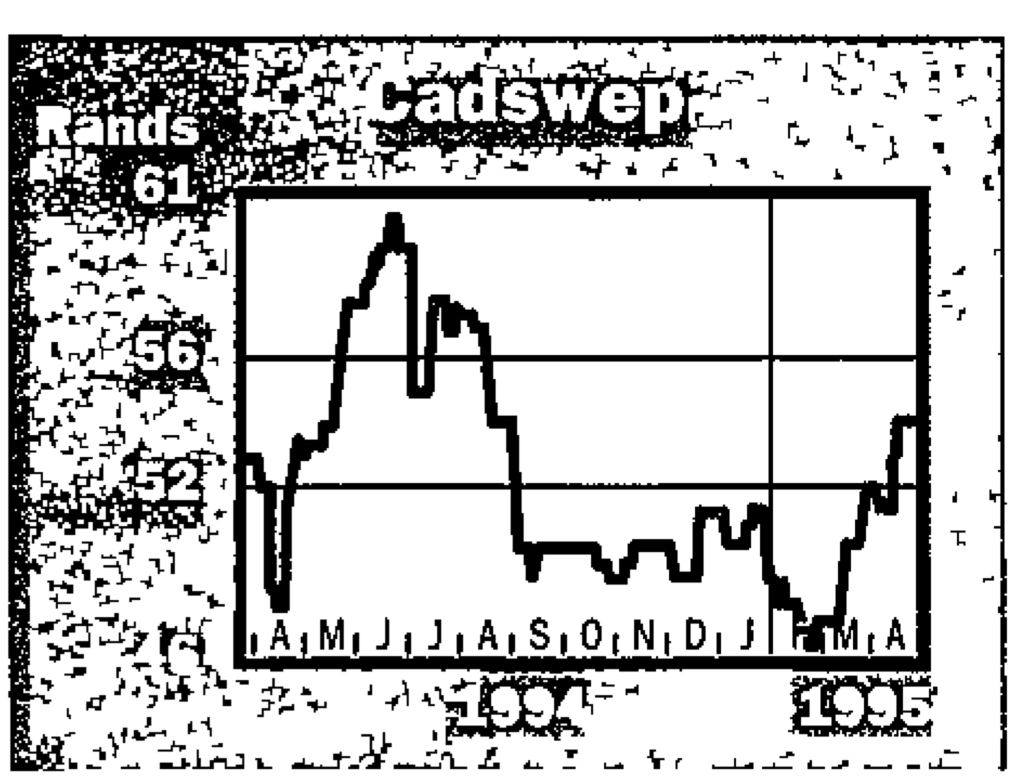
The reviews by chairman Alan Clark, CE Peter Bester and financial director John Buchanan reflect undisguised elation that Cadbury Schweppes has emerged from recession with its growth record intact

And not without reason Ahead of the elections last year there was obvious apprehension for the immediate future The forecast then was that the first six months were unlikely to produce any fireworks but conditions could improve in the second half depending on political developments

Significantly, it was not then clear that the confectionery division would continue to be plagued for much of the year by production difficulties at its Port Elizabeth plant — had management known, it would probably have been even less enthusiastic

In the event, fears that Cadswep would not be able to perform proved groundless Notwithstanding production difficulties and labour related production losses around the time of the election, first-half results nevertheless reflected 16% growth and this improved to 20% in the second half as earlier difficulties abated

The overall growth rate was just over 18%, down from 21,8% in 1993, but Buchanan can nevertheless report that the five-year compound improvement in nominal earnings is 22,2%, or real growth of 10,5% a year



The interesting point about 1994 results is the extent to which they were affected by meticulous attention to asset management Operational problems were reflected in an improvement of only 11% in pre-interest profit on a 15% turnover gain However, a significant reduction in average debt — which can only have come about through careful cash management — yielded a one-third saving in net finance charges even though year-end borrowings (net of cash) are not much different from 1993's


Bester *bubbling over at record growth figures*

These interest savings boosted pre-tax profit growth to 18,3%, much in line with the bottom line But between these two points there was another hurdle to be overcome, in sharply lower growth in income from associate ABI, whose contribution rose only 11% This, however, was offset by a lower effective tax rate, attributable in part to Cadswep having joined the scrip dividend bandwagon which eliminated any liability for STC

The dichotomy within the group is reflected in the fact that Cadswep without ABI achieved earnings growth of almost 22% despite the underperformance of the confectionery division, roughly double ABI's gain ABI's contribution to Cadswep's bottom line consequently declined from 23,1% to 21,5%

The fact that Cadswep itself was able to maintain satisfactory growth despite production and trading difficulties goes a long way to explain management's confidence that the group is about to enter an accelerated growth phase For one thing, Clark points out that it is fairly unusual for the confectionery and soft drink markets to decline in real terms, as they have since 1989 (confectionery more so than the soft drink sector), but, with the economy improving and after last year's fundamental environmental changes, this adverse trend should start to reverse

This year's results should also benefit as the confectionery division progressively overcomes production difficulties which, at times, caused stock shortages and thus loss of market share Clark comments that recovery potential here is significant

Though there is no specific forecast, indications are that Cadswep should be able to better its five-year annual growth rate of 22% which, coupled with lower inflation than during that period, could yield a real earnings improvement of as much as 15%

Despite this potential, the market still seems to be a bit ambivalent about the share which, at R54, is almost exactly midway between its 12-month high of R61 last June and the recent low of R46,50 The year-on-year gain is only 7% well short of the improvements in earnings and dividends, which means that, relatively, the share is now cheaper than before the elections even though the outlook appears to have improved materially

The best that can be said about this is that Cadswep has outperformed the Food sector (where it is listed), where the deterioration in yields has been even more marked Cadswep's premium to the sector, based on earnings, has in fact widened from 32% a year ago to 36%, which at least indicates that the market has given some recognition to performance, even though this is hard to see in the actual share price

Brian Thomson

SA EAGLE

This one needs courage

Activities: *Short-term insurance*
Control: *Eagle Star Insurance 58% Ultimate holding company is BAT Industries Plc*
Chairman: *C F Coates MD P T Martin*
Capital structure: *12,2m ords Market capitalisation R523,7m*
Share market: *Price R43 Yields 4,7% on dividend, 6,8% on earnings, p e ratio, 14,7, cover, 1,5 12-month high, R58, low, R43 Trading volume last quarter, 44 000 shares*

Year to December 31	'91	'92	'93	'94
Total assets (Rbn)	1,17	1,30	1,61	1,84
Solvency ratio (%)	90,1	94,5	117,2	100,4
Gross premiums (Rm)	882	905	1021	1313
Underwriting prof (Rm)	(0,8)	11 2	(4 9)	(134,7)
Investment inc (Rm)	90,4	79,8	78 6	140,3
Pre-tax profit (Rm)	82,0	87,3	73,8	5,6
ROE (%)	9,4	8,4	5,7	3,2
Earnings (c)	507	500	469	293
Dividends (c)	165	195	200	200
Tangible NAV (c)	5366	5934	8218	9047

It needs a brave investor to buy shares in a company which has declared pre-tax profits down from R74m to R6m, EPS reduced by more than a third and a massive underwriting loss which is largely the result of SA's high level of crime, particularly as this shows no sign of abating

Still, for anyone prepared to accept the risk which is an integral part of the short-term insurance industry, now could be the time to buy SA Eagle

The share price, at R43 trading at half NAV, has probably bottomed It may take some time for Eagle to get its income statement back into respectable order, but you can be sure that as soon as there is

Langeberg up despite taxes

EDWARD WEST 186

CAPE TOWN — Cape-based food processing group Langeberg Holdings' earnings increased 13% to 17,1c (15,1c) a share in the six months to end-March after general export incentive scheme taxation took a hefty bite out of profit 9/5/95

Sales volumes in core operations rose 8% as the group took advantage of improved trading locally and internationally, despite increased competition.

Turnover was 15,6% up at R429,8m Operating income, taking discontinued operations into account, was 26% up at R40,2m

Due to increased taxation, income was only 13% higher, at R27,3m.

Langeberg Holdings MD Ray Brown said profit growth was achieved locally as last year's rationalisation started to reach the bottom line He said the group maintained market share on the back of its brands, Koo and All Gold

Brown said prospects for the full year looked promising, with export realisations expected to show further improvement. Favourable local market trading was expected to continue

"The group's strong balance sheet should contribute to continued profit growth and despite the hefty increase in tax, full year earnings should reflect the group's improved profitability," he said.

Profit up 56% for Langeberg

(186)

By Francoise Botha

CT(BR) 8/5/95.

Staff Writer

Langeberg Holdings, a member of the Tiger Oats group, has reported a 56 percent increase in profit before tax of R42,8 million for the six months to end-March on the back of margin improvements

Following recent reports of proposed retrenchments and general rationalisation, Ray Brown, managing director of Langeberg Holdings said "We are going to continue to reduce our costs because we are world competitors"

A substantial increase in taxation has, however, reduced gains to a 13 percent improvement in net profit after tax

Taxation increased from R3,3 million for the corresponding period last year to R15,5 million as a result of GEIS being taxable from this year

Turnover increased by 15,6 percent to R429,8 million on sales growth of 8 percent, despite another period during which selling prices showed low increases

Earnings a share increased 13 percent to 17,1 cents

The group has declared an interim dividend of 4,5 cents a share

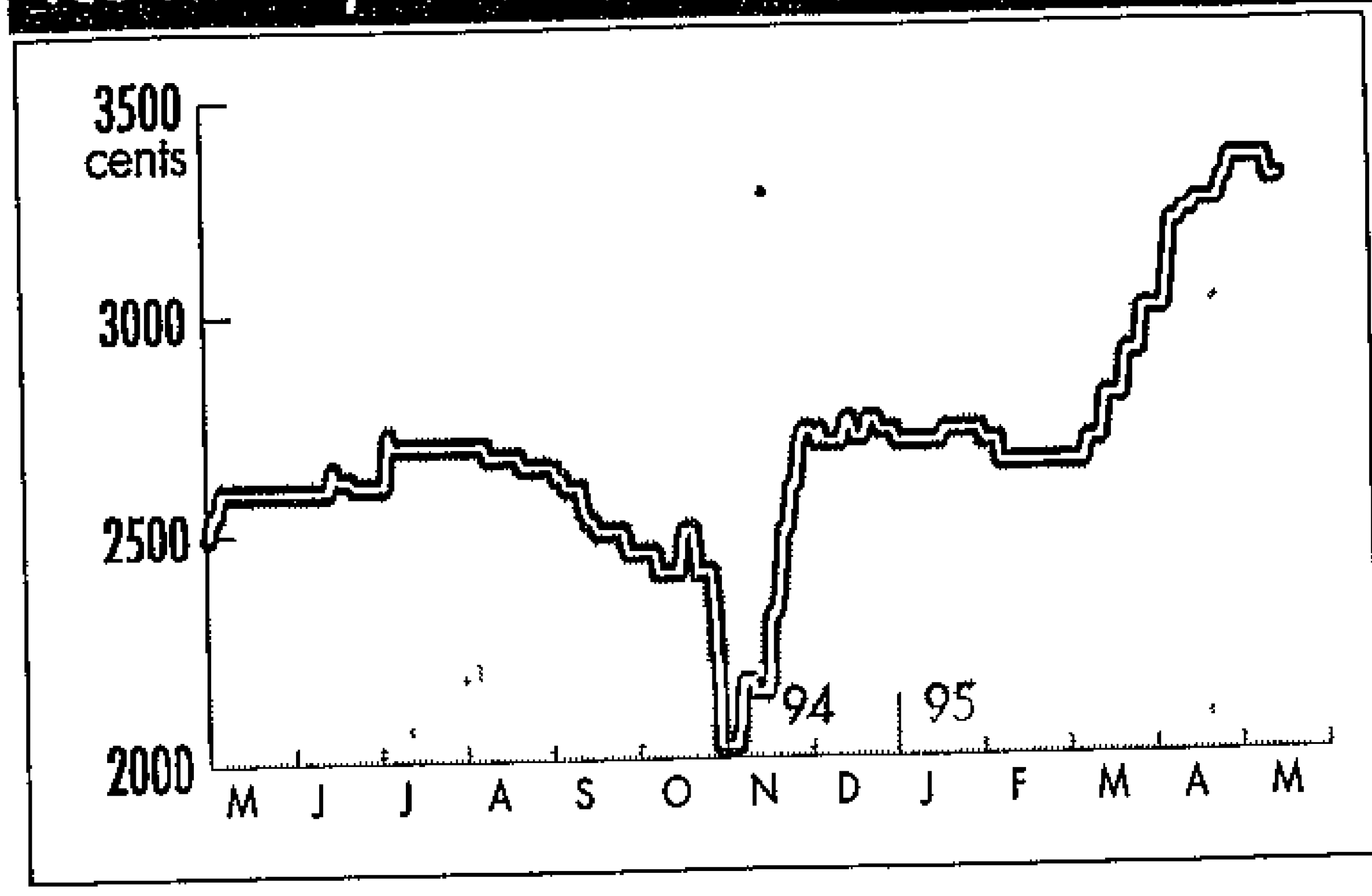
Brown added that despite the hefty increase in tax, full-year earnings should reflect the group's improved profitability

ICS achieves 66% surge in earnings

CT(BR) 15/5/95 (186)

By Charlotte Mathews
Investment Editor

ICS share price



Food group ICS Holdings continued the improvement evident at the September year-end by reporting a 66 percent surge in earnings a share to 144c (86,8c) in the six months to March compared with the same period last year

The directors attributed the improvement to the sale of the loss-making Clayville dairy and a good contribution from the poultry division However, they warned that the rate of growth in the second half of the year would be slower.

Turnover lifted by 9 percent to R1,5 billion Excluding the effects of the closure of Clayville dairy, it was 18 percent higher On operating margins at 6,3 percent from 4,0 percent a year previously, operating profit was R96,2 million

Gearing was steeper year on year, reflected in a rise in interest paid and a fall in interest received, but it was down from year-end to 6 percent from 22 percent The tax rate eased to 38 percent from 42 percent

Attributable earnings before extraordinary items were 66 percent better at R54,9 million, and were boosted by a R1,4 million net surplus on the disposal of properties The interim dividend was up by 50 percent to 27,0c (18,0c)

ICS MD Roy Smither said the group was "close to firing on all cylinders" Joint venture operations in general were beginning to make meaningful contributions

Earlybird Farm, the poultry business, benefited from farming and plant efficiencies as well as improved poultry prices, but higher feed prices are expected to have a negative effect on earnings later in the year

The dairy division did well, with a turnaround in the Cape Town fresh milk division, and the meat division moved ahead in general although tanning came under pressure The Cold Chain, a joint venture with Foodcorp, improved but was still below expectations

Enterprise Foods had a disappointing six months but Fedics and separately listed Sea Harvest performed well

The DairyMaid-Nestle joint venture had not fulfilled expectations because high capital investment was needed to secure its future markets

Smither said although results for the second half would not show the same rate of improvement, a meaningful increase in earnings for the full year was expected

ICS's performance beats expectations

186

BD 15/5/95

SAMANTHA SHARPE

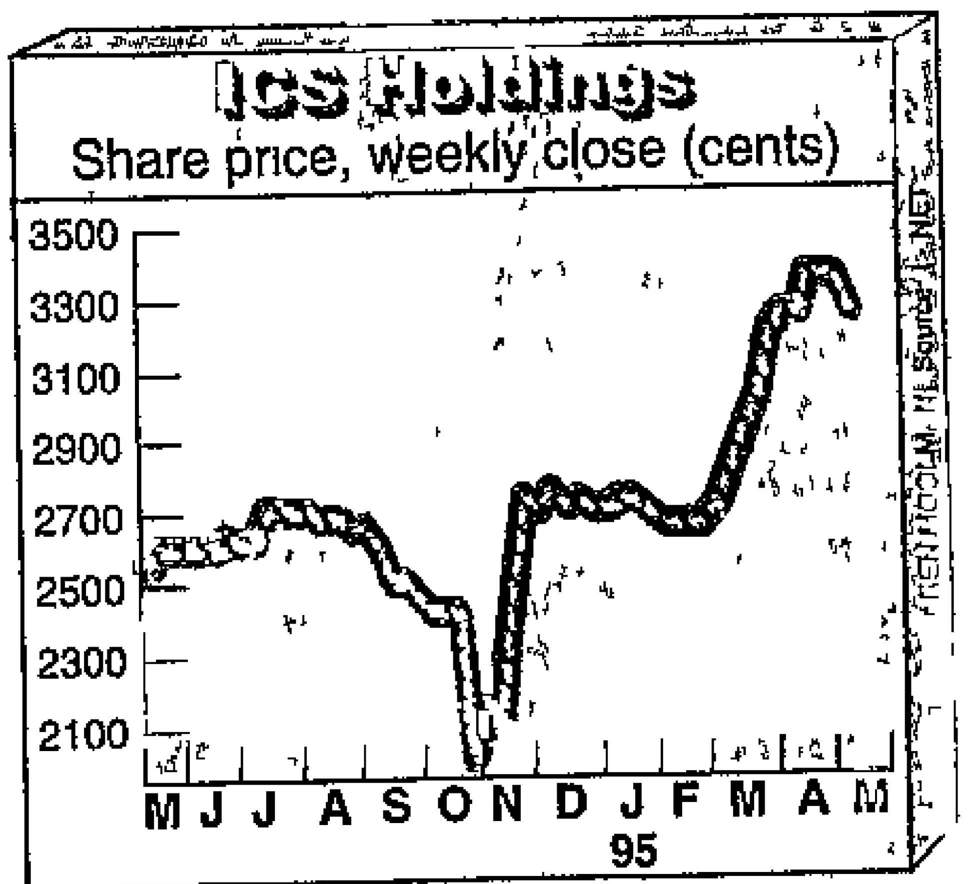
IMPROVED trading conditions, the fruits of earlier strategic initiatives and the sale of the loss-making Clayville dairy helped lift food group ICS Holdings' attributable income 66% to R54,87m for the six months to March

ICS MD Roy Smither said that while the results were "ahead of expectations", ICS would be unable to sustain the strong growth Earnings a share increased 66% to 144c, while dividends rose 50% to 27c

Turnover rose 9% to R1,5bn, but the elimination of the distortion caused by the sale of Clayville would have translated to an 18% increase in turnover, he said.

"The disposal of Clayville dairy had a major impact on the results, but there were good contributions from other sectors and the group is close to firing on all cylinders".

Operating profit before interest received soared 67% to R87,15m, with strong contributions from the poultry division a key factor behind the improved figure



Earlybird Farm, which operates the broiler activities, benefited from improved farming and plant efficiencies and from firmer poultry prices But industry deregulation and maize shortages led to higher feed prices, which were likely to

To Page 2

ICS

186

BD 15/5/95

From Page 1

have a negative impact on earnings later in the year

Profit, after a R35,74m tax charge, rose 69% to R57,48m A R1,4m extraordinary surplus was earned from the disposal of properties, which compared with an R8m extraordinary loss at the same time the previous year

Smither said Sea Harvest — listed separately — also performed well, with better catches, firmer markets and increased factory efficiencies contributing to a 26% increase in earnings

Also making good contributions were the dairy divisions, with the Cape Town fresh milk operation turning around strongly, and the meat divisions, although the tanning operations were put under pressure by raw material costs Fedics performed well in all areas

But while The Cold Chain showed an improvement on the previous period, its performance was below expectations. This was due to throughput shortfalls as a result of inadequate supplies of certain products

Enterprise Foods had also had a disappointing six months, mainly because of the high cost of pork, which was imported to counter shortages

Smither said the Dairy Maid-Nestle joint venture had not yet fulfilled expectations because of the high capital investment needed to secure its future markets

He said the net debt-equity ratio was down to 6% from the 22% at year-end "With this level of profitability and adept asset management, the returns for shareholders are substantially better"

While there would probably be a slowdown in the rate of growth in the second half, earnings for the full year should still show a meaningful increase

ICS close to firing on all cylinders, states MD

(186)

Star 15/5/95

GETTING rid of a loss-making subsidiary and increasing joint ventures improve the bottom line 66%.

■ BY CHARLOTTE MATHEWS
INVESTMENT EDITOR

Food group ICS Holdings continued the improvement evident at the September year end by reporting a 66% surge in earnings a share to 144c (86,8c) in the six months to March compared with the same period in 1994

The directors attributed the improvement to the sale of the loss-making Clayville dairy and a good contribution from the poultry division

However, they warned that the rate of growth in the second half of the year would be slower

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The Cold Chain, a joint venture with Foodcorp, improved but was still below expectations because of an inadequate supply of some products

Enterprise Foods had a disappointing six months mainly because of the high cost of pork but Fedics and separately-listed Sea Harvest performed well.

The DairyMaid-Nestle joint venture has not fulfilled expectations because high capital investment is needed to secure its future markets.

Smither said although results for the second half will not show the same rate of improvement, a meaningful increase in earnings for the full year is expected.

(186)

Tiger Oats lifts earnings by 25%

CT(BR) 17/5/95

By Charlotte Mathews

Investment Editor

Stronger consumer demand, benefits from the discontinuation of unprofitable businesses and attention to under-performing operations, helped food and pharmaceutical group Tiger Oats lift earnings by 25 percent to R222,7 million in the six months to March 1995, according to figures released yesterday.

Turnover was 12 percent higher at R6,1 billion, showing volume growth of only 3 percent, but operating income grew by 17 percent to R394,5 million This excluded the contribution from Oceana Fishing Group which is now proportionately consolidated, against 1994 when it was fully consolidated as a subsidiary

Tiger sold a 25,4 percent interest in Oceana for R64 million in the past year to a consortium of investors led by Real Africa Investments

The interest bill dropped to R7,4 million from R28 million as gearing on the balance sheet fell to 2 percent from 26 percent However, the tax rate rose to 35 percent from 32 percent

On earnings a share of 148c (118,6c), the dividend rose to 38,5c from 31c

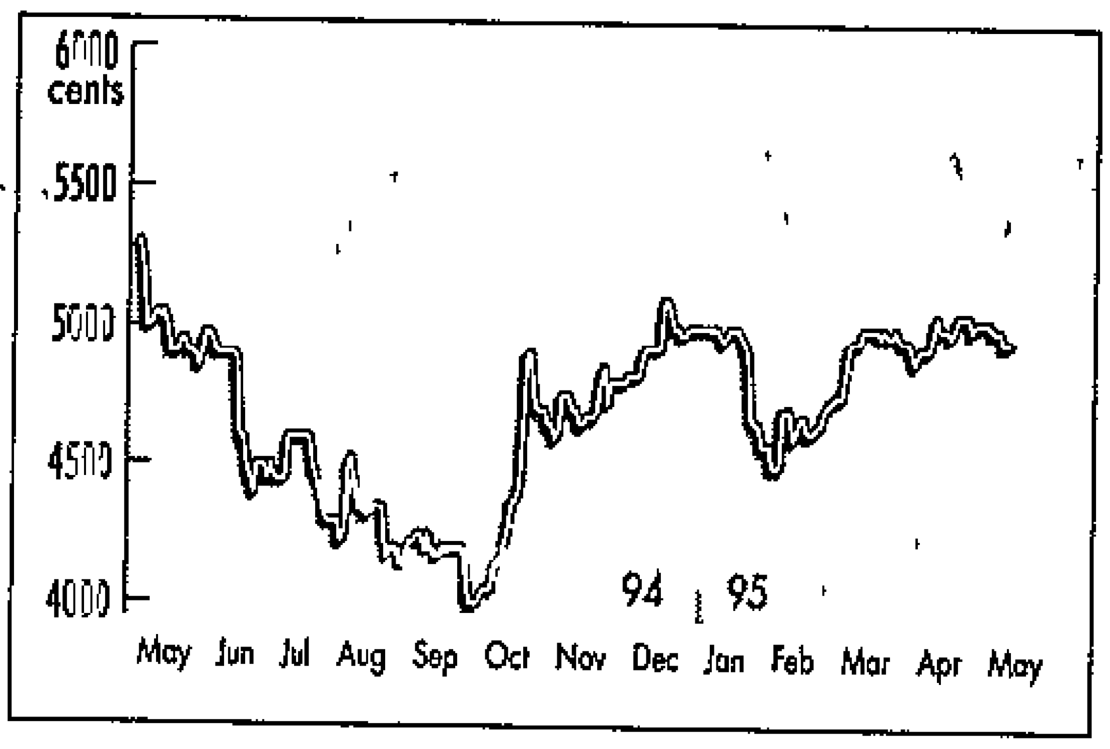
A divisional breakdown showed that the food division increased its contribution to the bottom line to 67 percent from 64 percent as its profits grew by 32 percent, while profits from the pharmaceutical division grew by 16 percent and the fishing division's contribution was static after the disposal of the stake in Oceana

Nick Dennis, the MD of Tiger Oats, said the results were ahead of expectations and were boosted by results from County Fair and Golden Lay, which were able to take advantage of the shortage of protein products

In wholesaling, Spar increased market share and animal feeds and Beacon Sweets performed well Improved trading conditions in international and domestic markets enabled Langeberg to increase earnings by 13 percent

But wheat milling performed below expectations and maize meal milling sustained a loss again this year.

Tiger Oats share price



([redacted]) CT(BR)17/5/95

Telkom told to consider options: The telecommunications minister, Pallo Jordan, has instructed Telkom to consider options to transform the company into a world-class, customer-driven company, including possible privatisation. Jordan said in parliament that the process of "identifying suitable opportunities for equity restructuring" was being guided by the Telkom board in liaison with himself, relevant cabinet committees and other stakeholders. No negotiations on equity restructuring were taking place yet.

Miners to mourn: All Gengold's miners will be given today off on full pay to mourn the victims of the Vaal Reefs disaster last week. Memorial services will be held on all the group's mines

Safety achievement: The Union Section at Rustenburg Platinum Mines is celebrating the achievement of 1 million death-free shifts This is the third time the mine has achieved millionaire status

Labour Relations Bill 'this year': The minister of labour, Tito Mboweni, has told the senate that he intends to get the draft Labour Relations Bill, currently being considered by Nedlac, before parliament this year despite pressing demands on time.

COMPANIES

(186) CT(BR)17/5/95

Tiger shows its oats: Tiger Oats has lifted earnings by 25 percent to R222,7 million in the six months to March 1995, according to figures released yesterday Turnover was 12 percent higher at R6,1 billion, showing volume growth of only 3 percent, but operating income grew by 17 percent to R394,5 million. On earnings a share of 148c (118,6c), the dividend rose to 38,5c from 31c. See next page

Medi-Clinic earnings rise: Medi-Clinic Corporation reported yesterday a 34 percent improvement in attributable earnings to R39,3 million (R29,4 million) for the year ended March 1995. Turnover rose 35 percent to R385,4 million (R284,7 million). Earnings a share grew by 26 percent to 27,4c a share (21,8c) while the group declared a final dividend of 6c a share (5,05c) resulting in a higher annual dividend of 8,5c (7,25c) See next page

Lufthansa halves losses: Deutsche Lufthansa, the parent company of the German airline, halved pre-tax losses to $26,3 million in the first quarter and said the outlook was bright except for the strength of the mark. The company also announced a dividend for last year, the first since 1989.

Sun in joint hotel venture: Southern Sun ([redacted]) has formed a joint venture with the huge Intercontinental group to run hotels throughout Africa From now on three hotels in the Southern Sun group — the Cape Sun, the Sandton Sun and Towers and the Beverly Hills Sun — will carry joint branding as Southern Sun-Intercontinental Hotels Africa. Intercontinental would put its nine hotels in Africa, including those in Nairobi and the Ivory Coast, into the joint venture See next page

CT(BR)17/5/95

Strikers arrested at factory (186)

ARGT 17/5/95

Staff Reporter

STRIKING Tastic Rice Corporation workers who ignored a Supreme Court restraining order were arrested today on the factory's premises.

The workers, members of the Food and Allied Workers' Union, said yesterday they would not heed the interdict obtained on Monday by management, preventing them from disrupting the company's business, as they felt the order was "unjust".

They first occupied the company's premises last Thursday after wage talks deadlocked.

The employees were demanding a nine percent increase, while management offered seven percent. After the interdict was obtained, the union shifted its demand back to 12 percent.

Yesterday, employees prevented casual workers from entering the factory and chased away an outside contractor wanting to load rice.

Union spokesman Derick Galloway said: "We don't accept the interdict." The strikers were prepared to go to jail

Last night police arrested a group of about 33 strikers on the premises and today the remaining 30-odd strikers were also arrested and removed.

The company recognised the strike as legal but said the striking workers had breached the terms of the long-standing recognition agreement "by occupying the company premises for four days, intimidating non-striking staff and forcibly preventing casual workers from entering the factory premises".

General manager Rob Spiller said that just as the strikers had a right to strike, management had a right to continue with the company's operation.

Shake-up helps boost Tiger Oats

(186)

Marcia Klein

BD 17/5/95

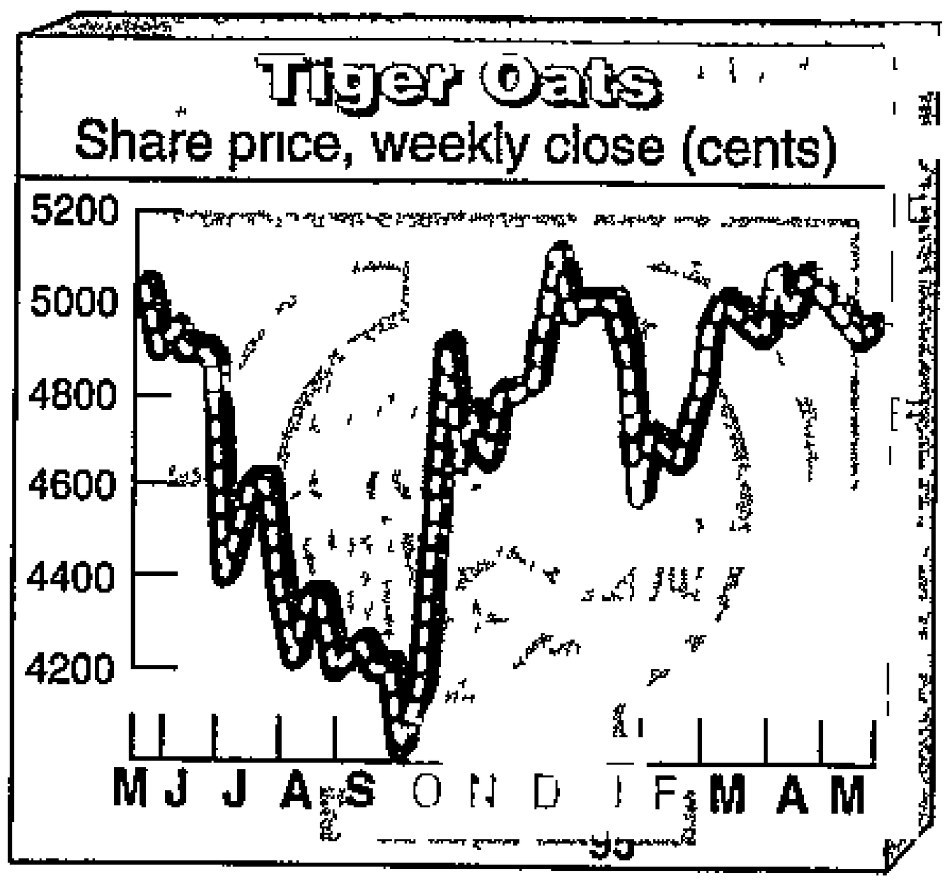
FOOD and pharmaceutical group Tiger Oats bucked its sluggish earnings trend of the past few years to report 25% growth in attributable income to R222,7m (R178,2m) in the six months to March

MD Nick Dennis said the benefits of restructuring and rationalisation had started to filter through to the bottom line

Turnover was 12% higher at R6,1bn (R5,4bn), although volume growth was only 3% for the period Operating income increased 17% to R394,5m (R337,1m), benefiting from strong consumer demand, the benefits of discontinuing unprofitable businesses and focusing on underperforming operations. Dennis said operating income would have increased 21% but for the R64m disposal of a 25,4% interest in Oceana Fishing Group to a Real Africa Investments-led consortium

Sharply lower net interest costs reflected lower borrowings and strong operational cash flow This saw pre-tax income rise 25% to R395,7m (R317,6m). However, a higher tax rate resulted in an 18% rise in taxed income to R255,9m (R217,3m) After associates and outside shareholders, earnings were 25% up at 148c (118,6c) a share A 24% higher interim dividend of 38,5c (31c) a share was declared

Food division Tiger Foods increased earnings 32% to contribute R150,1m or



67,4% of the bottom line. Wholesaling showed strong growth through market share gains by Spar and growth in the overall retail food sector.

The broiler and egg operations benefited from the shortage of protein products and internal restructuring, and the animal feed division and Beacon sweets reported good results. Langeberg increased earnings 13% as local and international trading conditions improved

Wheat milling operations performed below expectations and maize milling sustained a loss for the third successive year

Dennis said it was "a tragedy" the maize industry was in such a position so soon

Continued on Page 2

Shake-up boosts Tiger Oats

Continued from Page 1

(186)

BD 17/5/95

after deregulation. Tiger believed there should be total transparency in the industry and supported calls for a maize forum.

Although the free market system was "the preferable route", it was "regrettable that its introduction has coincided with the drought", Dennis said.

Pharmaceuticals increased their earnings 16% to R62,4m or 28% of the group's bottom line. Adcock Ingram reported earnings up 15% and Logos Pharmaceuticals continued to perform well.

Oceana Fishing, now accounted for as a joint venture, increased earnings 26%.

Dennis said the balance sheet remained strong, with net gearing at only 2% against 26% in March last year. Cash available from operations improved R210m through control of working capital. Although there had been "notable improvements" in a number of divisions, management would continue to focus on companies which were still underperforming.

Further good growth in earnings was expected for the full year.

CG Smith seems set for good year

CT(BR) 18/5/95 (186)

By Sudarsan Raghavan

Special Writer

This week's stellar earnings results from Nampac and Tiger Oats alone would have made parent CG Smith a company to watch for in the future

Yesterday's anouncement of solid six-month figures appear to confirm this expectation

"It's going to perform well for the year," said Steve Rubenstein, an analyst with Fergusson Brothers, who predicted CG Smith's earnings to grow by 25 percent this financial year

Other analysts had similar numbers in mind They said virtually all of CG Smith's subsidiaries have posted high growth figures

"They are all contributing to the top of the pyramid, namely CG Smith," said Mark Rule, an analyst with Frankel Pollak Vinderine

Since the spawning of Island View Holdings from a restructuring of Romatex last December, both firms have performed well Romatex's earnings doubled in the first six months to March 31.

CG Smith's food and pharmaceutical divisions have also posted good results Last week, Illovo Sugar announced half-year earnings a share of 26,5c compared with 5,4c in the previous six months

Food subsidiary ICS Holdings' earnings surged 66 percent in the first half as the share price this week soared to a new high of R29

Pharmaceutical arm Adcock Ingrams joined the rest of the pack with a strong six months to March 31, with increases in both earnings and dividends

CG Smith's shares closed 25c better at R21,25 yesterday, while CG Smith Foods ended unchanged at R61,00

CG Smith has benefited from a realignment of several of its subsidiaries, technological link ups with key international players such as the US-based Carnud Metal Box, and shedding of non-core businesses such as Clayville Diary

With the economy in an upswing, an astute management team, a booming market in commodity foods and a more favourable trading environment should help perk up earnings this year, analysts said

However analysts have questioned whether CG Smith's subsidiaries could do as well if they were unbundled, as their parent was once separated from Barlows

Whereas the smaller companies like Romatex and ICS could benefit from association with a parent like CG Smith, the bigger companies would be likely to perform even better on their own, another analyst asserted

"It's difficult to argue that CG Smith adds value to Tiger Oats and Nampac," said the analyst

Another challenge for consumer-orientated CG Smith was an overheating economy

Analysts said interest rates needed to rise to cool the economy down, which could sharply reduce consumer spending

In the next year or two, CG Smith could be looking overseas for growth, analysts said

With a national economic growth forecast of no higher than 3 percent next year and the year after, the company seemed unlikely to reach anywhere close to a 25 percent growth rate, analysts said

"There's a major drive (within CG Smith) to increase productivity and become globally competitive," said Rule

"There's not a lot of scope in the South African market to acquire"

The question is: Will CG Smith find another Tiger Oats or Nampac overseas?

WATCHING THE FUTURE *Nampak chairman Brian Connellan, CG Smith chairman Derek Cooper and CG Smith Food chairman Robbie Williams*

PHOTO JOHN WOODROOF

Sugar leads sweet company portents

~~Sowetan~~ (186) ST(BT) 21/5/95

PACIOLI

THE good times are here again, as company results continue to prove each week

One of the latest groups to report is CG Smith Its earnings for the six months to March were up 35% on the back of significantly improved performances from its interests which include Tiger Oats, Nampak, ICS, Illovo Sugar and Romatex

In addition to better trading conditions, CG Smith benefited from a partial recovery in the sugar crop Action taken over the past two years to address underperforming assets and further focus the group in the non-durable consumer market also paid off

A star performer was CG Smith's food group, ICS Holdings, which saw its interim earnings exceed expectations with a 66% jump to R54,9-million.

This growth is attributed to a better economic environment, the fruits of earlier strategic initiatives and the discontinuation of a loss-making dairy

Packaging group Nampak's attributable profits grew by 30% in the six months to end-March with volumes showing real growth for the first time in a number of years

The 21% rise in turnover to R2,9-billion was Nampak's highest since 1989 and represented a 10% volume increase

Nampak also benefited from productivity improvements, reduced net financing costs and a lower tax rate

Its dividend of 12c a share is 26% up on the previous interim period

Meanwhile, food and pharmaceutical group Tiger Oats is burning bright after a few dull years. It announced a 25% growth in attributable income to R222,7-million for the six months to end-March

It scored from restructuring and rationalisation, stronger consumer demand and attention to underperforming operations Turnover was 12% higher at R6,1-billion although volume growth for the period was 3% Its interim dividend, at 38,5c a share, was up 24%

Outside the CG Smith group, merchant bank Investec continued to charm the market Its earnings beat analysts' forecasts, surging 84,4% in the year to end-March It benefited from increased business volumes and higher interest earned on capital raised during the year.

Sound performances were enjoyed from all operations For the first time, a full set of results were included from Sechold which produced profits of R42-million for the nine months to end March — well up on its loss of R193,8-million in 1994.

It was the Investec group's 17th consecutive year of strong earnings and assets growth And its dividend was 30,4% higher at 150c a share

On the engineering side, Dorbyl reported a strong turnaround in the six months to end-March Attributable earnings leapt from R504 000 in its previous interim period to R59,9-million.

Ahead of these results, the share price has climbed from R12,50 in July to a high of R40 this week.

Dorbyl benefited from increased activity throughout the group and from the rationalisation of its contracting operations over the past few years.

Earnings a share for the six-month period of 184,5c is already far higher than the full-year figure of 51,5c for 1994. Interim dividend payments were resumed at 30c a share.

Meanwhile, healthier economic conditions appear to be allowing people to get sick in better style Hospitals group Medi-Clinic boosted earnings by 26% to 27,4c a share in the year to March on the back of higher occupancies and better-than-expected performances from some clinics.

A final dividend of 6c a share was declared, lifting the total distribution for the year, at 8,5c a share, by 17%.

Zilla Efrat

1995

Tariff barbs spike SA's canned fruit

ST(BT)21/5/95 (186)

THE phasing out of the General Export Incentive Scheme (Geis) by 1997 will hit Langeberg harder than most

Geis accounted for 41% of the canned fruit and vegetable producer's after-tax profits in 1995, but this will fall to just 4% by 1998, according to Ray Brown, managing director

Langeberg recently announced a 13% rise in net income to R27,3-million on an 11,6% increase in turnover to R429,8-million for the six months to March

The group exports 85-90% of its canned deciduous fruit output, most of which qualifies for category four Geis benefits Two years ago exporters qualifying for category four Geis benefits received 19% of the export value, but this has been chopped to 14% and is due to drop to 12% next year

Furthermore, Geis benefits are now taxable Mr Brown says Langeberg will pay close to the top marginal corporate tax rate of 35% for the financial year ending September

Having survived sanctions, South African canned

By CIARAN RYAN

deciduous fruit exporters face a new enemy — powerful but inefficient competitors in southern Europe

South African fruit and canned fruit exports are one of the great success stories of recent years, but the latter have been specifically excluded from the Generalised System of Preferences (GSP) agreements concluded last year with Japan, Europe, Canada and the US These GSP agreements allow thousands of South African products to be imported at low or no duty Canned deciduous fruit exports, however, attract duties of 24% in Europe, compared to certain machinery which attract little or no duties and also qualify for category four Geis benefits

Geis only partially compensates canned fruit exporters for such high duties, which are way out of line with the level of duties charged on other value-added exports

"I am willing to bet my last dollar that in the latest free trade agreement being negotiated with South Africa, Europe will again exclude canned deciduous fruit," says Mr Brown

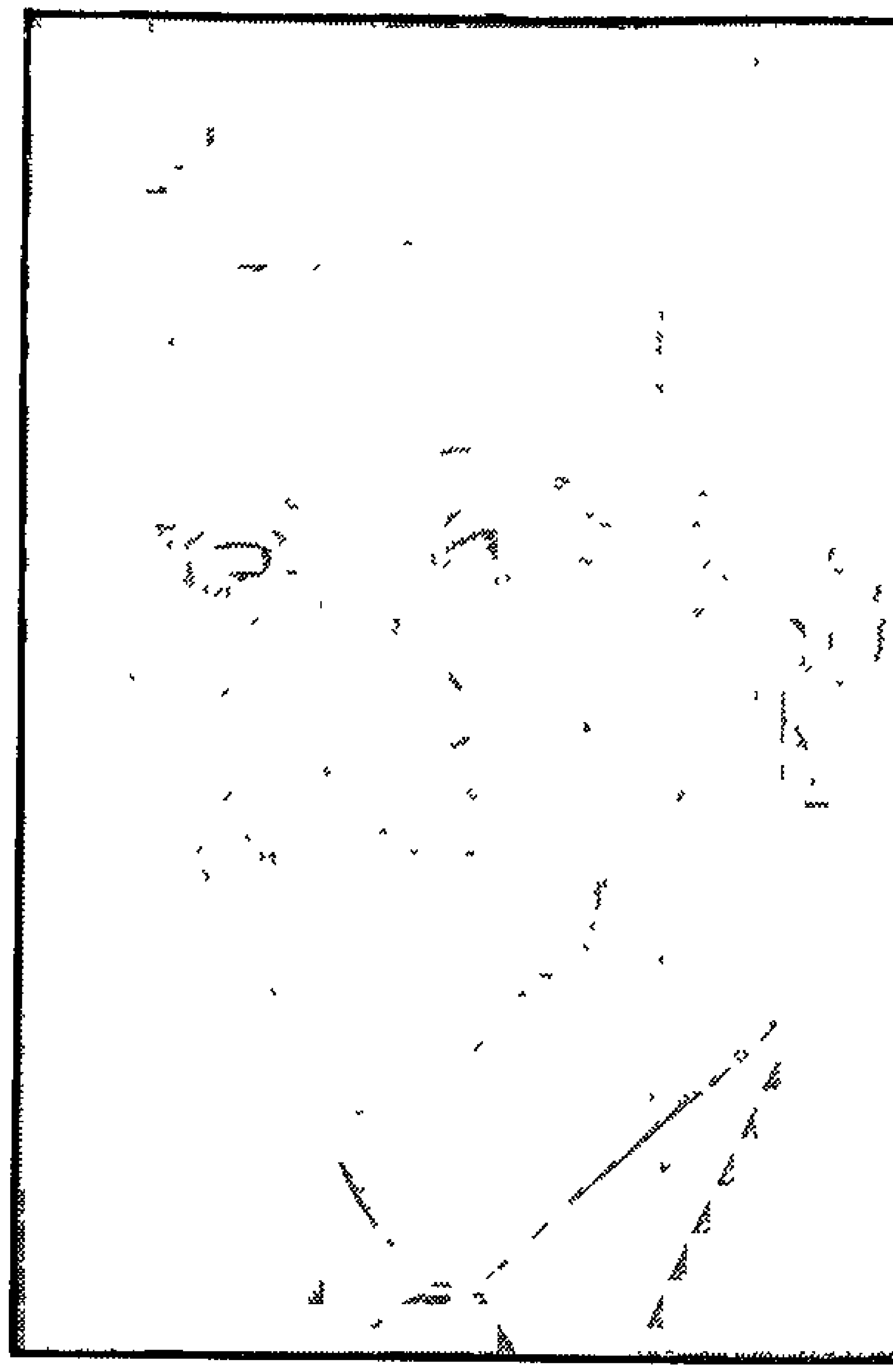
"There appears to be an animosity towards exporters, particularly successful ones, because of the Geis benefits we receive We, however, are not relying on government negotiating a trade agreement which is favourable to us We are busy diversifying our export markets away from Europe where better margins are attainable over time"

Europe accounts for 50% of canned deciduous fruit exports but only 30% of gross margin

In addition to high protective barriers, Langeberg's European competitors are subsidised at about the cost of raw fruit for South African canners — roughly R500 a ton

In terms of the General Agreement on Tariffs and Trade, European governments are required to shave this support by 36% over five years

"If the South African deciduous fruit industry had been given the same grower subsidies and access to the European market as Greece, South Africa would today be the biggest exporter of this product in the world"



RAY BROWN managing director of Langeberg

After Greece, South Africa is the world's largest exporter of canned deciduous fruit with annual sales of about R500-million, and Langeberg is the world's largest single exporter The relentless rise in export volumes from South Africa has excited protectionism in many of its markets Excessive subsidisation and high protective barriers encouraged over-production of canned deciduous fruit in Europe, with the result that prices dropped in 1993 and 1994, although they are now beginning to recover some of these losses which were partially ameliorated by the weakening rand

One advantage Langeberg has is variable raw material costs

"We are preparing for the phasing out of Geis and low margins in Europe by continuously reducing costs and improving efficiencies Our prices in the local market have increased at well below the inflation rate over the last three years, yet we were able to improve margins"

(186)

C G SMITH

Fair value

FM 26/5/95

On the face of it, conglomerate C G Smith has returned results entirely acceptable to an expectant market — though it has to be said these have been severely overtaken by those of former holding company Barlow (see page 106)

The principal components are Nampak (paper and packaging) and C G Smith Foods, which incorporates Tiger, one of SA's most important food manufacturing and processing companies which, in turn, holds diverse interests in pharmaceuticals, fishing and food production

And, by and large, these elements have produced good rewards in the past six months Nampak, in particular, manages repeatedly to return exceptional growth figures — this time an increase in attributables of another 30%. This sector is Smith's most important — it produced 52% of attributable earnings.

It is in food and pharmaceuticals where Smith faces its biggest challenges. Pressed for a response about the vulnerability of Adcock Ingram to continuing severe competition, vice-chairman Robbie Williams believes threats have now largely been absorbed "Adcock," he says, "has lived through the worst which can be thrown at it." By implication, he sees the short-term future as comparatively stable

No-one would say this, however, of Tiger's fishing interests. These are threatened — or so it seems — by what are euphemistically called "community interests" This is shorthand for demands by elements of coloured fishing populations for a share of fishing quotas which they allege were allocated originally under apartheid regulations Tiger has tried to accommodate this by reaching a new control agreement for Oceana with black-controlled Real Africa What happens down the line at Sea Harvest is another matter.

By contrast, Illovo Sugar produced a startling recovery based on a much improved second half of its cane-growing season It returned an improvement of 391% in EPS and is expected to return good results for the second half

The other side of this coin is Langeberg, the Boland canned fruit and vegetable producer Williams defends Smith's decision to increase its equity participation: "It has really good brands which dominate the SA market." Nevertheless, the truth is the company hasn't met the expectations with which its listing was greeted

None of this answers another issue which needs attention by Smith chairman Derek Cooper is there really a continued need (if there ever was) for an intermediate pyramid on the lines of C G Smith Foods? It is 80% controlled by Smith, in turn, it holds all the food and pharmaceutical interests. In effect, it is nothing more than a dividend trap.

With Smith at R21 and on a p:e of 17, it is probably fairly valued: certainly it offers little prospect for capital growth. David Gleason

Cooper ... *who needs Smith foods?*

French caterers tuck into Western Cape

CT (BR) 29/5/95 (186)

By Françoise Botha
Staff Writer

The French-owned Sodexho group — the world's largest contract catering company — is set to expand in the South African market through a joint venture with Premier Foods.

Francois Bejui, chief executive of Sodexho Southern Africa, told Business Report that a key focus of the move is expansion into the Western Cape.

"For the next year we are looking at creating 100 permanent jobs in the Western Cape because of our growth plans in contract catering."

Bejui added that the group was looking to challenge the dominance of major players in the market, and revolutionise the pricing structure of the sector.

Local catering market leader, Fedics, has responded positively to the announcement.

Shelley Walley, Western Cape business development manager of Fedics said: "We will always welcome professional competitive caterers, because healthy competition is good for the industry."

The group's move into the region follows a strategic decision taken before the election to grow their southern African business.

Bejui said, "We identified the South African market as a big market with big potential and want to establish a synergy with our other southern African markets which include Lesotho, Swaziland and Namibia."

Sodexho came into the South African market in 1993 via a takeover of Hospitality, but has concentrated on the government sector and the tender business.

The company has managed to secure a number of large contracts, which include parliament and Koeberg power station.

Bejui said: "We will be putting more efforts than before into growing our private client business. Because 50 percent of catering is done in-house, we have targeted this area to go to contract catering."

The group, which has been active in southern Africa for two years, has a worldwide turnover of R15 billion, of which more than R150 million comes from this region.

Restructuring differs at food groups

(18b) BD 31/5/95

HILARY JOFFE

VERY different approaches are being adopted to restructuring at SA's two largest food groups, Tiger Oats and Premier The differences say much about the two groups and the philosophies of their managements

But the common background is a new and more open competitive environment for the food industry, particularly for those players who are in staple foods

The milling groups grew fat in an environment of regulations With deregulation in maize and wheat they are now engaged in the painful process of becoming leaner and meaner Added to deregulation is the opening up of the market after sanctions, with the entry — and potential entry — of new multinationals and new products

Profitability of the food interests had been declining in both groups, although it is harder to chart this in Premier's case

Premier's diversification has been largely outside the food industry so that food contributes less than a third of turnover Food's contribution to earnings was static in financial 1994

At Tiger, where profitability had been falling since 1991, food still accounts for 80% to 90% of turnover Tiger has much more exposure to value-added foods and is less reliant on its original milling operations Staples — maize and wheat milling and baking — make up around half of Premier's food basket, while they contribute less than a fifth of Tiger Food's sales

Re-engineer

Leadership changed at Tiger and Premier last year Nick Dennis moved across from ICS in February to take over as Tiger CE

At Premier, after some shuffling, Doug Band ended up as chairman and CE with Gordon Utian as chairman and CE of Premier Foods

The restructuring of Tiger will, over time, change the make-up of the business itself, eliminating underperformers and smartening up the rest The intention at Premier, by contrast, is to re-engineer existing operations rather than close plants

One common factor is that both groups have cut management numbers at head office, rather than just retrenching workers at plant level (though they have done that too)

Tiger's Sandton head office block is 70% empty, while Premier is moving from its Killarney premises to smaller premises in Melrose

At Tiger, Dennis retrenched 70 of 115 head office staffers, opting instead to outsource support functions such as information systems, pensions and insurance, and public afairs

"We still pay for these, but substantially less than it would cost to do them ourselves, says Dennis

"The operating structure was not appropriate to a company like ours with ultrathin margins"

Premier has reduced both head office and regional office numbers Some people have been retrenched, others accommodated within the relevant divisions

Tiger's head office cuts were just one aspect of a longer-term attempt to address underperformance across the group, against the background of a strategic intention (details of which Dennis is reluctant to discuss)

The loss makers have come in for attention first, but the intention is to look critically at all the group's operations, Dennis says

He will not put a timescale to the restructuring, commenting that the group is "a big ship to turn" and it is a consultative process

"But we are trying to do it on the run and in a way which starts to produce results " He notes, though, that turning ICS around took four years

Tiger Foods' structure was changed last year from four to seven divisions each with its own head, to improve management and market focus

In Tiger's staple businesses, both maize mills and bakeries had been making losses for three years and profitability in wheat milling had been declining for five years All were running at 30% to 40% below capacity and management has acted to remove surplus capacity

In maize, three mills have been closed, leaving two, and the group has also closed wheat mills and one of its broiler facilities

In its industrial products division,

☐ DENNIS

the group has shut down its starch, texturised vegetable protein and peanuts businesses

Some benefits of rationlisation were seen in the group's recently released results for the six months to end-March Earning were up 25% with Tiger Foods' earnings up 32%

Dennis attributes this to luck — but not pure luck "The wind blew and we had our sails up "

Action taken to address underperformance in the broiler business meant it was in a position to take advantage of disease problems in the industry which cut supplies and raised prices Work done 16 months ago in the egg business positioned it to perform well amid a market shortage

Animal feed, Beacon Sweets (of which Tiger owns 50%) and the Spar retail chain also did well

The costs of rationalisation were not reflected to any great extent in the interim results because they were anticipated in results for financial 1994, which included a R70m write-down of Tiger Foods' assets

Dennis says it is difficult to predict the second half of the year, with extreme uncertainty about the price of maize meal, and broiler prices falling as chickens are imported

Premier's results for its year to end-April, due out soon, will provide evidence of severe problems in the food division, with the new regime showing only in financial 1996

Premier Foods is now being restructured for the second time, following the failure of the first effort which then CE Peter Wrighton said would remove R40m in costs

The first time round the group was restructured along functional lines. Marketing, sales and distribution were run in tandem for the two major divisions — milling and baking, and grocery products

Utian says this structure was inappropriate for a group as large and as complex as Premier Foods

It removed authority and responsibility from the individual business units and did not have the support of trade unions or management. The wheels came off in December, he says, when the system "gummed up"

Utian moved quickly to reverse this, opting intead for a simplified and decentralised structure

The group is now built around individual business units accountable for their own performance, with the emphasis on empowering people within each unit

Much has been done to bring costs down but, says Utian, "we do not want to cut into the fabric of our business" There is no intention to reduce the contribution of staples, nor are there any plans for plant closures

Deregulation

Rather, the group sees are growth opportunities in existing core businesses, and Utian's "driving ambition" is to increase food's contribution to the Premier Group

Utian believes lack of interest by food industry leaders — and therefore poor marketing — lies behind the decline in consumption of staples in recent years

Dennis, by contrast, notes the recession may have prevented maize volumes declining further because people could not afford to switch to wheat and rice substitutes But, he says, the market is so huge it will not decline significantly "in our lifetime", although deregulation and new technology increase competition

Staples is just one area in which Premier and Tiger are calling the market differently Perfomance in coming years should tell whether their calls are correct.

COMPANIES

R8m plant chips in on excess capacity

Edward West (186)

CAPE TOWN — The Oceana Fishing group's frozen chip processing plant at subsidiary Lamberts Bay Fishing Company represents the town's first major investment in nearly 80 years, said Lamberts Bay mayor Tobie Kaizer.

The plant, which was opened this week, is part of Oceana's strategy to use excess capacity at its fish processing plants during off-season to produce a variety of canned and now frozen products.

Lamberts Bay Fishing Company GM Peter Grobler said it also enabled Oceana to spread costs at a time when fishing quotas were under pressure.

The R8m chip plant is based on a process started four years ago in St Helena Bay where the fish canning plant was used to can basic foodstuffs. Previously fish volumes only justified 80 work days a year, but the new canned products pushed plant utilisation to a double shift for the full year.

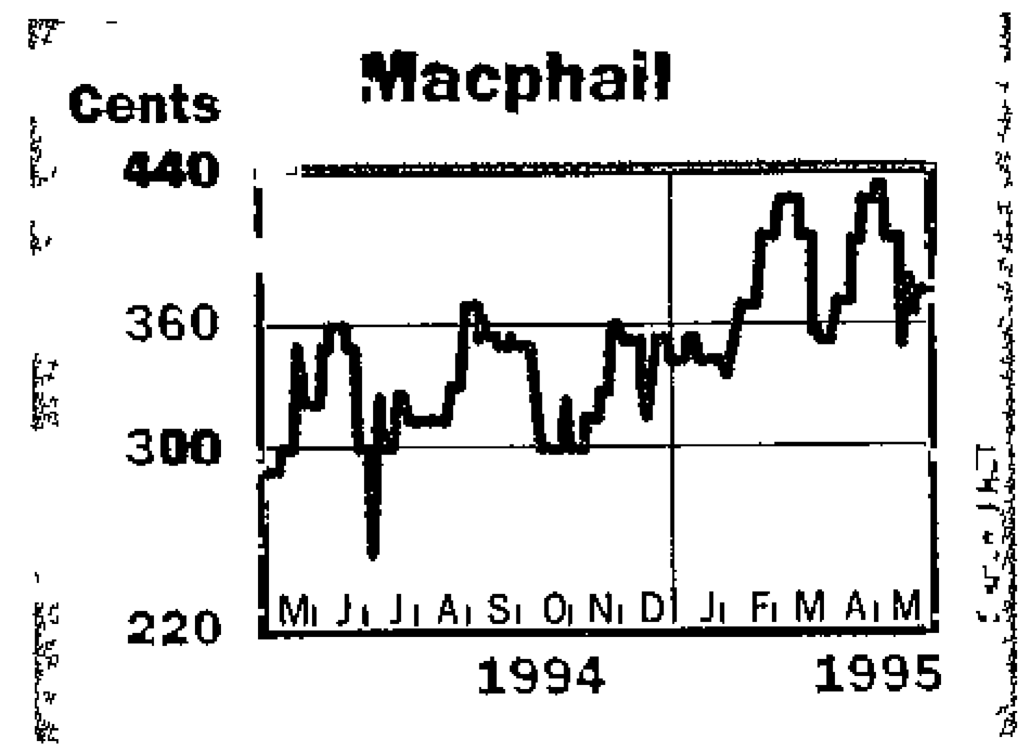
Potato chip equipment was imported from Hamm and Hak Engineering company in Holland and the plant, which is situated close to SA's top potato growing regions — the Sandveld and Ceres — was built in five months. BD 2/6/95

The first chips were introduced to the market in March and since then a number of sizeable contracts had been secured, said Grobler. Market acceptance of the group's brand, Gold Seal, was ahead of expectations, he said.

The project's feasibility depended on the fact that chips could be processed in tandem with lobster. Without lobster quotas, the chip plant would not be able to stand alone.

He said significant opportunities for the expansion of the plant and product lines were being considered.

Meanwhile, Western Cape economic affairs MEC Chris Nissen this week opened a small business hive in Lamberts Bay, which is to be managed by Oceana.



ing Macphail as new parent

The price for 75% was a R6m coal contribution Hanseatic keeps a 25% stake Macphail MD Paul McNaughton says it's intended to take advantage of UK pit closures to penetrate the industrial Midlands (Manchester, Huddersfield, Leeds) from supply depots at Newport

Finally, there's the purchase of Coalcor, the distribution company centred on Cape Town This attracted adverse comment from analysts, who say Macphail bought Coalcor only to recoup its large debts McNaughton confirms Coalcor owed Macphail R17,5m but says the deal involved only R24m "That's a lot better than the R60m wanted two years ago," he says

The indication is that 1995 EPS will be unchanged at about 51c That will be on about 60% more issued shares and implies a rise in attributable profit to R12,2m Real benefits from the UK and Namibian expansion will flow through only in 1996 Based on this, next year will be one in which Macphail will hope not to fail *David Gleason*

NAMSEA/NAMFISH 186

Fritto mixo

FM 2/6/95

Activities: *Fish catching and processing*
Control: *Namibian Sea Products 38,5%*
Chairman and CEO: *P C Kuttel*
Capital structure: *31,5m ords Market capitalisation R44,1m*
Share market: *Price 140c Yields 10,7% on dividend, 12,6% on earnings, p e ratio, 7,9, cover, 1,2 12-month high, 140c, low, 78c Trading volume last quarter, 1,1m shares*

Year to December 31	'91	'92	'93	†'94
ST debt (Rm)	—	2,9	6,6	7,0
LT debt (Rm)	0,4	5,0	7,1	12,7
Debt equity ratio	n/a	0 27	0,33	0 68
Shareholders' interest	0,9	0,6	0,55	0,48
Return on cap (%)	6,8	—	4,7	10,0
Turnover (Rm)	11,6	29,2	36,8	78,8
Pre-int profit (Rm)	1,97	(1,1)	2,4	6,2
Pre-int margin (%)	17	n/a	6,7	7,9
Earnings (c)	62	(40)	48,7	17,7
Dividends (c)	40	20	*129	15,0
Tangible NAV (c)	812	900	913	94,3

* Includes 80c extraordinary dividend † Share split 10 for one

In a difficult year marked by an unexpected migration of pelagic species farther north than usual, Namibian Sea Products (Namsea)'s profitability was hit by reduced efficiencies Namibian Fishing Industries (Namfish), though had a highly satisfactory year because increased white fish quotas were caught in full

Namsea conducts pelagic fishing through 76%-owned UFE and other subsidiaries UFE also processes quota and nonquota fish caught by other concession holders

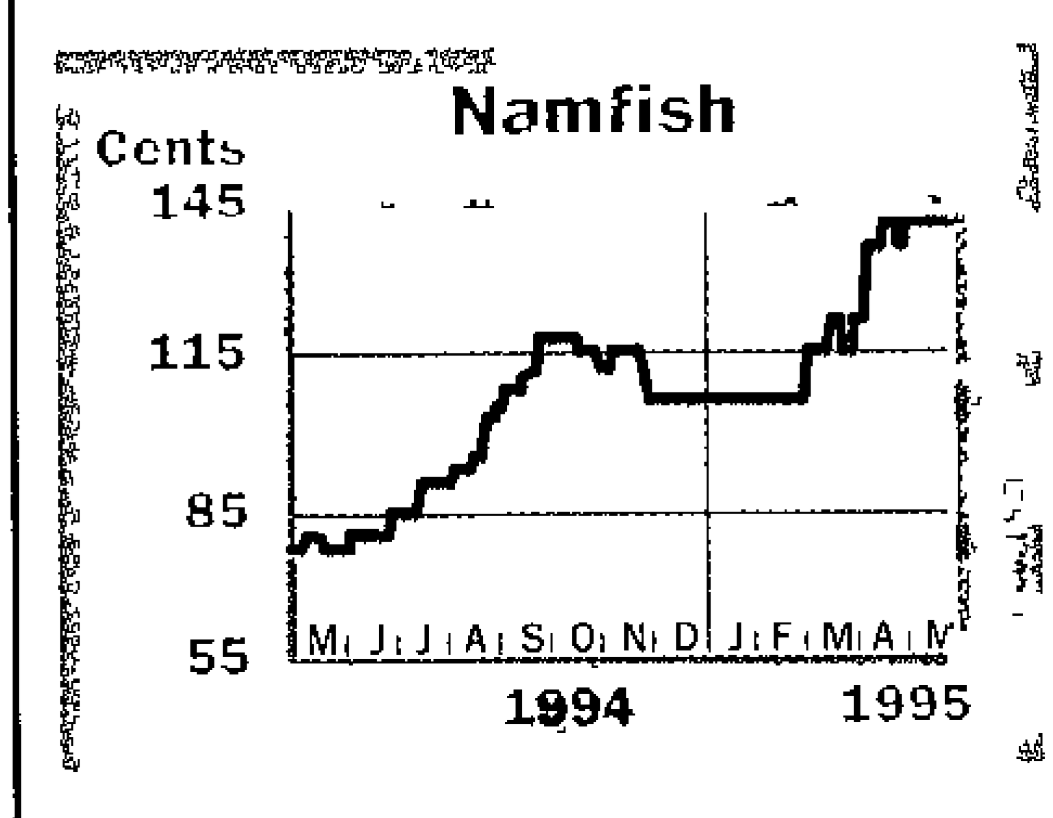
In 1994 a pilchard quota of 23 734 t was issued to member companies of UFE out of a total allowable catch (TAC) of 125 000 t (1993 115 000 t) This was caught in full and UFE also processed a further 40 352 t on behalf of other quota holders

The problem was that because of abnormal environmental factors, fish migrated north from the traditional fishing grounds to mass around the Angolan border

Operating conditions and greater travel distances meant that fuel bills increased, factory costs rose because of higher turnaround times for the vessels, and substantial quantities of fish had to be rejected for canning to maintain standards Though Namsea's turnover rose by 33%, operating profits and thus EPS could muster only an 11% gain

The unwelcome migration has had another (more serious) consequence The Namibian Minister of Fisheries, in conjunction with Namibian Marine Resources, set a provisional TAC for 1995 of only 35 000 t until research provides evidence that the biomass has not been depleted The provisional TAC has been increased but not by as much as quota holders expected because, as chairman Peter (Padda) Kuttel says, abundant quantities of pilchards are again evident north and south of Walvis Bay

Kuttel is, however, seemingly unconcerned by this lower TAC He says catches are "really good, UFE is processing substantial quantities of fish, prices of fish oil and meal are higher and if necessary we'll catch pilchards in Angolan waters for which we have obtained appropriate licences" In a nutshell, he is upbeat about Namsea's 1995 prospects



He feels similarly about **Namfish** Though it also has pelagic interests through its 23% of UFE, its fishing efforts are directed almost entirely to trawling for hake In 1994 Namfish not only caught its full quota but handled a fivefold increase in volumes through the factory The freezer trawler *Garoya*'s operation also became profitable and contributed significantly Moreover, export prices were higher

Namfish's prospects for 1995 have not been enhanced by an increased TAC That remains unchanged But 100% subsidiary Northern Fishing Industries has been awarded a quota of 1 572 t (1994 750 t) The catch should therefore grow, the hake resource appears sound and plentiful and world prices continue to harden

Namibia is a member of the Lomé Convention Namfish therefore has enhanced trading opportunities in Europe and prospects for increased operational profits seem brighter than ever

In April Namfish set a new high of 140c, its current price Its p e ratio is 7,9 and dividend yield just under 11% If all goes according to plan, a conservative 20% earnings rise is within reach That would put EPS at 21c and the prospective p e at 6,7 Given the risks inherent in the industry, it's a fair price But the dividend yield should make the counter attractive as a yield-sweetener in any portfolio

Namsea's prospects are more difficult to assess but, considering Kuttel's buoyancy and the possibility that at least some of the direct costs incurred in 1994 can be avoided this year, earnings prospects also appear better below the surface

Any investor interested in a high yield as well as capital growth should buy and hold both shares *Gerald Hirshon*

LIBERTY INVESTORS

The alternative entry

Activities: *Joint holding company of the Liberty Life Group*
Control: *Gordon family ±60%*
Chairman: *D Gordon*
Capital structure: *209m ords Market capitalisation R3,5bn*
Share market: *Price R16,75 Yields 1,9% on dividend, 3 5% on earnings, p e ratio, 28,8, cover, 1 8 12-month high, R18,75, low, R14,75 Trading volume last quarter 1m shares*

Year to February 28	'92	'93	'94	'95
Total assets (Rbn)	1,36	1,97	2,46	2,82
Investments (Rbn)	1 34	1,94	2,44	2,81
Pre-tax profit (Rm)	68 9	88,6	103,1	121,0
Attributable (Rm)	68,9	87,8	102,9	120,6
Earnings (c)	34	43	50	58
Dividends (c)	16,6	†20 9	26,0	32,4
Tangible NAV (c)	655	947	1 181	1 333

† Excludes special dividend of 17,5c (September 1992) and non-recurring dividend of 30c (November 1992)

This is the vehicle through which Donald Gordon exercises joint control, with Standard Bank Investment Corp (SBIC), of the Liberty Life empire Liberty Investors (Libvest) holds 50% of unlisted Liblife Controlling Corp, which in turn owns 52,2% of Liberty Holdings, which holds 52,7% of Liberty Life Association of Africa (the mainstay life assurance company)

At year-end, this 50% interest in Liblife Controlling, on the market value of its 52,2% investment in Liberty Holdings, was

FRUIT CANNING FRUIT

FM 2/6/95

(Im)peachment?

186

Allegations by European fruit canners that SA's R500m-a-year industry will flood their market if producers are allowed reduced import tariffs into the European Union (EU) are denied strongly by the local industry

"The culprits in terms of global over-production are the Europeans, who have been encouraged by high EU subsidies to oversupply European and other markets," says Langeberg Foods MD Ray Brown "If we had the same levels of support, we would have been able to flood the world markets — but with quality fruit" Langeberg contributes about 50% of SA's canned fruit production

Brown . *culprits are the Europeans*

Brown says the effects of high EU subsidies are reflected in official world statistics for canned deciduous fruit production Between the 1982-1983 and 1992-1993 production seasons Greek canned fruit production shot up from 10,1% to 21,6% of the global total, Spanish production grew from 3,6% to 8,3% and total European production from 26,1% to more than 40% of total global output

SA's production remained at virtually the same level (7,1% to 7,3%) Greece is the world's largest canned fruit exporter, followed by SA Together the two countries provide over 60% of global exports

"The artificial grower subsidies in Europe have stimulated production, notwithstanding the fact that they are not able to sell all their production in Europe And the European tariff duties on SA cans, ranging from 17% to 26%, are further protection of the inefficiencies inherent in the southern European industries," says Brown

UK-based *Foodnews* last week quoted SA Fruit and Vegetable Canners' Association GM Terry Malone as saying "We produce quality products directed at the premium-priced sector of the market, affording European customers a choice they would not otherwise have We have no intention of flooding the European market with cheap products Mediterranean canners should not fear losing their current place in this sector of the market"

Malone says the reduction of EU tariffs would compensate for the phasing out of SA's general export incentive scheme (Geis), which will disappear by 1997 Current Geis levels, he adds, are about 8%, not 20% as alleged by European canners

Brown says the European deciduous fruit canning lobby is "grossly dishonest" in depicting the SA industry as the threat to the EU market. "But, while we have been trying to diversify into the more lucrative Far Eastern market (which currently takes about 30% of SA exports), this is a costly and long-term exercise and Europe remains our largest (70%) single export market."

SA exports about 92% of its canned fruit production, "but we are not planning a major invasion of the European market" ■

Tasty days for Ocfish and chips

By Audrey D'Angelo
CAPE BU JE ›EDITOR

Faced with the prospect of cutting jobs for fishermen and factory workers when its anchovy quota was cut, the Oceana Fishing Group (Ocfish) invested in facilities to process vegetables in its Lamberts Bay canning plant and in a small business hive for entrepreneurs in the West Coast village

This week its new R8 million French fry processing plant was opened officially by the chairman of the group, Don Ncube

Peter Grobler, managing director of Ocfish subsidiary Lamberts Bay Fishing Company, said the investment was a continuation of a highly successful project started at the group's St Helena Bay Fishing Industries some years ago It was realised that the fish processing plants could be used outside the fishing season for canned and frozen vegetables.

This facilitated the creation of stable employment in a highly seasonal industry

Ncube said the Lamberts Bay plant already had "a few sizeable contracts" for French fries. Its new Dutch-made equipment would enable it to meet the exacting standards of large international fast food chains expected to enter the South African market in the future

The mayor of Lamberts Bay, Tobie Kaizer, said this was "the first real investment we have seen in 80 years"

It was a welcome boost for the economy of this otherwise stagnant town

CT(BR) 2/6/95 (186)

~~FISHING~~

Oceana opens R8 million chip processing plant

~~FISHING~~ ARG 3/6/95

(186)

Business Staff

Oceana Fishing Group opened an R8 million potato chip processing plant at Lamberts Bay this week

The venture is modelled on Oceana's St Helena Bay Fishing Industries project, where employees in the fish processing plant work in the off season on the production of canned and frozen products

After a feasibility study to find out which raw materials could be processed in Lamberts Bay, Oceana decided to install a French-fry plant

State-of-the-art technology from Holland will enable the operation to meet the standards of the big international fast food chains, which are eyeing the South African market.

Lamberts Bay Fishing Company general manager Peter Grobler said the company already had a few sizeable contracts for frozen potato chips.

Manuel assurance over food dumping

ARGT 7/6/95

MILK & DAIRY (186)

JOHN VILJOEN

Business Staff

TRADE and Industry minister Trevor Manuel has promised a tough stance on foreign food producers dumping their products in the South African market

Opening a sophisticated R33 million dairy products processing plant in Parow yesterday Mr Manuel said although protection on demand was as "dead as the dodo" he wished to give an assurance to the food industry

"We will do all in our power to strengthen our ability to investigate dumping," he said

Mr Manuel officially opened dairy products manufacturer Bonnita's new ultra high temperature (UHT) processing, packaging and distribution plant

He praised the company for making such a large investment which would do much to convince potential foreign investors of the opportunities the South African economy presented

Mr Manuel, who was lifted four storeys high in a forklift inside the huge factory as part of his role in the ceremony, said foreign investors were waiting for South African businesses to demonstrate their confidence in the country's economy

Speaking before Mr Manuel, Bonnita chairman Gordon Utian said steps should be taken to prevent South African farmers being disadvantaged by the dumping of overseas production

He called for a balance between production and local protection

The factory is the country's first fully integrated UHT processing, packaging and distribution plant

Bonnita, which this week celebrated a 64 percent increase in profits after listing in August, will produce its long-life EverFresh and PureJoy 100 percent fruit juice brands there to supply local and export demand

Bonnita said it had built the factory in Cape Town because of its convenient export facilities and because the Western Cape was a major milk and fruit producing area

The plant boasts the latest processing and filling equipment to accommodate different pack sizes

A fully automated palletising and racking system has been installed with a capacity of 4 000 one ton pallets, facilitating easy storage and selection of filled packs and efficient stock management

The UHT process is designed to give fresh milk and other dairy-based products, as well as 100 percent fruit juice, a longer shelf-life — about six months — without affecting their nutritional value

Affirmative action, Sorghum Breweries-style

CT (BR) 12/6/95 (186)

By Newton Kanhema

Special Writer

If you are a black woman and professionally qualified in these days of affirmative action you are gold.

One piece of gold of this kind is Sinnah Ramakhula, who is the executive director for the national economic education trust at the National Sorghum Brewery — the biggest black owned company in South Africa

The brewers received an award for their affirmative policy last year They have since proved that appointing black people to more responsible positions does not mean an automatic lowering of standards or a drop in profits Last year the company's profits went up by 12 percent

Before meeting a reporter from Business Report, Ramakhula was chairing an executive meeting with the people who formulate and implement business strategies of a company with a R600 million turnover With fifteen powerful men at the boardroom table, Ramakhula does not feel intimidated at all

"These men are aware that women are as capable as they are I am sure they appointed me to this position because of my abilities and not my gender," Ramakhula said in in an interview in her Sandton office

With a budget of R30 million under her control, Ramakhula is the most powerful woman in the organisation

"Our company pays considerable attention to social responsibility and we award scholarships and bursaries to students doing tertiary education," she said

National Sorghum Breweries has 19 breweries countrywide, so the bursaries offered by the company cover the whole country

"At the moment we sponsor 744 students, both at universities and technikons, at a cost of R1,6 million," she said Last year alone she received 1 740 applications for educational funding, of whom only 664 were qualified for the categories sponsored by the breweries

The company sponsors students pursuing the following fields of studies Commerce, finance, science, agricultural science, engineering, and corporate law and labour law

"This fund was established for purposes of providing finance exclusively for business studies for underprivileged South Africans at tertiary level I believe we are the company that carries the hopes and aspirations of the disadvantaged people

I think there will never be justice, fairness and equality unless past inequalities are addressed at tertiary level through programmes of affirmative action, empowering disadvantaged people with the highest quality and most relevant education," said Ramakhula, who is an educationist by training

Asked whether the company bonded those students they had sponsored for future employment, she said their aim was to empower without any strings attached

"We believe in empowering people If one is good and meets our criteria we will sponsor them," said Ramakhula

Another powerful woman in the organisation is Moja Mahloele, who was appointed company secretary at the beginning of the year After graduating with a law degree, Mahloele joined the National Sorghum Breweries in 1992 as an internal auditor

She was later transferred to the legal department as a legal manager in 1993

In her new position, she has to keep and update the company and its subsidiaries' statutory records This effectively means complying fully with the regulations of the Company's Act

"Failure to abide by these regulations subjects the company to penalties I am basically the 'keeper of secrets' Some of my duties are to ensure that ade[illegible] contact is made between t[illegible]ard of directors on the one h[illegible] and the company's executive [illegible] the other hand," said Mahl[illegible]

Time managem[illegible] is more critical to women in exec[illegible]ive positions as they also have to attend to their responsibilities back home Mahloele is a married mother of three She says some days she goes home very late and some days she has to travel out of town

"I have an understanding husband, he was once a company secretary and he just has to understand

"If you marry a career woman you must always be aware of the consequences

"If one does not like my kind of schedule then I have to stop working and be a professional housewife Unfortunately I wasn't really cut out to be a housewife," said Mahloele

WOMAN OF SUBSTANCE *Sinnah Ramakhula (centre) chairs an executive meeting of a corporation with an annual turnover of R600 million*

PHOTO JOHN WOODROOF

Saltcor tastes good growth

CT(BR) 15/6/95 (18b)

By Audrey D'Angelo

CAPE BUSINESS EDITOR

The privately owned company Saltcor, which produces about 7 000 tons of salt a year, exports 20 percent of this to other African countries, the sole proprietor, Donald Brown, said yesterday

Saltcor has moved its head office from Bellville to a new R1,5 million building on the outskirts of Stellenbosch and invested heavily in new computer technology to cope with its growing business

Brown said in an interview that it achieved record sales last year and he predicted further strong growth

About 40 percent of Saltcor's production goes to the agricultural sector, mainly for fodder and cattle lick Another 40 percent goes to industry and for domestic use

It supplies all the salt used by the West Coast fishing industry, domestic salt to the Durban area and coarse salt to co-operatives countrywide It exports to Malawi, Zambia, Zimbabwe and Zaire

Saltcor also distributes salt for other producers, mainly on the export market

Brown went into the salt business in 1975 when his father, who started a small salt pan in Namaqualand, got into financial difficulties

"He was not good on the financial side," said Brown "I felt I had nothing to lose by taking over"

Brown built the business up and now owns several Namaqualand salt pans, in addition to the original one, which is near Brandvlei

Delfood hopes could be squashed by results

Marcia Klein (186) BD 20/6/95

DEL Monte Royal Foods (Delfood), the largely European-based branded foods group, would produce another set of subdued results when it published its interim results next week, analysts said yesterday

The share had continued to languish and there was weakness ahead of the results Yesterday Delfood gained 5c to close at R5,55 off its R5,50 low. It was trading at R10 just more than a year ago

In the year to November it reported marginally higher earnings of R210,1m (R208,5m) following poor trading conditions, low pineapple prices and a strong Kenyan shilling and Philippine peso which affected hard currency margins

Directors said in March that trading conditions were improving and pineapple prices firming, but the trend in exchange rates remained unclear.

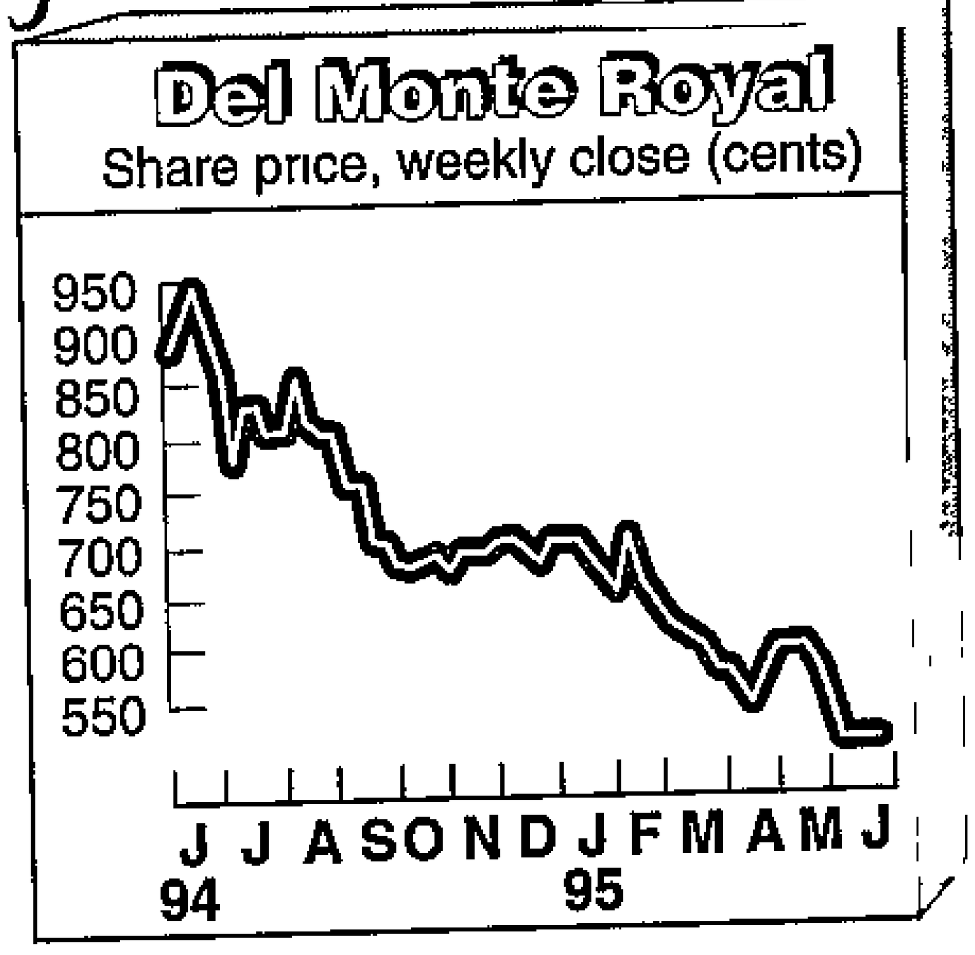
They expected this financial year to be better than the last, but analysts said it was possible the group would not live up to this expectation

One analyst said the first quarter was traditionally their worst as it followed the more buoyant pre-Christmas period The Kenyan shilling had weakened lately, but this would not effect the interim results

Analysts did not think the group was losing market share in Europe, but its results would reflect a generally depressed European market. The Del Monte brand had gained market share in SA, but this could have been at the expense of margins

The weak share price reflected continued disappointment at Delfood's performance An analyst said that with reasonable profit increases from canners like Langeberg, there seemed to be little reason to invest in Del Monte

There had been no news on speculation about an acquisition, possibly of Swiss-based jams and fruit manufacturer Hero.



Keep an eye on the up-and-coming food groups

CT(BR) 20/6/95 (186)

ON DIAGONAL STREET

BY JOHN SPIRA

Young pretenders wait in the wings to replace the mammoths such as Tiger and Premier

A great many eyes are focused on the JSE's food boards, where the action is so intense and varied as to prompt a Rugby World Cup yawn by comparison

The Rainbow upheaval in the wake of the chicken dumping row, the many conflicting expectations over the pending Premier Group results, the guesswork over which company or companies HJ Heinz is targeting and the recent emergence into the limelight of several dynamic, up-and-coming food groups which promise to challenge the giants a few years down the line, are but some of the reasons

It is these aspects of the food sector (and more) which are piquing the interest of the full-time analysts The embryo, emerging food companies should (if they aren't already) excite the interest of the lay investor, for it is in this category that the greatest prospective appreciation vests

The mammoths have already experienced their glory days Never again will their share prices set the Diagonal Street boards alight. They have been confined to the archives of the security-conscious institutions who are quite happy (and rightly so, given their investment mandates) to achieve long-term growth marginally ahead of the averages

The young pretenders, on the other hand, aspire to be tomorrow's Premier, Tiger and Foodcorp Latch on to the potential winners, stay with them, and a few years down the line you could be pleasantly surprised by the result.

I drew your attention to Choice a couple of weeks back, when the shares were at 800c They're now at 1 300c and rising, illustrating the sort of potential in some of the newcomers Instructively, Choice was making its new highs at a time when competitor Rainbow was broadcasting its woes to the world

Choice has now been rerated to a point at which its ranking almost equates with the averages for the JSE's food sector, suggesting that it could have run out of steam temporarily The time could therefore be ripe to look elsewhere in the sector at counters like Bonnita, Kolosus and Macadams

Premier Group subsidiary Bonnita celebrated 10 months on the JSE last week South Africa's second-largest dairy products company has just come off remarkably good results for the year to April, earnings having advanced by a sparkling 63 percent to 22,51c a share

Gearing has been brought down to minuscule proportions and the earnings trend is up (the interim performance was 39 percent ahead of 1993's) The directors expect the company to derive ongoing benefits from the economic upswing

The 11,8 price-earnings multiple is not that demanding, being well below the food sector average It would accordingly not be surprising to see the shares attract continuing demand as Bonnita approaches interim figures which look likely to extend the historic growth trend

Food and textile manufacturer Kolosus has enjoyed a favourable JSE debut (it was first listed on December 13 last year) The shares have added 9 percent to their issue price in a market that has been favourably impressed by the 61 percent-a-share interim earnings advance and the deals it has clinched since going public.

Results for the full year to May should be forthcoming shortly and earnings are on track to top the 100c mark for a projected price-earnings multiple of under seven. There is clearly considerable value in the stock, which I would expect the market to push higher following the release of the 1994-95 data

Macadams Bakery Supplies, South Africa's largest supplier of bakery and confectionery equipment, is not a new kid on the block (it was first listed in 1986) However, it is in the past couple of years only that the company has begun to demonstrate its mettle.

Heavily export-orientated, Macadams has enjoyed a strongly rising earnings trend in the past 18 months The 3,9 price-earnings multiple accords the group scant credit for its achievements, which should continue to impress as local demand starts to kick in in support of buoyant export earnings.

CO

Pepsi puts millions into Simba

CT(BR)21/6/95 (186)

By CHARLOTTE MATHEWS

INVESTMENT EDITOR

PepsiCo Foods International (PFI), part of the same group as Pepsi-Cola International and KFC International, is investing R190 million in cash in South Africa in taking a stake in Foodcorp's Simba snacks business, according to an announcement today

A new R380 million company, in which Foodcorp and PFI will each have a 50 percent stake and joint management control, has been formed and will be headed by the present Simba chief executive, Koos Ferreira

CT(BR)21/6/95

Penetration

The distribution of Simba's products will be expanded through contract distributors, which will enable Simba to penetrate new outlets in the townships.

Foodcorp chief executive Dave Kennealy said in an interview yesterday there had been a technology agreement between PFI and Simba for some years but the new agreement would give Simba greater access to PFI expertise and it would also enable Foodcorp to participate in African ventures with PFI. This was ruled out by the former agreement with PFI

A number of attractive opportunities in Africa had been identified and the first of these was being investigated

Simba, which is already selling O'Grady's crisps and Fritos corn chips under [illegible] PFI, sold over R500 [illegible] snacks last year. It has about 57 percent of South Africa's snack foods market, which is highly competitive. The company has not increased its prices since late 1993, Kennealy said

The new business and marketing plan for Simba suggested it could grow the market and possibly its market share further — PFI's market share in the United States is about 70 percent — and it would also become more profitable as a result of improved manufacturing processes.

PFI has a wide range of products, including brands such as Doritos tortilla chips and Sun Chips, a multi-grain snack, which have never been seen in South Africa It is also strong in manufacturing technology, agronomy, research, quality [illegible] product devel[illegible]

Last year Pepsi-Cola International re-entered the South African market through a joint venture with New Age Beverages in which it plans to invest $100 million over five years, while KFC International and its franchise partners also declared their intention of investing $200 million in the local market over the next three years

ROARING TRADE *Foodcorp chief executive Dave Kennealy displays some of the Simba snack range*

PHOTO JOHN WOODROOF

Urgent talks on lock-out

Staff Reporter (186) (ARG)

ABOUT 500 workers have been locked out of a Woodstock fish processing factory, and urgent talks are under way between management and trade union representatives

The workers, all members of the South African Commercial Catering and Allied Workers' Union (Saccawu), have been suspended without pay after an illegal two-hour strike at the I&J plant yesterday

The Congress of South African Trade Unions (Cosatu) and two of its affiliates — the Food and Allied Workers' Union (Fawu) and Saccawu — are holding urgent talks with factory management about the issue today ARG 22/6/95

Fawu has a recognition agreement with I&J, but Saccawu does not

Saccawu's paralegal officer Zoe Holland said the crisis was exacerbated by the fact that the workforce was divided along racial lines

Black workers were Saccawu supporters and were therefore locked out of the factory, while coloured Fawu members remained at work

Tension arose yesterday after the dismissal of two Saccawu supporters and management's refusal to allow Saccawu to represent the workers at an appeal hearing

Saccawu supporters downed tools and formed a picket line on company premises

Two Fawu shop stewards who broke through the picket line were assaulted by their Saccawu peers

An emergency meeting between union representatives and management last night failed to resolve the crisis

Talks continue today

Ms Holland said the company's decision to suspend workers without pay was illegal

● An I&J spokesman said the company was compiling a press release on the situation

FOODCORP/PEPSICO (186)

Blazing the trail

FM 23/6/95

Stealing a march on its competitors, Foodcorp has announced a joint venture tie-up with Pepsico Foods International (PFI), the international snack foods division of Pepsi-Cola The deal — which involves selling a half stake in Simba, Foodcorp's snacks business — means PFI will inject US$55m (R190m) into SA

Developing the snack foods market is a stated objective of at least two other major SA groupings — Premier and Hunt Leuchars & Hepburn Both are known to be examining a range of alternatives Now, however, Foodcorp has blazed the trail in dramatic fashion

Effectively, Pepsi runs four major divisions its soft drink operation (Pepsi-Cola), the US's largest snack foods business (Frito Lay), the largest international snack foods operation (PFI) and a restaurant business, which includes Kentucky Fried Chicken, Taco Bell and Pizza Hut Pepsico told Foodcorp's CE Dave Kennealy last year that it was "keen" to establish a strong presence in SA — it has developed increasingly stronger links over some time, with Foodcorp and Simba already manufacturing

FOX

Kennealy

O'Grady chips, a PFI brand, as well as making use of PFI's considerable technology resources, particularly in agronomy

Simba is SA's dominant snack foods manufacturer — it holds better than 57% of the chips market, ahead of Willards, and last year's turnover was about R500m The company has been valued — after removing Quix Packaging and Ouma Rusks, along with cash, debt and tax liabilities — at R380m It is being injected into a joint venture which Foodcorp and PFI will share equally There will not be a casting vote, though chairmanship will rotate about every two-and-a-half years

The joint venture provides Foodcorp with some important advantages First, Kennealy admits that the local snack foods business has been quiescent for two years, probably because it over-priced its product Now he wants to grow Simba at between 15%-20% a year — "and I expect earnings growth to be commensurate," he adds

Second, operating margins are too low Frito Lay runs at a margin of about 20%, PFI Europe at about 10%, Simba at between 8%-10% Third, Kennealy says underlying growth potential is considerable in the US, each individual consumes about 7,5 kg of snack foods a year, in the UK about 4,5 kg, in SA less than 1 kg Even the more affluent sector eats less than 2 kg a year

Foodcorp has agreed with PFI that it will be included as a partner in any new operation in Africa, excluding countries on the Mediterranean littoral Kennealy says ventures into Africa will be examined with caution. This acknowledges the cash-strapped nature of many African economies and limits the choice of countries to those which can support viable operations.

The effect of the transaction on Foodcorp is considerable For a start, the injection of R190m cash will enable the company to pull down its gearing, probably to below 10% at year-end

NAV is likely to increase at end-August by better than 20%, to about 1810c (last year 1497c) Earnings should reflect the benefit of reduced borrowings — but probably not until the 1996 financial year

Not surprisingly, the deal appears to have received early market approval *David Gleason*

TORQUE

Del Monte's really bad news

(186)

FM 23/6/95

Hardly had I expressed a well-founded unease, than Graham Boustred, arguably the Anglo American Corp's champion profit producer, challenged me to choose between a parcel of Vaal Reefs and Del Monte Foods shares

He himself clearly has no doubts, indeed, it may be said Boustred led Anglo into Del Monte because he sees the issue starkly mines are finite *per se*, in the end their resource is exhausted Growing and selling food is different — it is a perpetually renewable business

When Anglo teamed up with Vivian Imerman to buy control of Del Monte Foods for £345m in December 1992 it was hailed as the biggest external investment ever made (since overshadowed by Gencor with Billiton and Sappi with S D Warren) Implicit were the underlying themes that big is good and if it's outside SA it's better

Last year, Del Monte reported attributable profit of R210m or 61,5cps, all the indications are that when it announces this year's interims later this week (after the *FM* goes to press), the bottom line may be as much as 30% down

Why? How could this have happened?

The answer — it seems — lies in the outwardly prickly but ostensibly innocent pineapple Del Monte earns as much as 30% of its profit from selling canned pineapples or juice extracts It sources its pineapples from Kenya where it owns and manages its own producing units

However, over the last year or so, the Kenyan currency has strengthened impossibly against the benchmark US$ — by as much, depending on how you do the sum — as double Attracted by high interest rates offered by the Kenyan government on its loan stock, emerging funds managers piled in with large amounts The Nairobi treasury was only too happy to take the donations And one result was that the currency went into orbit — from 80 Kenyan shillings to the dollar to 40

Fund managers rubbed their hands with glee with cause — they were enjoying large, and probably unexpected, capital profits from currency appreciation At Del Monte's offices, however, it was all gloom

The sums are complicated but may have resulted in converting an $8m profit last year into an $8m loss this time round Del Monte was saved from what may have been an even worse out-turn by the price of pineapples on European markets — fortuitously it rose The end result is that the Kenyan operation probably produced a $2m profit, $6m down on last year That translates into about 7,5cps Alone, therefore, the saga of the Kenyan pineapple probably cost Del Monte 10% on its 1995 interims

Since that happened, fund managers have started taking profits Result the Kenyan shilling is on the fast track downhill, now at about 55 to the dollar But it comes too late to save Del Monte's results for this year

If this does anything it is to highlight the danger of assuming that external businesses are axiomatically good They aren't The essential elements of operations still need to be examined and pronounced healthy And a vital area of international business clearly lies in managing currencies

Major global companies do this every day in a hundred countries they are forever playing and making use of the currency markets and hedging instruments In the case of Kenya and Del Monte, however, no forward hedging instrument is available The only possible option might have been to join the Kenyan loan stock game, buying enough to counter the currency's wild appreciation Unfortunately, it is easy to pronounce with the benefit of hindsight — and, anyway, it would probably have been beyond Del Monte's resources to have laid down so much cash up front

Investors who bought at the time of the Del Monte acquisition can hardly be ecstatic about the returns At the beginning of 1993, the share price was R9, it peaked at R10 a year ago and is now 555c — capital depreciation of 38% in two and a half years

Apologists for Anglo's venture into Del Monte will be tempted to argue this is a long-term, strategic, investment and that everything will come right in the end The only response is to quote Maynard Keynes who is reported to have agreed with the observation but then added that "in the long run, we are all dead"

The trick, surely, is to extract the optimal benefit for shareholders as soon as possible, not to argue they should wait patiently for happier days

Labouring long

Information which reaches my finely tuned ears is that the JSE has presented broker Ed Hern, Rudolph with seven charges drawn in terms of the Exchange's regulations

I understand these are mixed up between charges against the firm itself and others against Ed Hern and CE Johann Blersch in their personal capacities I have been unable to determine the nature of the charges and presumably the firm's partners must now decide whether to lodge guilty pleas or to contest them That will mean a tribunal headed by a retired judge

Meanwhile, an outstanding matter is the investigation of broker Frankel Pollak which is running about six to eight weeks behind the Ed Hern process

At least these matters are moving towards resolution of some kind — but then, after four years so they should *David Gleason*

Shilling humbles Del Monte

(186)

ST (PT) 25/6/95

By SVEN LUNSCHE

THE humble Kenyan shilling continued to haunt Del Monte Royal Foods in the six months to end-May as interim earnings plunged by 34% to R60-million from R90-million last year.

Kenya is one of the group's two pineapple growing regions for its exports to the European market (the other is the Philippines), and the 30% appreciation of the Kenyan currency during the six months has cost Del Monte dearly.

The decline in interim earnings is likely to reduce full-year profits to 70% of last year's R221-million, the company said in a statement.

At the November 1994 year-end Del Monte had predicted a recovery in earnings in anticipation of weaker shillings and Philippine pesos. Pineapples account for about a quarter of group earnings and operating profits.

Del Monte chief executive, Vivian Imerman, said that "in spite of economic recovery in Europe, the food sector has so far remained muted and the Kenyan shilling has, until recently, remained exceptionally strong".

The group's interim turnover was up by 8,7% to R762,3-million, boosted by the weaker rand, but operating earnings fell by R23,5-million to R87-million.

Mr Imerman said the reduced General Export Incentive Scheme rate from 19% to 12% also had an adverse impact on earnings. Del Monte, jointly controlled by Anglo American and the [illegible] family, declared a 25% reduced interim dividend of 6c a share.

Del Monte's chief operating officer, Enrico Sola, was optimistic about the remainder of the year: "Supply and demand of pineapple and deciduous fruit appears to be back in balance. With selling prices now much firmer the group expects to operate at full capacity this year."

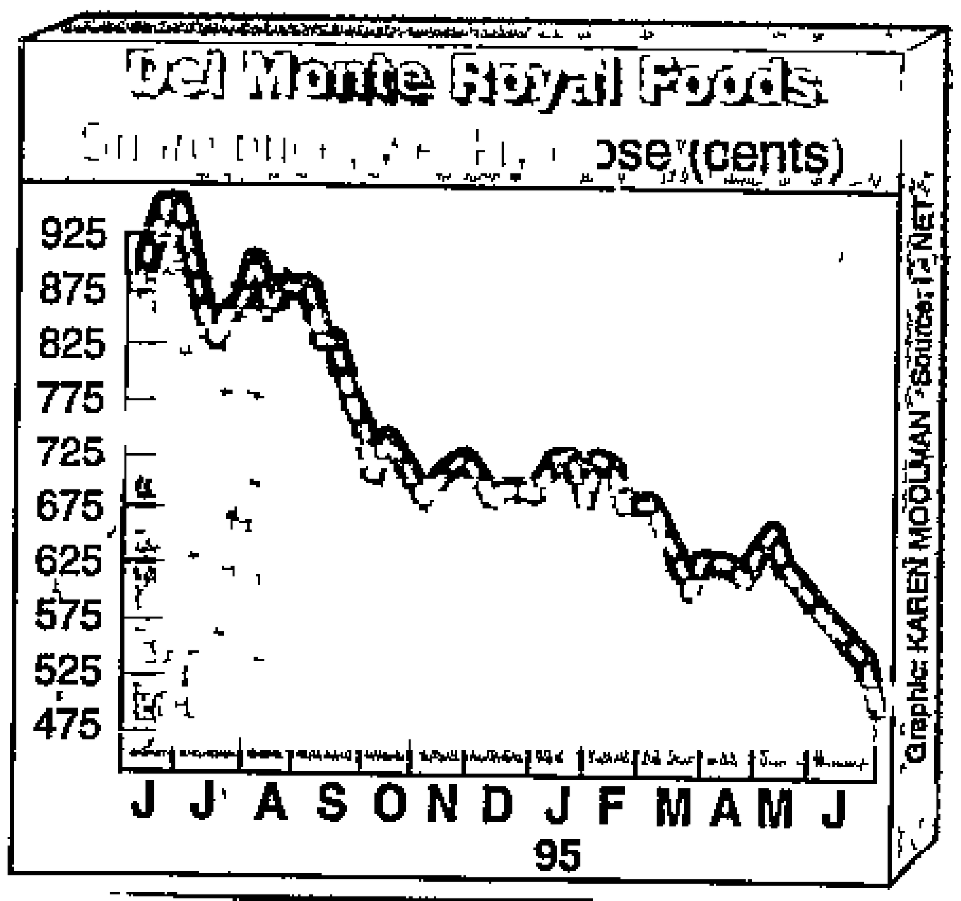
Mr Sola said Del Monte had, in the last two months, launched a fruit-based drink in Italy and a freshly squeezed juice in Britain.

Mr Imerman said Del Monte's local subsidiary, Royal Beech Nut, was in negotiations with an international food group to form a strategic partnership and "enhance the company's competitiveness in the confectionery sector".

Currency knocks Del Monte

Marcia Klein (186)

DEL Monte Royal Foods (Delfood) dropped attributable earnings by a third to R60,1m (R90,1m) in the six months to June



2 as it continued to be plagued by a strong Kenyan shilling and low pineapple prices

Chairman and CE Vivian Imerman said earnings reflected the effect on pineapple margins of the unprecedented strength of the Kenyan shilling and the fact that the food sector remained depressed in spite of economic recovery Results were affected further by a strong Philippine peso and the reduction in the general export incentive scheme (GEIS)

Sales volumes were static and market shares were maintained, and the 8,7% rise in turnover to R762,4m (R701,1m) was largely due to the weaker rand

The 30% appreciation of the Kenyan shilling saw operating income fall 21,3% to R87,2m from R110,8m previously The GEIS reduction was partially offset by the

BD 26/7/95

Continued on Page 2

Del Monte (186) BD 26/6/95

Continued from Page 1

rand's depreciation.

Delfood held back on pineapple deliveries rather than accept poor prices. This led to an increase in working capital and the interest bill rose 14,3% to R31,9m (R27,9m), causing pre-tax income to decline by a third to R55,3m (R82,9m).

The drop in attributable earnings of its Philippine associate to R6,4m (R9,5m) reflected a stronger Philippine peso and a backlog of contracts at low prices.

Earnings were 32,7% down at 17,7c (26,3c) a share, and a 29,4% lower interim dividend of 6c (8,5c) a share was declared.

SA subsidiary Royal Beech-Nut reported 14% higher turnover on the back of higher sales volumes and marginally improved prices of some products. Operating results were well ahead of the previous year.

Royal Beech-Nut was negotiating with an international food group for a partnership which would enhance its position in local and export confectionery.

Chief operating officer Enrico Sola said supply and demand of pineapple and deciduous fruits were back in balance, and possible shortages had been forecast for the year's end. As a result, selling prices had recently firmed. The growth of discounters and private label products had reached a plateau.

The traditional seasonal improvement in earnings was expected in the second half, and full year earnings were expected to be 70% of those of financial 1994.

Imerman said that in financial 1996, Delfood would benefit fully from a normal exchange rate structure, would have a full year of higher pineapple prices and lower production costs arising from a restructuring of its operations.

Delfood planned to merge its two production facilities in Italy, install canning facilities in Greece, Kenya and possibly SA and a plastic bottling line in Italy.

It was previously speculated that Delfood was negotiating to buy Swiss-based jam manufacturer Hero for £500m. Imerman said regional acquisitions were rather being considered.

Delfood's acquisition strategy would be focused on fruit-based beverages and would be aimed at addressing the cyclicality of the group's business.

Working women face worse discrimination

Renee Grawitzky (358) BD 28/6/95

THE increasing participation of women in the economy and the labour market has inadvertantly resulted in an increase in discrimination and inequality, says the International Labour Organisation.

The June edition of the organisation's publication, World of Work, said. "The feminisation of employment has not been synonymous with improvement in the quality of employment." Women workers continued to be discriminated against in areas such as pay, with women receiving 70-80% of the rates of pay of men in the industrialised world.

Jobs dominated by women had traditionally been characterised by low status and remuneration.

Despite growing inequality in the workplace, however, there was an increased awareness by some governments of the need for gender equality. A growing number were adopting wage equity and affirmative action measures to accelerate women's entry into leadership and managerial positions, the report said.

The organisation said most women workers worldwide continued to be concentrated in clerical, services, sales and middle-level professional occupations.

In SA the status of women at work does not appear to be a matter of concern to most employers if one analyses employment practices. For example, the main thrust of affirmative action as interpreted by companies has been on racial lines, and disregards gender. This is not in accordance with the reconstruction and development programme, which specifies that affirmative action should apply to both blacks and women

A snap survey of a number of women in middle to senior management positions in a cross section of organisations revealed that some experienced overt discrimination such as inequality in wages while others experienced a more subtle and intangible form of discrimination. This could take the form of being constantly reminded of women's other roles — as mothers and homemakers as opposed to career women.

Some women perceived that women's opinions were not given the same credence as men in the same or similar positions and men from middle-management level and below found it more difficult accepting women's views

One woman said. "Women bring it upon themselves in certain respects They have this constant fear of having to prove themselves and they try and overcompensate for being women"

Others said that management was quite happy to let women remain in more junior positions even though they were performing more senior functions When confronted, management either said women were not ready, even though they had performed the tasks for extended periods, or that they should be happy as they were affirmative action placements

Comments by all the women interviewed indicated that they felt the "old boys' club" was alive and well

Fawu considers creating umbrella industry forum

Renee Grawitzky (186)(174) BD 28/6/95

THE Food and Allied Workers' Union (Fawu) is contemplating establishing a national industry forum in the food sector with 15 sectoral forums falling under the main body

The national forum would consider broad policy issues such as education, training and industrial restructuring with the aim of becoming competitive worldwide. The sectoral forums would negotiate wages and conditions of employment.

Fawu's Valerie Flanagan said the forums would cover sectors such as sugar, dairy, fishing and baking.

She said initially the union would pursue its objectives in those sectors where it was strongest and able to achieve its goals

Flanagan said initial discussions had taken place between the union and the Chamber of Baking which represented baking employers.

She said the union wanted to establish an industrial council in the baking sector, but was trying to achieve this with the full understanding and support of both employers and workers She said part of the delay was that both parties were uncomfortable about how the structure would operate and the subsequent effect on their lives.

The Chamber of Baking's executive director Nic Alberts said the chamber was prepared to discuss the formation of a sector forum

Alberts said, however, that "we are concerned about the wisdom of such a move at this stage in the development of the industry where we are trying to preserve jobs and keep some marginal bakeries viable"

He said the industry was dominated by six companies with approximately 3 000 small independent bakeries who would have to be accommodated.

Alberts said even within the "big six", "some groups bargain at company level, others at regional level and some are totally decentralised"

Western Cape leads boom in tourism

Theo Rawana (388) BD 28/6/95

SA's tourism industry is well on its way to recovery, figures released by the Central Statistical Service (CSS) show

The number of foreign visitors to SA in April was more than double the figure for the same month last year, the CSS said.

The most popular province was the Western Cape, which attracted 38% of the visitors. The total number of bed nights sold to foreign tourists in April was 205 602, 117% higher than the figure for April 1994

Asian tourists accounted for the greatest increase in market share according to continent, rising from 7,3% of the total in April last year to 17,5% this year

Meanwhile, a study by an international hotel marketing group has found that a family-friendly atmosphere and programmes geared towards children travelling with their parents accounted for a significant chunk of hotel turnover.

The study, conducted by Steinberger Reservation Service, reported that family accommodation accounted for an average 5% of business volume, and was as high as 12,5% at hotels in the US.

The group has two hotels in SA. the Carlron Court and the Malamala.

DEL MONTE ROYAL FOODS

Demands long horizons

FM 30/6/95

186

Right on cue and just as the *FM* predicted, Del Monte Royal Foods, the operating company in the pyramid, produced interim earnings a third lower than last year's

Earnings of R60m compare with 1994's R90m and the EPS are 17,7c CE Vivian Imerman puts a brave face on it but the truth is that it's a dismal showing To be fair, much of the underlying cause is probably beyond the control of management As they plaintively put it, who could have foreseen the unparalleled strength of the Kenyan shilling over the past year?

That currency is now in retreat but it doesn't signal the end of the problems Del Monte has a few others in its bottom drawer First, there's the withdrawal of general export incentive scheme bonuses as a consequence largely of SA's accession to the Uruguay Round of Gatt (now World Trade Organisation) It looks as though this will offset relief from the vexation of the Kenyan currency

Imerman

Second is the critical area of timing Pineapples are Del Monte's main source of earnings and they are experiencing a price resurgence, especially in Europe Unfortunately, Del Monte can't take full advantage because it is tied by contracts to some degree And the cycle is expected to be comparatively short-lived

The vicissitudes which have beset this group since it was bought by Anglo and the Imerman family are becoming the stuff of legend It is no longer for short- or medium-term holders This is a stock for investors with distant horizons and time on their hands

David Gleason

Nestle depots hit by go-slows

CT 13/7/95

(186) (182)

WORKERS at a number of Nestle depots and factories countrywide employed "go slow" tactics yesterday in solidarity with workers involved in a dispute with management at a factory in Mossel Bay

The dispute — which has lead to management obtaining a restraining order on workers here after claims of sabotage — comes in the wake of talks between management and the Food and Allied Workers' Union over centralised bargaining

Nestle's corporate affairs manager Mr David Upshon said yesterday the firm would keep to a "no work, no pay" policy until the matter is resolved

However, workers have objected to this, claiming they have been effectively barred from returning to work. — Staff Reporter

Fruit and wine give business a boost

CT(BR) 20/7/94 (186)

By Françoise Botha

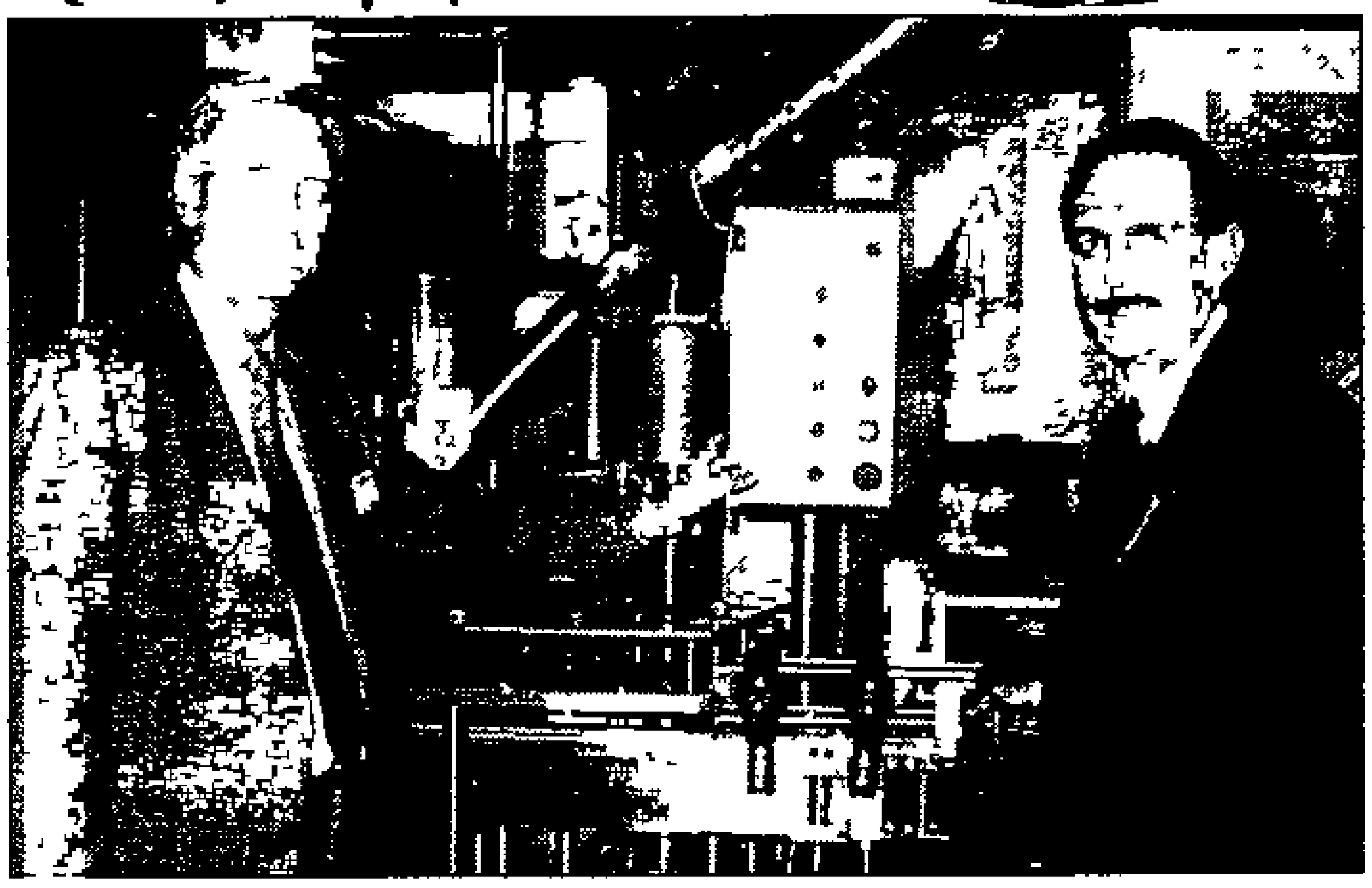
Western Cape businesses affiliated to the wine and fruit industry are booming, with some suppliers reporting a doubling in demand over the past year, and the trend is expected to continue

In line with the increases in both domestic and export demand for local produce, suppliers of bottling, labelling and packaging equipment said at the Wine Farmers and Fruit Growers Exhibition held in Cape Town this week that considerable investment was being made in local industry

Peter Peck, managing director of C de Solla Agencies, said "Overseas suppliers are more inclined to give back-up now that we are moving greater volumes of machinery"

On average, suppliers reported that orders had increased by between 35 and 50 percent over the past year, with some reporting increases of over 100 percent

"This is largely because of the big increase in the demand for wine from both local and overseas markets As a result, producers are looking at new equipment to increase the recovery of good quality wine from pressing," he said



TOP MARKS *Johan Beyers, the managing director of packaging machines company Filmatic, and Willem Barnard, the newly appointed managing director of KWV, with Filmatic's prize-winning stand*

Demand for other equipment in the wine industry, specifically bottling and labelling equipment, has also increased

Frank Mason, sales and marketing manager of KHS Manufacturing, specialists in the bottling and packaging market, said that the increase in demand was largely from businesses that had put projects off shortly before the election and had now decided to continue with these plans

Investment in the fruit farming and processing industries has followed suit with local equipment suppliers also reporting an increase in orders of 40 percent, but saying that the strongest growth in the market is still to come

A packaging manufacturer said he expected even bigger increases in demand within about three years

Food sector shares remain unappetising to investors

(186). BD 20/7/95

Marcia Klein

DROUGHT conditions, problems in the maize and broiler industries, the effects of higher interest rates on consumer spending and poor results from certain food companies have seen investors lose their appetite for food sector shares

The index, at a significant premium to the industrial index some two years ago, is now at a discount It closed yesterday at 7 130, down from 7 920 a year ago

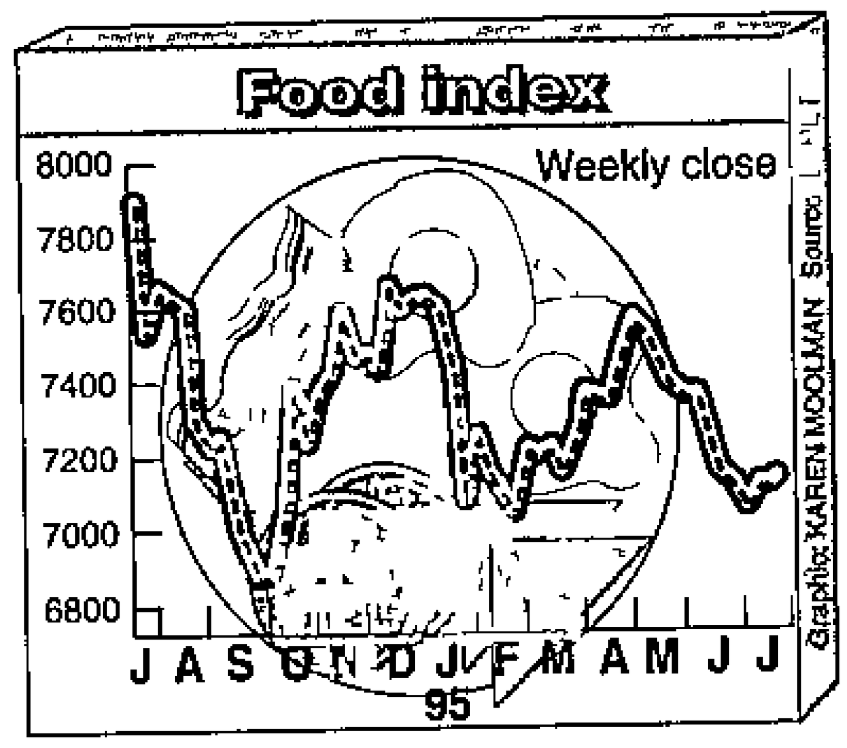
An analyst said the sharp decline in recent months — from a level of close to 7 600 in April — was partly due to the weak performance of certain stocks, notably Premier Group

Another analyst said many food stocks had been affected by the drought, and some were perceived to be risky, particularly those with large exposures to the broiler, maize and sugar industries It was not clear if the decline in the index was a structural rerating or an indication that the shares were undervalued and that a rerating was on the cards

Many portfolio managers were moving out of cyclical stocks which were becoming fully valued, and this should see the beginning of renewed interest in the food sector

Although there had been an uptick in the economy, there were concerns about the effect of higher interest rates on consumer spending

Premier Group, a major index constituent, closed yesterday at 460c, near last month's low of 450c and well off its August high of 670c



It recently reported 14% lower earnings for the year to April following problems in its core food division and United Pharmaceutical It also indicated it would require about R700m to reduce its debt burden

Other shares in the sector which have performed poorly were Hunt Leuchars & Hepburn (HL & H), Rainbow Chicken and Del Monte Royal Foods (Delfood)

HL & H closed at its low of 975c after dropping from its high of R17 reached a year ago Rainbow has declined similarly, closing yesterday at 230c, just off its June low of 210c and well off its July 1994 high of 380c Delfood closed at its 425c low from a August high of 925c after poor results and uncertainty about near-term earnings prospects

An analyst said there was recovery potential in HL & H, but stockbrokers were recommending investors to steer clear of Rainbow whose results could reflect the effect of cheap imports HL & H, Rainbow and Delfood could have bottomed out, but there appeared to be no rush to buy as they were expected to remain depressed in the short term

Tiger Oats, which rose from a September yearly low of R40 to close yesterday at R52,75, had found some favour in the market as it was perceived to have good brands and was more exposed to the value added market than some of its competitors An analyst said it had top brand names, a good spread of business and had shown some success at restructuring and rationalising the business

Analysts said Malbak subsidiary Foodcorp, which beat expectations to report an 18,5% increase in earnings in the six months to February and which recently clinched a joint venture deal with PepsiCo, was underrated The share has shown some strength recently, rising from a March yearly low of R26,25 to close yesterday at R34,50, close to its December high of R35

One analyst said the recently announced Simba joint venture with PepsiCo was seen as a good deal

Analysts believed there was also upward potential in Tongaat-Hulett, which finished yesterday at R44 from a November high of R52 and a February low of R36 One said it was a diversified group, all of its businesses were lean and most were the lowest cost operations in their sectors

More quizzed over NSB death

(186) Sowetan 24/7/95

By Joshua Raboroko

POLICE will this week question several Pretoria businessmen in connection with the killing of National Sorghum Breweries group executive Mr Khathutshelo Mutshekwane.

Mutshekwane was involved in business transactions amounting to more than R550 000 with two Indian businessmen from Pretoria at NSB's Jabula Foods in Springs, before he was shot dead at his Fairland home on June 7.

This was confirmed yesterday by Captain Francois Kalp, who said they wanted to do ballistics tests on the guns of the Pretoria businessmen.

Police said they had been unable to do tests on the firearm of NSB chairman Mr Mohale Mahanyele's son-in-law, Mr Sipho Ndzeku, who apparently told them his gun was stolen three years ago.

Police also want to know what happened to the R550 000 that two representatives of the businessmen, Mr Shafik Adams and Mr Shalin Mohammed, reportedly paid to Ndzeku for foodstuffs bought from Jabula Foods.

Ndzeku, who has been seen in the company of the two businessmen in the past week, denies receiving the money. Police say they will also probe Ndzeku's connection with the businessmen.

According to NSB group finance executive Mr Chris Venter, the businessmen had paid only part of the money they owed and the balance is still outstanding.

Mantsha Nyamane Sipho Ndzeku

In another development, a former NSB employee claims he lost his job after stumbling on a massive theft racket at the company's QwaQwa depot in April last year.

Mr Mantsha Nyamane, a former sales manager at NSB's QwaQwa depot, said yesterday that several NSB plants, including Jabula Foods, were rocked by scams and theft of property, such as vehicles and computers. Nyamane claims he was sacked after he discovered that foodstuffs, sorghum beer and soft drinks amounting to R869 000 had been mysteriously removed from the depot. Mahanyele could not be reached for comment yesterday.

Nyamane claims he was transferred from NSB's Egoli Breweries in Johannesburg to QwaQwa after he was seen to be a "troublemaker". He was threatened with death when he exposed corruption there.

He has now served summonses on NSB, informing them of his intention to sue for R200 000 for "unfair dismissal"

Muslims march over Bosnia

APPLYING PRESSURE ... Top journalists Don Mattera and Ameen Akhalwaya (centre) lead about a thousand placard-carrying marchers delivering a memorandum to the American Consulate in Johannesburg on Friday. The Bosnian crisis protest march was organised by the Muslim Students Association demanding that the United Nations should bring an end to the genocide in Bosnia. PIC: PAT SEBOKO

Cadswep gets taste of sweet success

BD 27/7/95 (186)

Marcia Klein

STRONG consumer demand for its soft drink and confectionery products and market share gains in a competitive market saw Cadbury Schweppes (Cadswep) savour earnings 25% up at 121,1c (96,7c) a share in the six months to June.

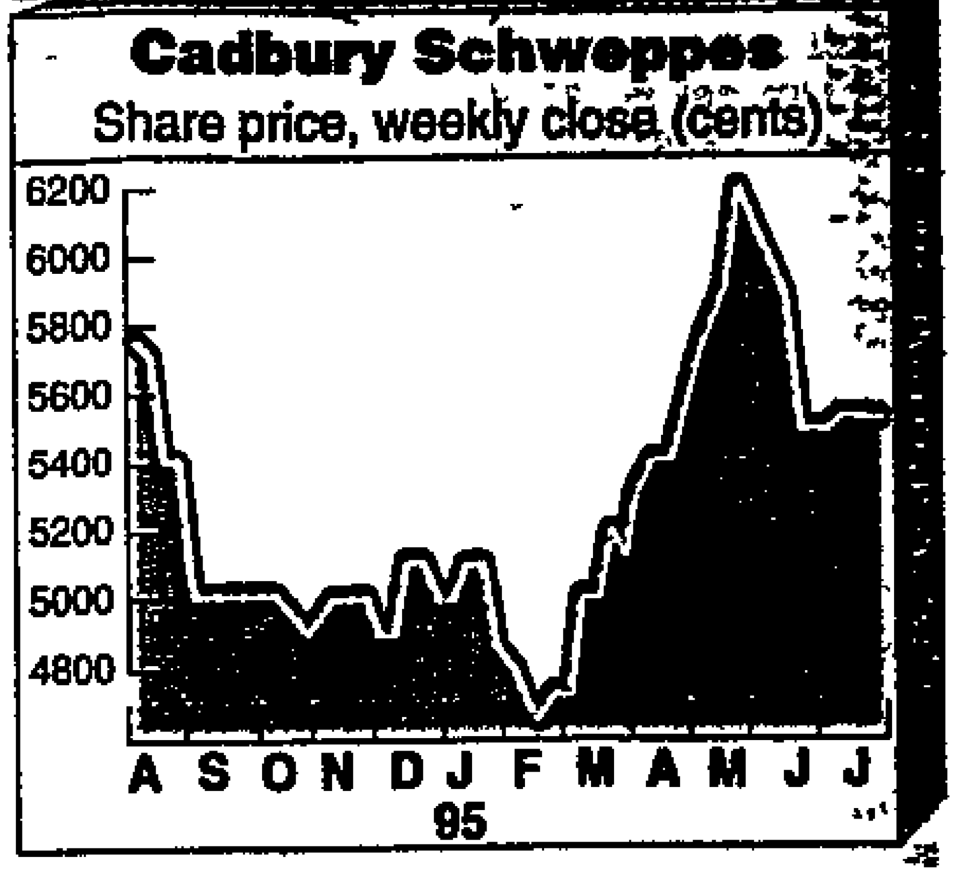
Turnover rose 25% to R462,4m (R369m) as a surge in its domestic confectionery and soft drink sales was partially offset by lower export sales.

CE Peter Bester said export sales to Russia were affected by a collapse in its currency, volatile market conditions and increased competition from other companies coming into that market.

He said the 26% improvement in operating profit to R42,3m (R33,6m) "was driven by higher volumes while margins held steady in the face of strong competition"

Lower average borrowings resulted in a continued reduction in financing costs to R3m (R4,1m), enabling Cadswep to lift pretax profit 33% to R39,4m (R29,6m). But a higher effective tax rate saw taxed profit increase 28% to R28,4m (R22,2m).

After a 25% rise in earnings from associate Amalgamated Beverage Industries, attributable profit was 27% ahead at R43,9m (R34,6m). A 20% higher interim dividend of 24c (20c) a share was declared.



Bester said the group had achieved a "good solid result" in line with expectations and had gained market share in its soft drink and confectionery markets. "Our experience has shown us that as the economy starts to pick up, these are the first

Continued on Page 2

Cadswep

(186) BD 27/7/95

Continued from Page 1

consumer markets to show the effect."

Cadswep's carbonated soft drink volumes were well up on the previous year's, while concentrated soft drink volumes also increased, but to a lesser extent. Sugar confectionery volumes were buoyant and chocolate volumes were modestly higher.

Bester said competition in the carbonated soft drink market had intensified, but Cadswep had increased market share. In the confectionery market, competition had fallen back and the Mars group's effect on the market was negligible.

Cadswep planned to expand capacity in anticipation of growing markets, particularly confectionery. He expected buoyant trading conditions and improved domestic demand to continue in the second half. However, export sales to Russia would be lower than in the corresponding period last year. The group would report satisfactory real growth in earnings at year-end, but probably not at the same level as at the interim stage. In the medium term, growth in demand would gather momentum as the economy strengthened.

SWEET FIGURES *Senior Cadbury Schweppes executives present the group's results. From left, Dave Jackson, Schweppes MD, John Buchanan, group financial director; Chris Rowan-Parry, Bromor Foods MD; John Schoeman, Cadbury MD; and Peter Bester, group CE*

PHOTO JOHN WOODROOF

Domestic demand feeds Cadbury Schweppes profit

CT(MR) 27/7/95 (181)

By Charlotte Mathews

Investment Editor

Stronger consumer demand lifted attributable profit at food and beverage group Cadbury Schweppes (South Africa) by 26,7 percent to R43,9 million in the six months to June 17 compared with the same period last year

Turnover grew by 25,3 percent to R462,4 million, reflecting good domestic sales volumes but lower export sales

One of the group's successful product launches on the local market has been Astro chocolate sweets, and it is struggling to keep up with demand, said John Buchanan, group finance director

Export sales were lower, mainly because the Russian market was hit by the collapse of the rouble and increased competition.

The group's bottom line benefited from a drop in finance costs and the 28 percent tax rate, which though still light, was above last year's owing to lower exports and the taxability of export benefits

Dividend income and equity accounted earnings from Amalgamated Beverage Industries, in which Cadbury Schweppes has a 19 percent share, rose 24,8 percent to R15,5 million.

On earnings 25,2 percent higher at 121,1c (96,7c) a share, the dividend was increased by 20 percent to 24c from 20c The lesser increase in the dividend partly reflected traditional policy (usually more than 50 percent of earnings is made in the second half), and partly directors' caution on the second half

The directors said prevailing trading conditions were expected to continue for the rest of the year, which would favour domestic demand They expected growth in this area to gain momentum as the economy strengthened over the next few years

However, export sales to Russia are likely to be significantly lower than in the second half of last year As a result, real earnings growth for the full year is forecast to be satisfactory, but not at the same pace as in the first half

Domestic demand boosts Cadbury

Star 27/7/95

180 / 186

BY CHARLOTTE MATTHEWS
INVESTMENT EDITOR

Stronger consumer demand lifted attributable profit at food and beverage group Cadbury Schweppes (South Africa) by 26,7% to R43,9 million in the six months to June 17 compared with the same period last year

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Sowetan
Friday July 28 1995
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NSB goods rot in store

sowetan 28/7/96 (186)

A worker at the Van Heerden Transport surveys a truck-load of foodstuffs spirited from NSB's Jabula Foods factory in Springs a month ago. PIC: PAT SEBOKO

By Mongadi Mafata

FOODSTUFFS worth more than R300 000, mysteriously removed from National Sorghum Breweries subsidiary Jabula Foods, are rotting in a warehouse in Springs.

The consignment was removed from Jabula Foods' Springs factory weeks before the murder of group executive Mr Khathutshelo Mutshekwane.

The goods have been stashed for about five weeks in the warehouse of Van Heerden Transport, whose managing director, Mr Mike van Heerden, is demanding R40 000 before releasing them.

Workers at the transport company told *Sowetan* yesterday worms had started infesting some of the bags containing dried mince and soup powder. Van Heerden said that he did not know how to dispose of the rotting foodstuffs.

Van Heerden said he had tried to seek help from NSB with a view to resolving the matter but had not been successful

"I called NSB executive chairman Professor Mohale Mahanyele and the group's finance executive, Mr Chris Venter, but they could not help me," the businessman said.

Van Heerden said he removed the foodstuffs on June 13 from the Jabula Foods factory at the instruction of an Indian businessman, a Mr Naicker, who claimed he had paid for the goods He was to have ferried the foodstuffs to Johannesburg "However, there was a sudden switch in destination and the first and second consignments were eventually delivered in Pretoria on June 13 and 14"

He said on June 15 Mutshekwane and a man who introduced himself as NSB chief of security arrived at Jabula Foods and stopped his workers from loading the third consignment on the trucks

Mutshekwane told the Van Heerden crew that the goods were stolen "That's when my brother smelt a rat and we decided to reroute all the trucks to our warehouse immediately"

He called Naicker to demand payment and was referred to a Mr Shafik Adams of Sadusan Trading, who promised to settle the R16 300 transport bill

After several attempts to get his money, the businessman said, he was insulted by Mahanyele's son-in-law, Mr Sipho Ndzeku, in the presence of the two Indian businessmen The businessman has already contacted the local police

He said Mutshekwane visited his business just before he was gunned down on July 7 and asked for a detailed inventory of the foodstuffs in his possession Mutshekwane had an appointment to meet police over the matter when he was shot dead at his home in Fairland, Johannesburg

"Apparently the investigations came to a halt after he (Mutshekwane) was killed," the businessman said. The Pretoria businessmen refused to comment yesterday

Venter and NSB public relations officer Ms Margaret Tefu were not available for comment.

Jabula Foods was closed down after it showed losses of approximately R17 million

Del Monte buys Confruit

JOHANNESBURG — Del Monte Royal Foods announced yesterday that its wholly-owned offshore subsidiary, Del Monte Group, had purchased the entire issued share capital of an Italian fruit juice company, Confruit SPA for an amount of 26-billion Italian Lire (R59-million) from the Bucci Group in Italy

(186) ARG 29/7/95

Glenrand's chief executive [redacted]

(186)

Del Monte in R59m buy-out

ST (BT) 30/7/95

By JULIE WALKER

DEL MONTE Royal Foods' offshore group Del Monte Group announced on Friday it had bought Confruit SPA, Italy's leading manufacturer of fruit juices, for 26-billion lire (R59-million).

Approval has been obtained from the SA Reserve Bank although the deal will be financed entirely by way of Del Monte Group's offshore financing facilities without recourse to South Africa.

Del Monte itself is one of the leading brands of fruit products in Europe and elsewhere. Confruit is one of the most efficient and lowest-cost producers of fruit drinks such as nectars and 100% fruit juice. Turnover at the enlarged Del Monte-Confruit operations will more than double, making it the top supplier of nectars and the second or third largest in other fruit drinks.

Confruit has operated for 30 years from Faenza, and produces 3-million bottles and cartons of juice daily.

Vivian Imerman, chairman of Del Monte, says margins are notably higher in certain sectors of the European fruit-juice market and prospects are good.

Del Monte was bought by Mr Imerman's company Royal Beech-Nut three years ago when Anglo American became a major shareholder. Del Monte has been a disappointment so far

The share price has fallen by about half since Anglo came aboard. Delfood dropped to as low as R4 a fortnight ago from 925c last August before picking up 30c last week.

Its interim earnings were down by a third to 17,7c a share and the management expects the same for the full 12 months.

Solar pact gives power to the people

Del Monte pays R59m for Italian juice company

STAFF WRITER

Del Monte Royal Foods (Delfood), in the Anglo American stable, has bought Italian fruit juice company Confruit SPA for R59 million from the Bucci Group, it said in a statement at the weekend

The acquisition, which is being made through Delfood's offshore subsidiary Del Monte Group, will be financed from offshore facilities, Del Monte said

The company said the acquisition would have no immediate effect on the earnings, dividend distributions or net asset value of Delfood or its holding companies, but in the medium term, production and marketing synergies were expected to hold substantial benefits

The chairman of Del Monte, Vivian Imerman, said Delfood had taken a strategic decision to focus on the fruit beverage sector of the market

According to a company statement, Confruit has operated in Italy since the early 1960s and has built up a nectars, fruit juice and fruit-based drinks business

Confruit is a low-cost producer that has developed its own processing technology and produces about 3 million bottles and cartons of drinks a day.

CT (BR) 31/7/95 (186)

Ocfish may chip in with McDonald's

CT (FOR) 1/8/95 (186)

By Peter Galli

Features Editor

Market talk is that the Oceana Fishing Group (Ocfish) has been awarded the lucrative contract to supply McDonald's local franchisees with frozen potato chips when the American fast food company enters South Africa later this year

Informed sources said Ocfish's new R8 million frozen chip processing plant — which opened in June — at subsidiary Lamberts Bay Fishing Company, had been awarded the contract

Dave Behrens, the managing director of Ocfish, yesterday confirmed that it had submitted a proposal to McDonald's, and that it had been talking to representatives from McDonald's who are in South Africa at the moment But he declined to comment on whether it had been awarded the contract

"Yes, we have been talking to McDonald's and, yes, we did submit a proposal to them, but so did several other firms I am unable to comment on whether we have been awarded the supply contract or not You need to talk to McDonald's about that," he said.

A spokesman for McDonald's would not disclose its planned future supplier, saying details would be publicised this month

Ocfish began producing chips at the Lamberts Bay operation in March as part of its strategy to use excess capacity at its fish processing plants during the off-season When the plant was opened, Peter Grobler, the general manager of Lamberts Bay Fishing Company, said a number of sizeable contracts had been secured for its frozen chips and that significant opportunities were being considered

It is believed McDonald's, wants to establish its first South African outlet before the end of the year and has been searching for black franchisees But the time scale depends on this month's court fight to defend attempts to have its trademark expunged from the register because of non-use

The case is expected to establish a trademark protection precedent for international players, after South Africa's recent blacklisting by the United States for violation of intellectual property rights

Will it be MacChips from Ocfish?

(186) Star 1/8/95

BY PETER GALLI
FEATURES EDITOR

Market talk is that the Oceana Fishing Group (Ocfish) has been awarded the lucrative contract to supply MacDonald's local franchisees with frozen chips when the US burger giant enters the country later this year

Informed sources said Ocfish's new R8-million frozen chip processing plant at subsidiary Lamberts Bay Fishing Company, had been awarded the contract

Ocfish's managing director Dave Behrens yesterday confirmed that it had submitted a proposal to McDonald's, and that it had been talking to representatives – who are in the country at the moment But he declined to comment on whether it had been awarded the contract to supply the hamburger chain with frozen chips

"Yes, we have been talking to McDonald's and yes, we did submit a proposal to them, but so did several other firms I am unable to comment on whether we have been awarded the supply contract or not You need to talk to McDonald's about that"

A McDonald's spokesman would not disclose who its suppliers were going to be, saying full details would be made public later this month

Ocfish first started producing chips at the Lamberts Bay operation in March as part of its strategy to use excess capacity at its fish processing plants during off-season When the plant was opened, Lamberts Bay Fishing Company GM Peter Grobler said a number of sizeable contracts had been secured.McDonald's, which has been trying to find suitable black franchisees, is believed to be hoping to have its first local operation up and running before the end of the year

But that depends on this month's court fight to defend attempts to have its trademark expunged from the local register because of non-use. McDonald's registered its trademark in South Africa long ago, but has never used it

The case is expected to establish what trademark protection international players can expect locally, which has become a serious issue following the US government's recent blacklisting of South Africa as a country where intellectual property violations have taken place

CADBURY SCHWEPPES FM 4/8/95

Turn up the heat

~~(782)~~ (186)

After another set of pleasing interim results, Cadbury Schweppes (Cadswep) management is looking forward to a hot summer — in more ways than one. Most earnings are generated in the second half and the weather plays a large role in cooldrink consumption.

Turnover in the 24 weeks to June 17 rose 25,3% to R462m and operating profit jumped 25,9%. The long-heralded increase in the tax rate, spurred mainly by the removal of export incentives, chipped away at pre-tax profit, but the 24% increase in dividend and associate company earnings lifted attributable profit by 26,7% to R43,9m.

Finance director John Buchanan says: "Strong consumer demand has been one of the main drivers, compared with this period last year. Economic momentum that built up in the last quarter of 1994 has carried through. We are pleased with the results."

The confectionery and cooldrink markets, squeezed during the recession, increased as domestic disposable income and volumes rose, though price increases were largely below the inflation rate, keeping the operating margin steady at just above 9%.

Confectionery purchases drop when the economy turns down, but rise more rapidly once things pick up again, says Buchanan. Over the last ten years, there has been a good correlation between market surges and increased demand for the group's products.

Buchanan expects domestic demand to hold up in the next six months, though he says results would have been better if the Russian export market had been maintained. Cadswep's exports, strong last year, ran into a collapsing rouble and an increasingly competitive market with lower consumer demand. "The export contract was not long-term, anyway," he says.

But export markets have to be a target and the group plans to intensify its focus on them. Export markets for the Cadbury brand are limited because of conflict with the UK parent but the group has other products it can export, especially to Africa. Chappies, a leading sugar confectionery brand, is suited to African markets, says Buchanan.

On a p:e of 21,5, the share is at a slight premium to the food sector — though this has under-performed recently. At R55, the price is creeping up — a good sign of the market rerating that it deserves. It's a difficult share to buy but a solid investment.

Margaret-Anne Halse

REFRESHING SIGHT

Six months to	Jun 18 1994	Dec 31 1994	Jun 17 1995
Turnover (Rm)	369,0	571,3	462,4
Operating income (Rm)	33,6	58,2	42,3
Attributable (Rm)	34,6	48,6	43,9
Earnings (c)	96,7	134,5	121,1
Dividends (c)	20,0	73,0	24,0

Wildcat Saldanha strike cripples giant cannery

ARG 10/8/95 (186)

Staff Reporter

AN illegal strike by 500 fishermen has crippled operations at Sea Harvest in Saldanha Bay, one of the largest fresh fish processing factories in the southern hemisphere

Managing director Louis Penzhorn said today all of the company's 18 trawlers were confined to harbour, forcing the fresh fish processing factory to close

The closure left about 1 000 fresh fish factory employees with nothing to do, but the frozen fish processing division was still operational today

The dispute centres on the allowance paid to fishermen for each ton of fish caught.

The company has already agreed to the fishermen's wage demand of R50 a day but has offered an extra R3 a ton of fish caught, while most fishermen want R5.

For some categories of workers, the difference between the demand and offer was R4 a ton

"Unfortunately we have had a high degree of intimidation," said Mr Penzhorn

He said he would address a meeting of all workers tomorrow and attempt to resolve the crisis.

General secretary of the Trawler and Linefishers' Union Norman Daniels said although the union could not endorse an illegal strike, it was still representing workers in their negotiations with the company

He said Sea Harvest was "the best payer in the industry", but conditions of employment for sea-going employees were "very harsh".

Mr Daniels said he would be at Mr Penzhorn's meeting with the workers tomorrow.

● Some 2 000 workers downed tools at Continental China's Blackheath factory today over a dispute with management, workers said.

General manager Gordon Bell confirmed a work stoppage was in progress.

No pay rise as talks enter third week

(186)

WILLEM STEENKAMP
Staff Reporter

ARG 12/8/95

MORE than 600 fishermen were still deadlocked in negotiations with the fishing company Sea Harvest at Saldanha this week as the strike for better wages moved into its third week

Fishermen represented by the Trawlers and Line Fishermen Union went on strike two weeks ago They want across-the-board increases of R50 a day per fisherman and a commission of R5 per ton of fish caught

Managing director Louis Penzhorn of Sea Harvest said the company had offered a R50 per day and a commission of R3 per ton to long-serving deckhands

"But the union wants this salary to be paid to all the fishermen regardless of rank This would in effect mean that some people with higher ranks would then earn less than their current pay This does not make sense"

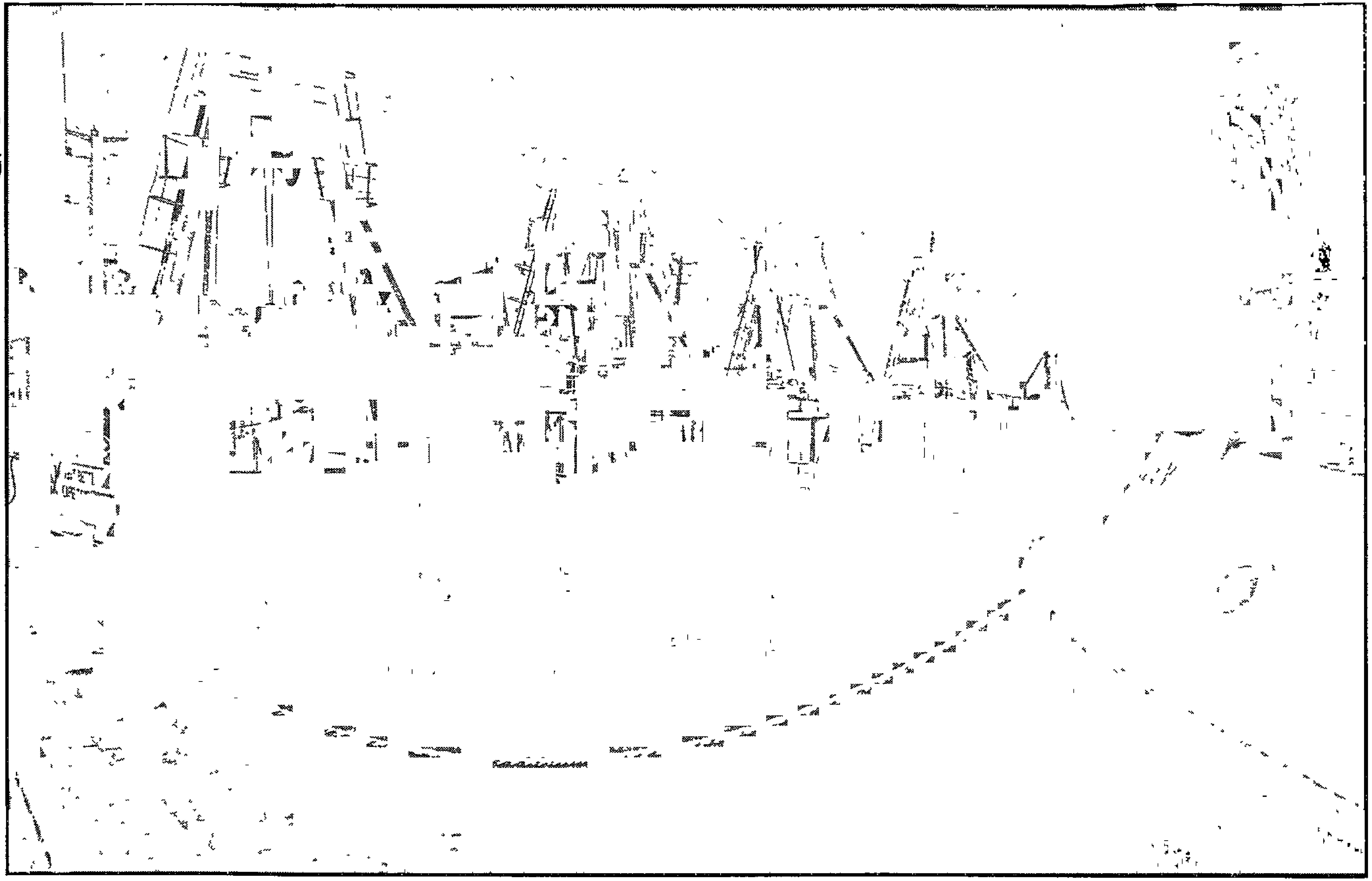
Mr Penzhorn pointed out that the company's offer represented a 20 percent increase in salaries Late yesterday afternoon he said negotiations were still continuing

Caval Laubscher, one of the organisers of the Trawlers and Line Fishermen's Union, said the situation did not look good at this stage

"We are now moving into the third week of the strike and we still have not resolved the problems

"We will continue negotiations on Monday and hopefully we will then be able to come to some agreement

He said about 600 people were involved in the strike leaving 16 boats trapped in the harbour



Picture OBED ZILWA, Weekend Argus

☐ **NO FISH:** Fishing boats of Sea Harvest lie unused in the Saldanha Harbour as the strike by fishermen for better wages continues

Sea Harvest and fishing union talks in stalemate

CT(BR)16/8/95 FISHING (186)

By Françoise Botha

Staff Writer

The two-week old strike which has brought the Sea Harvest factory at Saldanha to a standstill is set to cost the company a substantial amount in lost production, and "the longer it continues, the worse it is going to be", said Norman Daniels, general secretary of the Trawler and Linefishers' Union.

Daniels said yesterday that the strike had reached a stalemate

The disagreement between workers, supported by the union, and the company stems from workers' demands for an increase that "now exceeds 50 percent" said Louis Penzhorn, the managing director of Sea Harvest

According to Penzhorn, the company has increased its offer to 21 percent

"At those levels, we will have some of the best paid workers in the industry," he said

According to Daniels, there has been a move by management to meet the demands, but it is not sufficient "Both sides will have to go in and negotiate, but I do not know if they are prepared to do so right now," said Daniels

The company also posted notices yesterday warning workers that if they did not arrive for work, they would be dismissed

Dispelling rumours that the strike could damage profit for the second half of the year, Penzhorn said. "I think it is too early to start speculating about that, especially if the strike ends in a day or two"

The Saldanha plant, which was responsible for 90 percent of the company's fish processing, was ahead of its annual quota at the beginning of the strike

"We have the rest of the year to catch up two weeks fishing," Penzhorn said

But, there is no indication as to whether the issues surrounding the strike will be resolved in the next few days

Penzhorn said that he thought the company had been close to ending the dispute yesterday afternoon, but admitted that it he was no longer certain of that.

Sea Harvest, a member of the CG Smith group, which reported a 26 percent increase in profit for the six months ending in March, had expected that good winter catches would boost earnings growth in the second half available for comment

nals at more than 32 schools

BRIEFS

Union slams brokers

CT 16/8/95

DURBAN: Up to 35% of workers here are employed without basic worker benefits by labour brokers, the Azanian Workers' Union said yesterday.

Union secretary Mr Patrick Mkhize said the union planned to agitate against brokers to ensure the brokering system did not erode workers' rights.

Workers will not be paid

(186)

WORKERS at the Sea Harvest factory at Saldanha will not be paid on Friday.

Most of them are process workers and have been out of work since last week because of the strike by trawlermen and line fishermen. CT 16/8/95

Management has offered the workers options for loans or leave while the fishermen are on strike.

The proposal has been rejected by the Food and Allied Workers' Union as they are not responsible for the strike.

Staff clash at hospital

JOHANNESBURG: Tension ran high at Kalafong Hospital in Mamelodi yesterday when members of the Hospital Personnel Association of South Africa clashed with rivals from the National Education, Health and Allied Workers' Union.

Only the intensive care unit was operational and patients not needing emergency treatment were sent away.

CT 16/8/95

Sapa

Council staff plan next step

SHOP stewards representing 14 000 municipal workers in the Western Cape were due to meet at the South African Municipal Workers' Union regional office in Athlone last night to decide whether to resume their strike as mediation had failed. CT 16/8/95

Samwu regional secretary Mr Stanley Yisaka said shop stewards would present mandates from their structures at the meeting.

He expected the meeting would arrive at a "programme of action". — Municipal Reporter

CT 18/8/95

Strike closes fish factory

(186)

PRODUCTION at the Sea Harvest factory at Saldanha came to a halt yesterday as a fishermen's strike entered its 16th day

Police intensified their presence at the factory amid allegations of intimidation and damage to property.

Sea Harvest strike ends

~~(3 Fishing)~~ (186) (182)

THE strike at the Sea Harvest factory in Saldanha Bay has ended after an agreement was reached on Friday night between the fishermen and management.

The strikers demanded a 50% increase, but finally settled for 28% after striking for 18 days

CT 21/8/95

Company backs empowerment

(186)

sowetan 24/8/95

KKS subcontracts its services to black firms whenever possible

By Mzimkulu Malunga

BORN OUT of an empowerment move nine months ago, the country's leading food and catering company Kagiso Khulani Food Services, says the process of enablement is just beginning

Directors Mr Zuzi Buthelezi and Mr Nigel Dunlop say they want KKS to break away from the normal practice where unbundling is seen as the beginning and end of empowerment Other processes that take enablement further are then thrown out of the window

The KKS, argues Buthelezi, wants its management not only to reflect the population demographics and the shareholding, but its suppliers must also reflect the country's demographics

The company was born out of a R53 million transaction when the investment arm of Kagiso Trust and another black controlled group, Khulani Holdings, bought 80 percent of Tongaat-Hulett's subsidiary, Supervision Food Services

In its nine months of existence the KKS has deliberately subcontracted some its services to other black companies Its officials use Khaya Car Hire when they go on business trips in areas where they are unable to use their own cars

Baltic Travel makes all travel arrangements for KKS employees and the premises are cleaned by SuperCare, which is a new baby in the Kunene Brothers stable

Looking beyond unbundling...Zuzi Buthelezi wants to see KKS mnagement reflect demographics.

Company cars also refuel at a filling station owned by a black entrepreneur, while some of the meat cooked in canteens comes from black suppliers

KKS is also leading the campaign to have the black business voice heard when it comes to tendering

Together with *Enterprise* magazine the company organised a tendering conference at which Public Works Minister Jeff Radebe was told that black business people wanted a share in the state's subcontracting system

But, says Dunlop, there is still a long way to go For instance, at the moment 46 percent of the company's management is black Ideally, it should over 70 percent

Another situation that needs to be addressed is to get more blacks on the company's management board Currently, only one of the eight executive directors is black

He says the company is taking this factor into consideration when it recruits managers

I&J boosts profit 33% as frozen-food sales rise

(186) CT(BR) 29/8/95

By Audrey D'Angelo
Cape Business Editor

Higher sales in both home and export markets helped Irvin & Johnson (I&J), Anglovaal's fishing and food-processing company, to lift after-tax profit by 33 percent to R82,8 million (R62,2 million) in the year to June 30

The annual dividend is 16 percent higher at 100c (86c) a share with increased cover of 2,9 times earnings The cover was reduced during the two previous years

Sales were 19 percent higher at R2,118 billion (R1,774 billion)

Operating profit rose by 21 percent to R161,6 million (R133,1 million) before a substantial allowance of R50,8 million (R44,8 million) for depreciation

Income from investments rose by 62 percent to R14,2 million (R8,8 million) and the interest bill rose marginally to R19,6 million (R18,9 million) But the tax bill was 42 percent higher at R22,5 million

Attributable earnings rose to R82,6 million (R62,3 million) before an extraordinary loss of R7,3 million — the write down of an investment to its net asset value Earnings at share level rose by 32 percent to 287,1c (216,7c)

The net asset value a share rose to 2042c (1603c)

Capital expenditure of R91 million (R77,7 million) during the year — of which R64,872 million was to expand operations — included new seafood processing facilities in Cape Town and Namibia and the upgrading of processing facilities in the prepared-foods division

The directors said a substantial investment in information technology started in June this year "These investments have ensured that I&J's production plants are both internationally competitive and meet the standards of the European Union, without which access to these large markets would be barred"

The recovery in the economy had increased consumer demand and enabled margins to be widened

Real growth in frozen food sales was ahead of population growth and sales of fast foods were buoyant, with I&J improving its market share

"Growth of sales in international markets has continued with turnover there approaching R500 million The strategy to add further value to products sold abroad should result in continued growth and enhance the group's hard currency earnings"

But chicken sales were dampened by supply problems in the earlier part of the year and competition from imports at the end of the year

Fishing conditions in Namibian waters deteriorated and catch levels declined to levels of marginal profitability

The group's new factory in Namibia was formally opened on August 11 The directors said it would operate profitably given normal fishing conditions

Economic recovery helps I&J achieve a 32% boost

(186) BD 29/8/95

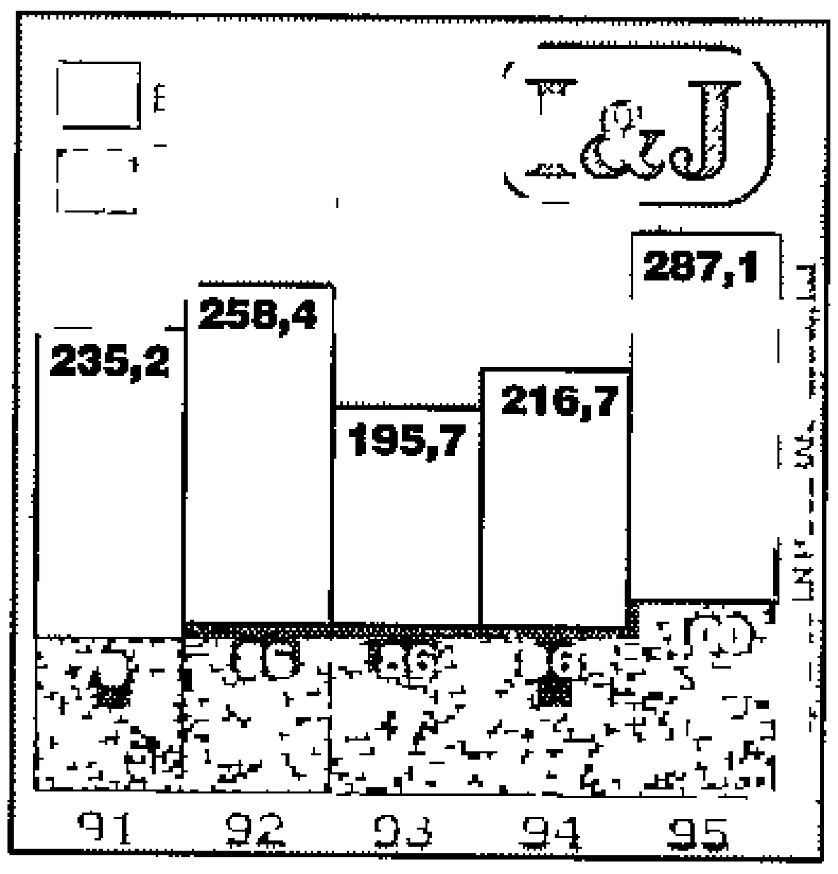
Edward West

CAPE TOWN — Food processing group Irvin & Johnson (I&J) lifted earnings a share 32% to 287,1c in the year to end-June, due mainly to improved frozen and prepared food sales and higher margins.

The results showed turnover up 19% to R2,1bn largely as a result of growth in sales of french fries, prepared foods and other frozen products, partially offset by lower volumes of chicken. The recovery in the SA economy resulted in firmer demand Improved margins and production yields resulted in operating profit increasing 26% to R110,8m. Income from investments increased sharply to R14,3m from R8,8m, while interest paid was 4% up at R19,6m

Taxation rose to R22,6m from R15,9m as a result of an increase in the effective tax rate. Taxed profit was 33% higher at R82,8m. A R7,4m write-down of an investment to net asset value was reflected as an extraordinary item

A dividend of 100c (86c) was declared Dividend cover was increased to 2,9 times following the reduction in cover over the preceding two difficult trading years during which the dividend was maintained In line with a new policy at parent Anglovaal to reflect land and building values at valuation



as opposed to historical cost, these were revalued at June 30, resulting in an increase in value of R82,4m, credited to non-distributable reserves

The seafoods division reported improved performance in spite of a delay in commissioning of processing facilities and poor fishing in the third quarter of the financial year Fishing off Namibia deteriorated and catch rates fell to levels of marginal profitability

The prepared foods division achieved good profit growth as a result of greater sales volumes and efficiencies. The new potato products plant at Delmas was operating ahead of design parameters, and further investment in this facility was under way

Frozen vegetable sales firmed and substantial exports were achieved The Ready Meals business unit reported "substantially improved" results due to greater efficiencies and strong demand

The Newcastle disease which affected the chicken industry resulted in low supply levels of chicken in the first half. Supply improved in the second half, but large volumes of imported chicken negatively affected sales in the final two months of the year.

The directors said sales growth in international markets was continuing with export turnover approaching R500m. The strategy to add further value to products sold abroad should result in continued growth and enhance the group's hard currency earnings. They said they expected the group to report further improvement in profitability in the current year Ongoing investment in new plant and technologies had positioned it for sustained growth

Major items of capital expenditure, which totalled R91m, included new seafood processing facilities in Cape Town and Namibia and the upgrading of processing facilities for prepared foods An investment in information technology started in June These investments ensured production plants were internationally competitive

I&J profit boosted 33%

Star 29/8/95 (186)

■ BY AUDREY D'ANGELO

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The recovery in the economy had increased consumer demand and enabled margins to be widened

Real growth in frozen food sales was ahead of population growth and sales of fast foods were buoyant

Shopsteward murdered 'by union rivals'

(186)

~~[illegible]~~NG

□ Fish factory obtains interdict

ARG 31/8/95

ROGER FRIEDMAN
Staff Reporter

A senior shopsteward at a Woodstock fish processing factory has been murdered, allegedly by colleagues who are members of a rival union.

The Food and Allied Workers Union's Richard Anthony was stabbed to death on his way home from work on Tuesday as rivalry between Fawu and the South African Commercial Catering and Allied Workers Union (Saccawu) for control of I&J's Woodstock plant intensified

Both unions are Cosatu affiliates but the country's leading trade union federation appears to be unable to control the situation.

Fawu is recognised by I&J and has been for the past 14 years

The union rivalry goes back to June 21 when Saccawu supporters embarked on an illegal strike which culminated in 46 of them being dismissed and another 134 suspended

According to the company, several Fawu members were stabbed during the June ructions

Yesterday, after the fatal stabbing of Mr Anthony, I&J successfully applied for a court interdict restraining Saccawu from entering the company premises and intefering with or intimidating other workers or customers

The company said today: "Saccawu's history in the company since January has been characterised by confrontation and unprofessional behaviour from union officials and workers alike

"This increased dramatically when they failed in two verification exercises to secure more than 26 percent membership of the workforce in two major Cape Town-based plants."

In a hard-hitting statement released by Fawu last night, the union accuses Saccawu of harbouring a "different political ideology" in spite of its alignment to Coastu.

Fawu accused Saccawu of not acting consistently with Cosatu's "one union, one industry" policy.

Saccawu spokesmen were not available for comment

But a Coastu official at the federation's Western Cape head-office said the federation "has the matter under control"

(186) FM 1/9/95

IRVIN & JOHNSON

Unfreezing profits

The long-heralded revival in the fortunes of Irvin & Johnson (I&J) appears to be at hand

Anglovaal Industries' 68%-owned fish and food processing group saw turnover for the year to June 1995 reach R2,12bn, up 19% on 1994 A 62% rise in investment income boosted pre-interest profit 29% to R125m EPS rose 32% — in line with at least one analyst's expectations She predicts a 25% rise in financial 1996 EPS

I&J MD Roy Gordon says the seafood

and processed food divisions "grew significantly" But the earnings advance appears to have come more from the processed food and vegetables divisions and strong exports

Gordon says 78% of sales are made in southern Africa, of which 15% is seafood, 12% is other frozen food and 51% is third-party distribution (chickens, margarine, meat products)

Total exports grew to 22% of output, worth about R500m, and are expected to expand further in the coming year

An analyst says fishing conditions and the catch rate in Namibia have been off peak in the past year and the fish interests suffered accordingly She is also concerned about the effect on I&J's joint venture hake processing factory with a Namibian company, which was forecast to be profitable only if catch rates were good

However, Gordon expects it to come back "We wouldn't have made the investment if we didn't have confidence in the fishery" International fish prices have remained firm and exports did well

I&J has a strong balance sheet with minimal debt and R143,4m cash at year-end Considerable capital investment in plant such as the new chip factory in Delmas appears to be paying off Gordon says little further spending would be needed to double its capacity — a possible project in the next two years

Installation of up-to-date information technology will increase competitiveness and bring the group up to European Union standards — essential for exports Most exports go to North America, Europe and the Pacific Rim countries, which Gordon says are "very demanding markets with high quality standards"

Gains on the processing front were offset by reduced volumes of chicken, which I&J distributes for Rainbow Newcastle Disease in the first half and cheap imports plus labour troubles in the second combined to lay Rainbow low and I&J was hit in turn Gordon says "It is a long-standing and mutually beneficial relationship" Maybe it is time to rethink that relationship

The share price is R47 on a p e of 18,7, a year ago, it was R34,50 on a p e of 13,2 One analyst considers the share fully priced and the p e demanding

But there are not many comparable counters to choose from and it is only two points off the sector average There must be some upward potential *Margaret-Anne Halse*

BIGGER FISH

Year to June 30	1994	1995
Turnover (Rbn)	1,77	2,12
Operating income (Rm)	88,3	110,8
Attributable (Rm)	62,3	82,7
Earnings (c)	216,7	287,1
Dividends (c)	86	100

RJR Nabisco poised to buy into Delfoods

CT(BR) 14/9/95

(186)

By Charlotte Mathews

Investment Editor

RJR Nabisco, a major food company based in the United States, could be poised to return to South Africa if negotiations with Anglo American's Del Monte Royal Foods (Delfood) to buy 50 percent of its Royal Beech-Nut subsidiary are successful

Analysts said yesterday the publication of the cautionary notice — which stated that "negotiations are presently under way which could result in the desired transaction being consummated" — suggested that the talks were close to fruition.

RJR Nabisco sold Royal Beech-Nut in South Africa to Royal Foods in 1989 and Royal Foods bought Del Monte Foods International, formerly a Nabisco subsidiary, in 1992

RJR Nabisco's food subsidiary, Nabisco Holdings, is the fourth largest food company in the United States. The company earns 70 percent of its $8 billion revenue from snack food products.

Analysts said it was impossible to calculate what it would cost Nabisco to buy into Royal Beech-Nut as its financial details were not separately disclosed. However, one suggested the acquisition would not make a substantial difference to Delfood in the short term as Royal Beech-Nut was a relatively small part of the business.

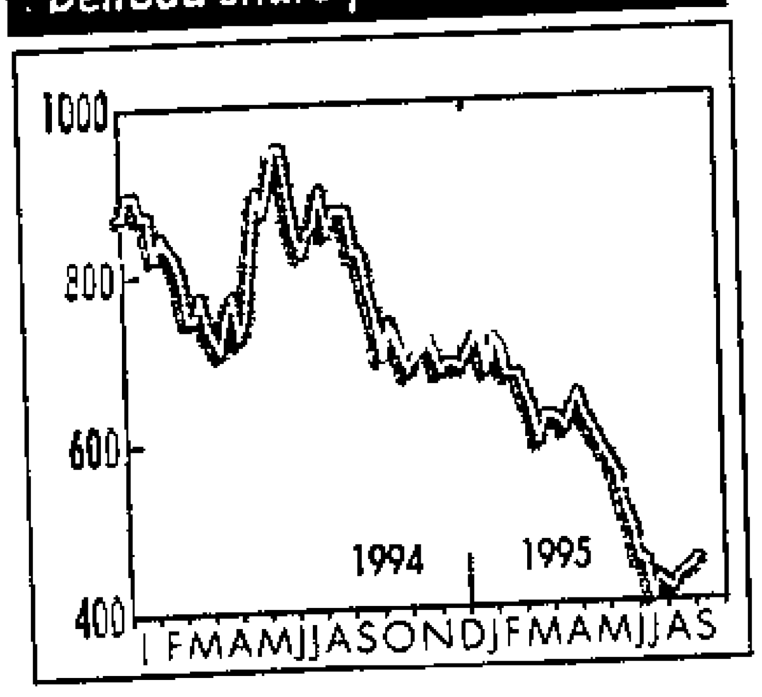
In the longer term, analysts said, the South African company — already the most profitable in the Delfood stable — would benefit from technology, management input and product development

Delfood's shares have performed poorly over the last year although they received a boost in August-October from renewed rumours that Delfood could acquire Swiss-based Hero

The shares have since crawled steadily downwards, hit by an only marginal increase in earnings for the year to November and a fall in earnings at the succeeding interim stage These lows were blamed on the strength of the Kenyan shilling and low pineapple prices

At 450c this week, Delfood shares are 47 percent below their price at the same time last year and their price-earnings ratio of 8,6 is among the lowest in the food sector

Delfood share price



Sasol chiefs boost stakes

CT(BR) 14/9/95

By Andy Duffy

Sasol's directors lifted their personal stakes in the group by 63 percent in the year to June, boosting the value of their holdings at year-end by more than R3 million

The shares, detailed in Sasol's latest accounts, also landed the board free shares worth R171 000 at present prices in the recently listed subsidiary, Polifin

The accounts said at last year's year-end the board held 92 600 shares, worth R2,33 million on the closing price on June 25 last year

The holding had jumped to 151 086 shares 12 months later, while the share price had hit R35,50 on that date, valuing the shares at R5,36 million.

Under the terms of Polifin's listing in July, Sasol shareholders were given 15 Polifin shares for free for every 100 Sasol shares held

Johann Stegmann, the chairman, Paul Kruger, the managing director, and André du Toit, the executive director, who sit on Polifin's board, stand to gain from a share-option scheme for Polifin directors.

The group posted attributable income ahead 24,2 percent to R18,6 billion for the year to June.

The performance was underpinned by a strong contribution from its petrochemicals business, including Polifin, in which it now holds 42 percent

Nyati told to pay back R864 000

CT(BR) 14/9/95

By Ross Herbert

Staff Writer

The uproar surrounding consultant Eugene Nyati was partially resolved yesterday when investigator Brian Shrosbree told Nyati to return R864 000 of R1,23 million he charged the Mpumalanga government for two months of consulting

But the question remains whether Nyati's R540 an hour fee is outrageous or "peanuts" in the private sector, as Nyati described it

Nyati acknowledged billing R540 an hour while advising Mpumalanga about how to restructure its three development corporations On the face of it, consultants say, R540 is high but not outrageous

Although such professions as architects, surveyors and engineers follow a recommended fee schedule to charge the government, there are no firm rules for general management consultancy Senior legal consultants typically charge R500 to R700 an hour while arbitrating engineers can charge more than R600

"For a very senior guy with a lot to offer in this field (management consulting) that wouldn't be an outrageous fee," said Stephen Asbury, the senior vice-president of Gemini Consulting "However, it's very different to compare a one-man consultancy with a big international firm which must cover far more physical and staff overheads"

"Management consultants are like celebrities Margaret Thatcher can pull $30 000 for one day Nyati says there are people who make a lot more than he did, but the question is does he have that kind of pull to justify it," said Johan Redelinghuys, of the executive recruiting and evaluation firm Amrop

Export sweetener swells bakery supplier's figures

(186) BD 20/9/95

Edward West

CAPE TOWN — Bakery and confectionary equipment manufacturer Macadams Bakery Supplies Holdings hoisted earnings to 11,2c (4,6c) a share in the six months to end-June after it doubled its export turnover

Sales were up 42,6% to R30,7m. Financial director Kevin McEvoy said the company was exporting to more than 40 countries overseas and increased demand for the products internationally had doubled export sales to R8,2m in the interim period.

McEvoy said the company's strong financial performance over the past two years had enabled it to resume the interim dividend payment and shareholders would receive a dividend of 2c a share.

He expected the company to produce a similar performance in the second half. Operating income during the period under review increased 85% to R2,6m, while net income after tax was 142% up at R1,92m.

The company recently won the State President's Award for Exports in the manufacturing sector as well as the Cape Chamber of Commerce and Industry's export award for the Western Cape.

I&J directors to ask shareholders to increase their pay by 200%

Beatrix Payne (186)
BD 20/9/95

SHAREHOLDERS in Anglovaal Holdings' food group I&J would be asked to ratify a 200% increase in directors' pay at the next annual general meeting in early October

According to I&J's annual report, it would be proposed at the AGM that chairman Jan Robbertze's pay be increased to R30 000 a year from R10 000 and the other directors' pay be increased from R5 000 to R15 000 a year

The directors said their remuneration had remained unchanged since 1991

Their interests in the group's share capital was unchanged at 10 550 beneficial and 875 non-beneficial shares

In line with the King report, the board of directors had established an audit committee to which the external auditors had unrestricted access The company had established its own internal audit function which would assess its internal control systems To date this had been performed by the Anglovaal group internal audit function

Robbertze said Roy Gordon had been appointed group MD from July 1 after CE James Williams had retired from the position at the end of June Williams would remain deputy chairman of the company until the end of the year

In his review Robbertze commended the Reserve Bank for its recent attempts to ease exchange control regulations and supported further liberalisation of the regulations

Cape fishing giant crippled as factory workers strike

ARG 21/9/95 (186) (~~153~~) ~~FISHING~~

Staff Reporter

GIANT West Coast fish processing plant Sea Harvest has been crippled by a second strike in two months.

About 1 800 factory workers — members of the Food and Allied Workers' Union and the West Coast Workers' Union — downed tools yesterday, demanding they be given the same wage increase granted to the company's fishermen a month ago.

The 500 fishermen — members of the Trawlers and Linefishers' Union — did not go to sea for 18 days, forcing the closure of the Saldanha factory eventually settling for a 28 percent salary rise.

Sea Harvest, said to be the largest fish processor in the southern hemisphere, has offered factory workers a 10,1 percent increase.

This is after the company opened wage negotiations with an offer of a 2,5 percent increase. The union's opening position was for a 250 percent increase.

The union's Saldanha Bay branch secretary, Gert Koenana, said the workers intended squeezing the company by refusing to offload three fully laden trawlers which returned to port yesterday.

The company's entire 18-vessel fleet was at sea when the strike began. According to Sea Harvest, three more trawlers are due back in port today.

Mr Koenana said the company had put the remainder of the fleet on "standby", meaning they should stop fishing and await further instructions. But late last night the company denied taking this step, saying the last instruction that had gone out to trawler captains was to keep fishing.

Mr Koenana emphasised that nobody would unload the fish, warning that the workers would not tolerate scab labour.

Mr Koenana and a Sea Harvest spokesman accused each other of negotiating in bad faith.

Workers had been prepared to go on strike on Monday after the company ended Friday's wage negotiations with the 2,5 percent offer. But they had been persuaded to continue working, said Mr Koenana.

The company had taken the whole of Monday and most of Tuesday to up its offer to a 59c-an-hour increase (10,1 percent).

By that stage, "the workers were out of control", he said.

The Sea Harvest spokesman said this was not so. The company had consistently told the unions it was willing to negotiate.

The union had reduced its offer from a "ridiculous" 250 percent to 28 percent and expected the company to make a similar, substantive move. In any case, the parties had until October 1 to settle.

Empowerment plan at Premier

(186) [illegible] Star 21/9/95

■ BY ANN CROTTY

In what is described by one trade union adviser as possibly the best empowerment scheme to date Premier Food group has restructured its South African fishing interests into a separate subsidiary and transferred 20% of the shares – at 1c a share – to employees

The trail-blazing scheme has been several months in the planning and involved extensive discussions with the company's employees including the trade union and community representatives

The new company, Premier Fishing SA, comprises the South African fishing and processing facilities as well as Premier Foods' fishing quotas.

All of the company's 1 000 employees will be allocated shares with some weighting for length of service Employees will not be able to sell any shares for the first five years, thereafter they will be able to sell 25% of their individual holdings each year They will, however, be obliged to own at least 25% of their original allocation while they are employed by the company

Reorganisation

Early this year, Oceana fishing group announced a reorganisation of its ownership, which involved Real Africa Investments Limited (Rail) acquiring ownership from Tiger group

These steps towards empowerment can be attributed to an urgent need to protect themselves from changes in what has been an inequitable system of fishing quota allocations, which resulted in the industry being dominated by a few large, highly capitalised players with little ownership opportunities for fishing communities.

The allocation of the highly lucrative quotas is under close scrutiny by the government. A fisheries policy development committee has been established which, marking a break from the past, involves input from employee and community representatives

While the equity scheme therefore does not smack of more than a touch of opportunism, there is little doubt that, given the constraints under which the quota allocation decisions have to be made, Premier's scheme offers substantial advantages.

Premier Food launches empowerment plan

(186) CT (BR) 21/9/95

By Ann Crotty

Special Writer

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These steps towards empowerment can be attributed to an urgent need to protect themselves from changes in what has long been an inequitable system of fishing quota allocations

This allocation system resulted in the industry being dominated by a few large, highly capitalised players with little ownership opportunities for members of the fishing communities

Gordon Utian, the chief executive of Premier Food, notes Due to the method of allocation quotas in the past, ownership of the South African commercial fishing industry has been denied to the communities who have worked in it either as seagoing fishermen and crews, or in the factories processing fish caught in South African waters"

The allocation of the highly lucrative quotas is under close scrutiny by the government A fisheries policy development committee has been established ... marking a break from the past, involves input from employee and community representatives

Various interest groups have approached the existing inequitable situation by proposing the re-allocation of the fishing quotas to individuals from historically disadvantaged groups This approach carries the risk of quotas being awarded to favoured individuals or groups, or to individuals without cash resources to fund the high level of capital required for investment in boats and factories," Utian says

While the equity scheme therefore does not smack of more than a touch of opportunism, there is little doubt that, given the constraints under which the quota allocation decisions have to be made Premier's scheme offers substantial advantages and it should have greater acceptability than the Oceana/Rail deal However good the intentions, the effect of that deal has been to transfer ownership from one Johannesburg-based elite, namely Tiger to another — Rail

Already Premier Fishing SA's quota application has been supported by hundreds of co-signatories who are not only members of fishing communities, but are also shareholders of a fishing company

2 strikers shot by guards at fish process factory

ARG 22/9/95 (186) FISHING

Staff Reporter

SALDANHA. — Two striking workers were shot by security guards today during a confrontation at the Sea Harvest fish processing factory.

The workers were taken to hospital with gunshot wounds, said Gert Koenana, spokesman for the Food and Allied Workers' Union (Fawu).

The incident came as hundreds of workers, striking over wage increases, waited outside the factory to be paid wages owed from before the strike.

The strike began on Wednesday after workers rejected an offer of 10 percent, holding out for 28 percent.

Mr Koenana said Sea Harvest had got a court interdict against Fawu today, restraining strikers from coming within 500 metres of the factory.

At noon the situation outside the factory was tense, with 50 heavily armed policemen looking on as workers waited to meet Sea Harvest managing director Louis Pentzhorn.

(186)

SOVEREIGN FOOD

Some chickenfeed!

FM 22/9/95

Rarely these days, or so it seems, does a company involved exclusively in the chicken business return good profits An exception is Sovereign Food, listed only three months ago

102 • FINANCIAL MAIL • SEPTEMBER • 22 • 1995

Somewhat whimsically, MD Rob Spanjaard says the company serves up chicken in 150 different forms The effort clearly pays. The interim reflects a pre-interest margin of 26,5% — high enough to make the opposition take serious note On turnover of R36,6m, attributable earnings work out to a handsome R7,4m

Sovereign is primarily involved in the Eastern and Western Cape markets, its centre of operations is Uitenhage and it is what was once the regional division of Premier's old Farm Fair It has settled on a system of internal vertical integration as a solution to the woes which other players in this business seem to undergo all too unavoidably

Sovereign has separated into four distinct areas of operation a breeding operation producing day-old chicks, none sold to outside parties, a broiler operation which Spanjaard says has been remarkably free from disease, especially the dreaded Newcastle which dealt so savagely with Rainbow, a milling division now approaching full capacity, and, finally, a distribution business which comprises refrigerated vehicles operating throughout the country

The balance sheet is equally impressive long- and short-term borrowings of R9,6m are more than outweighed by cash of R11,9m Effectively, therefore, Sovereign is ungeared, in an industry characterised by heavy debt, this single factor makes it unusual A little apologetically, Spanjaard says he accepts it may not be the most efficient use of shareholder resources but 'we prefer to be conservative"

On 30c interim earnings, no dividend has been declared, policy is a single dividend The prospectus projected first-year earnings of 63c a share and, on current performance, it should better that easily *David Gleason*

Innovative packaging and range means canned success for processing company

ET(BR) 22/9/95 (186)

FEDLIFE MEMBER OF THE FEDSURE GROUP ERNST & YOUNG

Business Mover of the Year

By Llewellyn Jones

Staff Writer

Ismail Darsot, this week's Business Mover of the Week, is the driving force behind the Darsot Food Corporation, a food processing and canning business

Darsot's has distinguished itself in a very competitive environment by its innovative packaging, and diverse range of products

"Our designer packaging completely separates us from the rest of the market and is, we believe, a reflection of the quality of the product," Darsot said

He said the quality of canned food here, and throughout the world, was generally poor

The company's factory is designed for manual production, allowing for extra care in the preparation of the food An advantage of this is that production lines can be changed at an hour's notice to adapt to any changes in market demand

Darsot's produces more than 110 different canned products from conventional canned foods, such as asparagus, to the curried flavours of its Indian food division

As a political activist, Darsot was forced to flee the country under the old regime, and sought political asylum in the United Kingdom

While in exile, Darsot worked in the food canning and processing industry with a view to starting a business in an industry where he could help with the upliftment of his employees

"I worked for as many canners as possible taking the time to learn from them — their functioning, strengths and weaknesses"

On his return to South Africa, Darsot and his family decided to rent a warehouse until they could purchase their own land and build a factory Since its inception, the turnover of Darsot Food Corporation have increased significantly

The business is family-run, each member controls a different section, with a hands-on approach The company has adopted an open-door policy and staff are actively encouraged to contribute ideas on all aspects of the business

Darsot firmly believes in the development of his employees to enable them to reach their full potential, and is launching a Black Education Programme to teach all aspects of business and to encourage entrepreneurship

Darsot attributes the success of the Darsot Food Corporation to the ability of the family and staff to overcome any hurdle "The products are competitively priced and innovatively packaged to appeal to their target market, the connoisseur homemaker who wants the best at an affordable price"

The domination of the South African market by one major canner was, ironically, another factor that has contributed to the success of Darsot's It gave them the opportunity to target a niche market among the independent traders as well as national exposure without incurring expensive advertising costs

Future plans include establishing a tomato paste and cooking oil plant, setting up a distribution network with a reputable soft drink company for its carrot juice product, and to increase its exports to neighbouring countries

☐ The overall winner in the Fedlife/Ernst & Young Business Mover of the Year contest will be awarded a trophy, R5 000 of Fedgro unit trusts, a business tax review by Ernst & Young and a free Henley management programme from the Graduate Institute of Management and Technology

The initial entry criteria is that the company has a turnover of at least R2 million, but less than R50 million

The company must have been in business for at least two years, Be based in South Africa, and the entrant must be involved in its day-to-day running

To enter the competition, contact Mavis du Toit at (011) 498 1234

CAN MAN *Ismail Darsot*

PHOTO JOHN WOODROOF

Pictures: ANDREW INGRAM, Staff Photographer

□ **STRIKERS:** Sea Harvest strikers in Saldanha toyi-toyi outside the company's factory.

ARG 23/9/95 (186) (182) (3) FISHING

Strikers simmer in pay stand-off

COLIN DOUGLAS
Staff Reporter

■ **Peace was restored as strikers and non-strikers alike queued for their pay in the wake of violent clashes between with police.**

THE sun was out, the sky cloudless and the blue water of the lagoon lapped gently on the beach. It was a perfect day for a fight

The usually tranquil town of Saldanha turned ugly yesterday as hundreds of striking factory workers confronted their employer, fishing giant Sea Harvest

Scores of heavily armed policemen staked out the Sea Harvest shoreside factory after the company obtained a court interdict restraining the Food and Allied Workers' Union (Fawu) and its members from coming within 500 metres of its premises.

This followed uproar the previous night, when strikers were said to have trashed the company's administration block.

The interdict also prohibited unionists from intimidating co-employees who wished to continue working.

Soon after the interdict was served, two strikers were injured — although not seriously — when security guards in the factory fired at them.

While fears that the scene would erupt into further violence proved unfounded, the police soon switched their role from law-enforcing to money-protecting.

□ **POLICE ESCORT:** Heavily armed police escort the Sea Harvest payroll to the company's Saldanha factory after clashes between strikers and security guards.

Being a Friday, it was payday and thousands of rands were on their way into the factory.

Police escorted the funds safely into the factory and strikers and non-strikers alike joined the pay queues, bringing a more relaxed atmosphere to the scene

Meanwhile, on a hill overlooking the factory, Sea Harvest managing director Louis Penzhorn chatted with advisers and fretted about a strike that he said could have been avoided and which had shut down operations

The strike, over wage increases, erupted after management made an offer of a 10,1 percent, well short of the 28 percent demanded by the union. Negotiations are continuing.

Heinz in joint chips venture

HJ HEINZ Co said it had formed a joint venture with an SA farmers' co-operative to process frozen potato chips

The company also announced the formation of a holding company for its interests in the country, to be called Heinz South Africa (Pty) Ltd. (186)

Heinz said it would be the majority shareholder in the joint venture with Sentraalwes Co-operative, based in Klerksdorp in Northwest province, and known as Heinz Frozen Foods (Pty) Ltd.

More transactions were likely. — Reuter

BD 26/9/95

Heinz sees strong growth in SA

Building on success in Zimbabwe

(186) ARG 27/9/95

JOHN VILJOEN
Business Staff

THE H J Heinz Company expects the Southern African market to show strong growth in coming years, according to vice president corporate affairs Edward Smyth

Heinz this week announced a joint venture to produce frozen potato chips with Klerksdorp-based Sentraalwes Co-operative, to be known as Heinz Frozen Foods

The group is believed to be targeting South African sales of $10 million (R3,6 million) in 1996

"They (Sentraalwes) are clearly very reputable and well established," Mr Smyth said of Heinz's new partners

"They have a good position in food service in South Africa It is a position on which we can build as partners to not only grow the market share, but to grow the whole category"

In an interview from Pittsburgh yesterday, Mr Smyth said 20 percent of Heinz's global sales of $8 billion — 9 billion this year — came from food services — supplying eateries

"This is a trend that is growing and we intend to grow with that explosion of eating out, particularly at good value, fast food establishments"

In South Africa, Heinz Frozen Foods would supply fast food establishments, restaurants, hotels and also retail outlets.

Mr Smyth was not prepared to disclose how much Heinz's majority share of the joint venture with Sentraalwes was worth

Potato chips will be produced for Heinz Frozen Foods at Sentraalwes' Viljoenskroon production plant

Heinz has also formed a holding company for its South African investments, Heinz South Africa.

The company saw its entry into the South African economy as boosting its regional presence, Mr Smyth said

"We see it not just as a development in South Africa Heinz is a very export orientated company We would hope to develop exports into neighbouring Southern African countries

"We are very successful in Zimbabwe and have actually begun exporting our ketchup from there into the local region We even export beans from Zimbabwe into the UK

"We see the whole Southern African market as a very dynamic one, which is going to have a lot of development over the next few years"

While South African activities would begin with the production of frozen potato chips, Heinz's plans did not end there

"We are looking at a whole range of products that we have an international expertise in, such as canned foods, baby food and fishing — we're the largest tuna processors in the world

"We are continuing discussions with various potential partners"

■ Sentraalwes' industries division is involved in the processing of agricultural products into edible oil, animal feed, petfoods, peanut butter and other foodstuffs at Viljoenskroon

Its frozen potato chips manufacturing plant will form part of Heinz Frozen Foods

Banus Baard, general manager industries, said "As it is important for Sentraalwes to broaden its product base and to increase capacity to further process the produce of farmer members, this development is a step in the direction of reaching our goal

"Sentraalwes is indeed proud to be in partnership with an international organisation with the stature of H J Heinz We believe that there are other opportunities for future co-operation between Heinz and Sentraalwes"

I&J calls for global alliances

(186) CT(BR) 27/9/95

By Audrey D'Angelo

Cape Business Editor

South African companies would have to internationalise their businesses and forge global alliances if they were to compete with multinationals and other entrants to our domestic market, said Jan Robbertze, the chairman of Irvin and Johnson, the fishing and food-processing company, in the group's annual report

"Investment in operations abroad is necessary to obtain access to up-to-date technology, skills and methods, and to create a global sourcing network of raw materials and consumables, all of which are fundamental to international competitiveness"

In view of this, Robbertze said, "the company commends the Reserve Bank for its recent initiative and supports further progress towards the liberalisation of exchange control"

He said the future strength of the South African economy depended to a significant degree on social stability

"This in turn relies to a large extent on the successful implementation of the RDP

"Business has a major role to play in this regard I&J's contribution to the RDP through its capital and labour intensive benefication of natural resources is significant and amounted to more than R1 billion in the past year both directly in the form of job creation internally and indirectly through the purchase of goods and services

"I&J's capital investment programme over the past five years has resulted in expenditure of R437 million in real terms," Robbertze said

It was disappointing that representative trade unions and major commercial-fishing interests had only a minority representation on the committee appointed to formulate fisheries development policy

"The deep-sea industry is, by its nature, both capital and labour intensive and is a large-scale provider of employment both directly and indirectly"

Discussing industrial relations, Robbertze said the emphasis had shifted with the unions focusing on the workplace rather than on political issues

"A mature realism characterised the approach of most unions active in the group during the present round of wage negotiations," he said

Competition Board investigates Kolosus, Silveroak merger deal

(186) BD 4/10/95

Yuri Thumbran

FOOD and tanning group Kolosus' takeover of tanning group Silveroak Industries still had to receive approval of the Competition Board, which was investigating the deal, board chairman Pierre Brooks said yesterday.

Brooks said in an interview the board had received documentation from Kolosus setting out details of the deal, but further information had been requested from the group.

Kolosus announced last month it had obtained German industrialist Claas Daun's 89,9% stake of Silveroak for R94,6m. Daun was paid 230c a share, but with the ruling price at 300c at the time, Silveroak minorities voiced their dissatisfaction.

Brooks said the board was looking at the dominance in the marketplace of the combined tanning businesses of Silveroak and Kolosus. If the deal was contrary to competition board policy, measures could be taken to prevent the merger.

He said both groups were vertically integrated, with strong leather and tanning operations. Kolosus MD Tito Vorster said the buyout was "sudden" and took a few days which did not allow him to approach the board as required.

Vorster conceded the Silveroak/Kolosus leather and tanning alliance was a dominant player in SA with 85% of market share in terms of production, but its major thrust was towards the export market

The companies jointly had a market share of 15% internationally, but were faced with stiff competition — notably from companies in the US, Germany, Italy and Australia.

Vorster said the whole issue was sensitive, especially for not obtaining board approval before the buyout announcement, but said the issue should be resolved satisfactorily.

Kolosus would furnish the additional information requested by the board shortly, Vorster said.

(186) ~~[illegible]~~
IRVIN & JOHNSON
FM 6/10/95

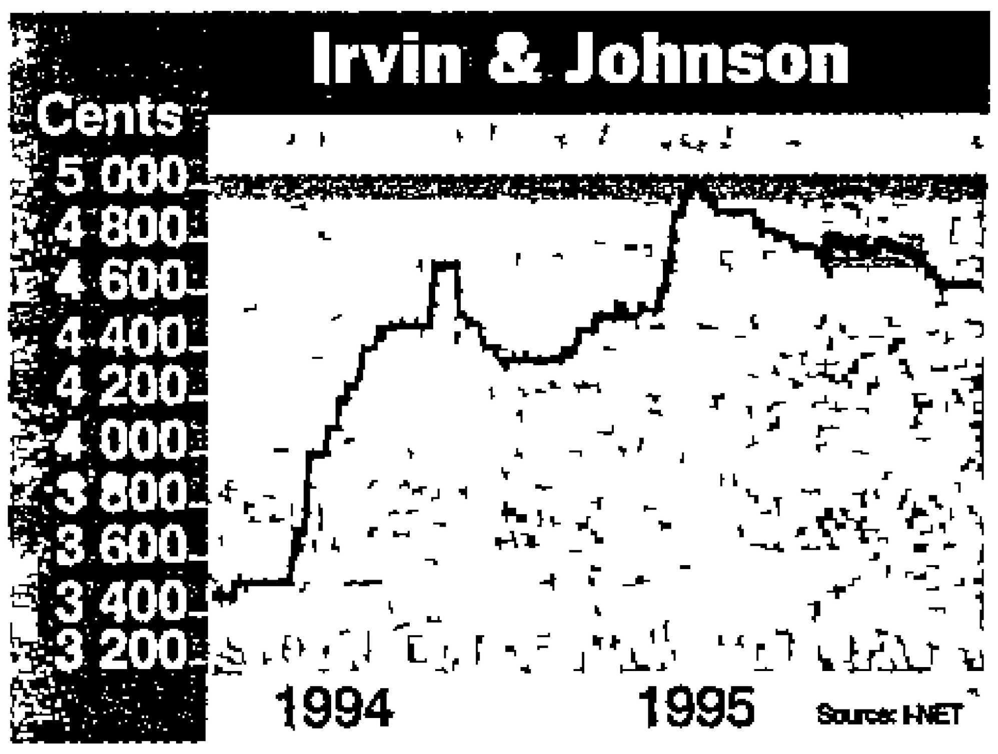
Delivering more value

Twenty years ago, Irvin & Johnson (I&J) was almost exclusively a fishing company As the quota board imposed its restrictive powers over the industry after research showed the fishing resource to be limited, the company placed emphasis on producing value-added foods and distribution

Now more than 51% of I&J's turnover comes from the distribution of "third party" products The rest is from seafood, other frozen food and international sales Third party products include large volumes of Rainbow chickens in various packed formats, margarine and other products

Activities: *Procurement, processing, marketing and distribution of foodstuffs*
Control: *Anglovaal Industries 68%*
Chairman: *J C Robbertze*
Capital structure: *28,8m ords Market capitalisation R1,33bn*
Share market: *Price 4 625c Yields 2,2% on dividend, 6,2% on earnings, p e ratio, 16,1, cover, 2,8 12-month high, 5 000c, low, 3 500c Trading volume last quarter, 757 000 shares*

Year to June 30	'92	'93	'94	'95
ST debt (Rm)	9,5	19,5	6 2	22,0
LT debt (Rm)	14,8	76,2	70,2	61,8
Shareholders' interest	0,62	0,61	0,64	0,65
Int & leasing cover	11,1	5,5	5,1	6,4
Return on cap (%)	16,7	11,3	11,1	12,1
Turnover (Rbn)	1,64	1,65	1,77	2,12
Pre-int profit (Rm)	118,9	92,4	97,1	125,0
Pre-int margin (%)	6,6	5,1	5,5	5,9
Earnings (c)	258	196	217	287
Dividends (c)	86	86	86	100
Tangible NAV (c)	1 189	1 388	1 604	2 042



I&J's fishing quotas have remained almost static for years This side of its business has become less important in the earnings mix as the company has diversified, though the fishing division remains the core operation based on capital employed In a recent change of strategic direction aimed at raising return on capital, the fishing division introduced hi-tech catching and handling methods on its vessels and invested in sophisticated shore-based processing facilities needed to obtain the product quality required by international markets It involved large capital spending

Overall capital expenditure for the year was R91m Major items were the new seafood processing facilities in Cape Town and Namibia and the upgrading of processing facilities in the prepared foods division

This division's volume growth exceeded budget, efficiencies improved In particular, the potato products plant at Delmas is operating well ahead of design parameters Competitors have noted the success which I&J is enjoying and are entering the market I&J is investing more in this arena

The food service market, specifically restaurants and fast food enterprises, is growing rapidly as owners realise the cost-saving benefits of changing from fresh and chilled to frozen products In contrast, the retail market for frozen foods has been sluggish

The international division of I&J fared well, with turnover 25% higher at R471m. Export volumes rose, indicating the success achieved with value-added products. Financial director John Morrison expects this trend to continue even though fish prices overseas have recovered and stabilised

Over the past three years, Rainbow has been beset with production problems because of Newcastle disease The disease is now said to be under control If the result is better chicken supplies, it will materially boost profits of the I&J distribution division this year.

Primarily because of the substantial capital expenditure invested in the group over the past five years, productivity in all the divisions is much better than in the first half of the decade A new information system will be phased in over the next four years

Earnings growth in the 1996 year is unlikely to match 1995's 33% Morrison agrees that an EPS rise of about 20% is realistic. That will place the share on a prospective p:e of roughly 13,5 It seems reasonably priced. *Gerald Hirshon*

Nabisco buys stake in Royal Beech-Nut

(186) BD 6/10/95

Beatrix Payne

US-based food group Nabisco is to return to SA with the acquisition of a 50% stake in and management control of Del Monte Royal Foods (Delfood) subsidiary Royal Beech-Nut.

Royal Beech-Nut MD Ken McArthur said yesterday Delfood would maintain a 50% stake in the group and would continue to account for it as a subsidiary.

Nabisco disinvested from SA in 1989 when it sold its stake in the company to Anglo subsidiary Delfood

McArthur said it was too early to say what effect the deal would have on Royal Beech Nut's earnings, but Nabisco would aim for at least 15% annual growth in net sales. Earnings would show substantial growth, "more than the usual inflation plus 5%" Nabisco was likely to initially emphasise consumer marketing investment

Delfood has been looking for an international partner for some time and an analyst said the deal would allow it to concentrate on its international operations which had been experiencing some difficulty.

McArthur said it was not unusual for Nabisco to have taken management control. "Nabisco is expanding internationally and they are looking for established management that is in place "

Delfood chairman Vivian Imerman said the deal would result in an expansion in Delfood's confectionery, biscuit and dry food sectors. "The benefits to Royal Beech-Nut are extensive The company will enjoy access to world class technology and will be able to launch well-known international Nabisco brands such as Oreos, Ritz and Snackwells in SA." It would be able to export its branded products through Nabisco's distribution networks.

Nabisco has a $7,7bn annual turnover and invests $1,2bn a year in total marketing It has manufacturing operations in more than 20 countries with distribution in 85 countries.

Langeberg puts squeeze on costs

(186) BD 10/10/95

Edward West

CAPE TOWN — Fruit and vegetable processing group Langeberg had halved its Bellville head office staff complement to 82 in a bid to cut costs by decentralising its decision-making processes, recently appointed MD Andries van Rensburg said yesterday

It was also negotiating the acquisition of a premium international brand to allow it to export products to the European Union (EU) at more favourable prices, he said

Van Rensburg said Langeberg's EU exports faced a 50% price disadvantage compared with Spanish, Greek and Italian producers It was unlikely that SA producers would be granted general system of preference benefits currently being negotiated, or that the SA government would replace the general export incentive scheme (GEIS) with other incentives

"When GEIS disappears . . it will be difficult for us to continue exporting," he said

The 58%-held Tiger Oats subsidiary is scheduled to publish results for the year to end-September in November An analyst who did not want to be named said it was performing well operationally, and pre-tax profits were expected to have risen by about 50%

However, taxation was expected to increase significantly due to reduced GEIS benefits, and earnings were likely to increase only slightly

SA ranks fourth in terms of canned deciduous fruit production volume, with 8% of world production The US produces 39%, none of which is exported, followed by Greece, the world's largest exporter with 19% of world production, Italy with 10%, and Australia and Spain with 7% each

I&J on a capex spree

ARGT 14/10/95 (186)

Plans for new plant, improved capacity

JOHN VILJOEN
Business Reporter

CAPE-based food processing and trading group Irvin & Johnson plans record capital expenditure of between R120 million and R130 million in the current financial year.

Group MD Roy Gordon told Saturday Business after the AGM yesterday that the year would see spending on improving plant and product capacity in the seafood and prepared food divisions

Finance for a new distribution centre in Durban would be allocated this year but probably only spent in the new financial year, Mr Gordon said

"We continue to invest very strongly. Capital expenditure has averaged about R90 million for the past three years and we invested in the company even during the dark ages of sanctions

"As a result, the company is very well positioned"

In the year to June, Irvin and Johnson increased turnover by 19 percent to R2,1 billion (R1,7 billion), with shareholders' profits rising 33 percent from R62,3 million to R82,7 million. Earnings a share grew 32 percent from 216,7c to 287c and a dividend of 100c was declared

Trading in the first few months of new financial year had been soft, in line with most of the groceries industry, but there were now signs of a recovery, Mr Gordon said

Exports had performed well in September "The shortage of white fish in the northern hemisphere continues make exports attractive," he noted

During the AGM, deputy chairman Jim Williams said the group enjoyed a good relationship with the Namibian government. The group has a 49 percent stake in Kuiseb Fish Products, which operates out of Walvis Bay

The group was hopeful that its Namibian quotas would grow in "a meaningful manner", Mr Williams said.

The group's present Namibian quota of 9 000 tons of hake was being processed at the new Kuiseb plant which President Sam Nujoma opened officially in August

"We have made a significant investment and we are confident we will share in growth and that our investment will be recognised by the government"

President Nujoma had shown a strong interest in the Kuiseb plant since its opening and the plant was often presented to visiting international groups as an example of successful, desirable investment

Foodcorp hopes to save R5m tax

CT (BR) 20/10/95 (186)

By Charlotte Mathews
Investment Editor

Food group Foodcorp has decided not to declare a final dividend, potentially saving R5 million in tax, on recent hints from Finance Minister Chris Liebenberg that Secondary Tax on Companies could be cut or eliminated in the next budget.

Shareholders are told that they will be compensated by a bigger pay-out at the interim stage in the new financial year.

Foodcorp, which is 76 percent held by Malbak, grew attributable earnings by 17 percent in the year to August, to R124,3 million, compared with the same period last year — a creditable performance in view of food price inflation of around 8 percent, chief executive Dave Kennealy said yesterday.

Group turnover rose by 12 percent to R3,1 billion. On a like-for-like basis, stripping out the effect of the sale of 50 percent of snacks business Simba to PepsiCo Foods, turnover was 14 percent higher.

Operating income grew by 8 percent to R201,9 million, showing a slight easing in the operating margin to 6,5 percent (6,8 percent), mainly because of the decline in protein prices.

The tax rate was slightly lower at 31 percent from 34 percent, but includes a provision for secondary tax, in the event that it is not abolished next year.

An extraordinary profit of R84,3 million was made, against last year's charge of R20 million. This represents the R130 million profit made on the sale of 50 percent of Simba, less about R40 million incurred on the closure of the fish canning plant in northern Chile.

CRISP PROFIT *Foodcorp's Dave Kennealy reports a 17 percent climb in bottom-line profit in the year to August* PHOTO JOHN WOODROOF

Earnings a share were 17 percent better at 257,3c on an undiluted basis and 16 percent higher at 233,1c fully converted.

Kennealy said conditions in the food industry had been difficult over the past year. Protein prices were affected by imports of chicken and red meat. Red meat prices dropped further than expected, from an average of about R9 a kilogram in mid-July to R7 a kilogram at present which had cost Foodcorp about R5 million in earnings over the final six weeks of the financial year.

However, there had been excellent performances from Simba, Ruto, Nola and Marine Products.

Within Marine Products, good results from the fisheries in southern Chile had offset the closure of the northern operations, where activity had been tapering off over the past 18 months.

The plant in the south was expanded last year and there was scope for further expansion. Foodcorp has also been exploring the possibility of a fishing venture in Peru.

The group plans capital expenditure of R200 million in the current year, which will include upgrading Simba's three plants into line with PepsiCo Foods International's technology, as well as further investment in Chile.

Nabisco takes a bigger bite

(186)

■ BY CHARLOTTE MATHEWS

Nabisco plans to increase the size of its recent investment in Royal Beech Nut to between $120 million and $130 million by 2000, as its experience and product technology will enable it to offer South African consumers a greater variety of products, Nabisco International president and chief executive officer James Postl said yesterday.

Nabisco is a $7,7 billion multinational food business which makes more than 200 brands in 67 countries and sells them in more than 83 countries. Its brands include Oreo and Chips Ahoy! biscuits, Ritz and Premium crackers and Life Savers confectionery.

Earlier this month Nabisco said it had bought 50 percent of Delfood's wholly owned subsidiary Royal Beech Nut for $23 million.

Postl said South African consumers could expect to see products such as Oreo, Chips Ahoy!, Ritz and Snackwells low-fat products. "The entire process will bring new energy to the company," he said.

Asked about competition in the local snacks market, Postl said Nabisco was used to operating in highly competitive markets.

Nabisco expected to expand its market, both in South Africa and through using this country as a base for exporting into the rest of Africa and other parts of the world.

As far as export products were concerned, the local company, Royal Beech Nut, had potential with its Manhattan range, Super C and Beechies, especially with some of the sugar-free flavours.

Delfood chairman Vivian Imerman, said with South Africa opening up, the face of business was changing and the company needed an international partner.

Nabisco was the natural partner since it had been in SA before and at one stage had owned Royal Beech Nut.

Star 26/10/95

Lower tax benefits Altech

■ BY CHARLOTTE MATHEWS

Altech, which is 56 percent owned by Altron, grew attributable profit by 13 percent to R41,1 million in the six months to August compared with the same period last year, as an easier tax rate offset a decline in margins.

Group turnover rose 13,2 percent to R714,9 million on which operating margins declined to 7 percent from 9 percent, resulting in a 7 percent fall in operating income to R54,9 million. Lower interest and dividends received were offset by a 29 percent tax rate compared with 35 percent previously.

Earnings a share before an exceptional charge of R1,3 million last year were 8 percent better at 406,3c and after the exceptional item were up 12 percent.

Group cash deposits and marketable investments dropped by R70 million.

Foodcorp grapples with opening up of markets

BD 26/10/95 (186)

Hilary Joffe

"THE Empire Strikes Back" is the way one JSE analyst characterises the current state of staple food markets

With a government representing the mass of consumers freeing up markets, food prices have been coming down for the first time in many years

However, while this may bring cheer to consumers, things have been less comfortable for the manufacturers.

There has been chaos in the maize industry, before and since deregulation this year, a battle for market share in baking and turmoil in the chicken and meat industry as a result of cheap imports

Manufacturers have been repositioning to operate in a tougher environment, with long-overdue trimming under way

Both Tiger and Premier Foods have been restructuring, with Tiger's efforts far advanced but the outlook for Premier is still murky

The third of the major milling-based groups, Malbak's Foodcorp, has some advantage in that it went through its restructuring process two years ago

Snacks

Despite adverse conditions in staple foods markets, it last week reported earnings growth of 16% for the year to end-August and CE Dave Kennealy forecasts a further 15% or so for financial 1996. Not spectacular, but much better than the compound annual 8% recorded in the period 1990 to 1994

The hottest growth market for the group is in its salty snacks business, where Simba has 58% of the market to rival Willards' 32%-35%. Simba has a joint venture with US multinational Pepsico, following a R380m deal which took effect on 1 June

In the year to August, Simba, with a turnover of R500m plus, contributed 16% (15%) of the group's sales and 22% (23%) of operating profit.

Why did the group sell off 50% of the best of its businesses? Because, Kennealy argues, it had no alternative The group has come under fire from analysts for selling part of the "crown jewels" too cheaply, especially compared to the price paid by Anglovaal's National Brands for Willards a while ago The Simba deal was on forward p·e of 20 against the 32 at which the National Brands deal valued Willards.

Kennealy concedes Foodcorp would have got more for Simba on the open market But, he says, the joint venture has turned a potential competitor into a partner The group believes Pepsico would otherwise have entered the SA market itself, cancelling its R5m a year technical know-how agreement with Simba and launching a high-powered battle for market share, of which it could have taken 20%-30%

Had Pepsico come in independently, Simba would have lost access to the US group's know-how as well as to its brands (O'Gradys and Fritos, though not Simba and Niknaks, which are local) It has instead gained access to Pepsico's international marketing expertise and the best of its technology — including the optimally shaped cylindrical potato which Pepsico's agronomists have developed

Action by Simba over the past couple of years has turned the market around Salty snack volumes were declining towards the end of 1993 Strategy was to improve the quality while keeping prices constant for more than two years, one Willards was probably obliged to follow The result has been 20% volume growth in small chips and overall market growth in the mid-teens

SA's per capita consumption — excluding the white population — is less than 1kg a year compared to 8kg in the US and 3kg a year in markets like Turkey and Brazil, thus leaving plenty of scope for growth

The joint venture deal also gives Foodcorp rights to participate in expansion with Pepsico in Africa and at least one new venture is on the cards

The Pepsico deal helped to reduce Foodcorp's gearing to 17% (28%) at end-August (on a net basis gearing is nil). Kennealy says the group could spend R300m on expansion without taking gearing above 30% but he would be uncomfortable at levels over 40% There are not a lot of quality food acquisitions in SA, he says, so the group is likely to look to Africa and South America

Meanwhile proteins (meat and fish) and grains remain the core of the group, contributing over 70% of operating profit in financial 1995

And while Kennealy is worried about developments in the meat industry, to which the group is heavily exposed, he is fairly unconcerned about the milling side of the group

Foodcorp's earnings growth would have been 4%-5% higher but for a sharp dive in red meat prices in July, which saw prices fall from over R9/kg to R7/kg. Driving the price fall were huge volumes of cheap imported chickens, and red meat imports — especially of "factory type" beef and of lamb — and the pressure is unlikely to abate in the coming year

In milling, Foodcorp is the smallest of the majors, with 8% of the market, but is doing better than its rivals Good growth came from Ruto, which last year commissioned its new maize and flour mill And despite the chaos in the maize market, Foodcorp has had no problems sourcing local maize — by the middle of this year it had locked in supplies for the crop season to May next year, at reasonably attractive prices Kennealy says the group's view is it is as important to build up good long-term relationships with farmers as it would be with any suppliers

Kennealy says maize imports are not the panacea some make them out to be — landed cost of imported maize on the reef is R910/ton, while local farmers can deliver mill-to-door at prices ranging from R720/ton to R980/ton.

Kennealy warns that SA farmers cannot be expected to compete with subsidised imports (EC beef, flour from Europe, US and Canada) when they have to pay protected prices for their inputs He warns against totally free importation which could kill off the farming industry

"Ideally we should end up with 60%-65% local and 30%-40% imports, to keep the local guys honest," he says

The group's grains and edible oils division increased its contribution to operating profit to 31% (30%), with Nola doing well but Sunbake (bread baking) continuing to underperform Overcapacity in bread baking since deregulation two years ago has resulted in price wars The group's share of the market on the reef (the only area Sunbake operates) is 23%.

Says Kennealy "This is not a market in which we would want to expand"

The Pepsico deal is the third of the joint-venture arrangements Foodcorp has entered into over the past three years, following its partnerships with ICS in chilled prepared meats (Renown and Enterprise) and the Cold Chain, and the joint venture with US-based Pillsbury to create Pillsbury Brands Africa in frozen vegetables and baked goods

The group's prepared foods division — including PBA and Enterprise Foods — contributed 13% of sales but only 6% of operating profit in financial 1995

Cheap chicken imports had an impact on Enterprise's business, which may also be being held back by continuing problems at the Cold Chain, managed by ICS Enterprise and PBA together account for 35%-40% of the throughput of the Cold Chain, which in turn merchandises, sells and distributes 100% of Enterprise's products Although Foodcorp is not thinking of pulling out of the Cold Chain arrangement, it is having "a strategic rethink" about its role

Meat

Growth in the year ahead is expected in both prepared foods and at Simba The main negative factor will be on the meat side

Meat and fishing, which increased its contribution, accounted for 41% of operating profit in the year to August Some analysts focus on the dependence on high-risk red meat as a factor in Foodcorp's relatively low rating in the JSE food sector, though meat is probably no more risky than chicken, in which Tiger and HLH have interests

The Foodcorp price has risen 28% over the year, and is now on a historical p e of 14 against Premier's 21 and Tiger's 22

The other groups, Premier in particular, have extensive non-food interests Foodcorp argues it has the plus of being a pure food group The market, which is viewing the food sector with more favour lately, apparently continues to see this as something of a minus

Nabisco to take bigger bite of SA market

By Charlotte Mathews
Investment Editor

Nabisco plans to increase the size of its recent investment in Royal Beech Nut to between $120 million and $130 million by 2000, as its experience and product technology will enable it to offer South African consumers a greater variety of products, James Postl, the president and chief executive officer of Nabisco International, said yesterday

Nabisco is a $7,7 billion multinational food business which makes more than 200 brands in 67 countries and sells them in more than 83 countries Its brands include Oreo and Chips Ahoy! biscuits, Ritz and Premium crackers and Life Savers confectionery

Earlier this month Nabisco said it had bought 50 percent of Delfood's wholly owned subsidiary Royal Beech Nut for $23 million

Postl said South African consumers could expect to see products such as Oreo, Chips Ahoy!, Ritz and Snackwells low-fat products As well as products, there was a real opportunity for the transfer of information and people "The entire process will bring new energy to the company," he said

Asked about the intense competition in the local snacks market, Postl said Nabisco was used to operating in highly competitive markets and could benefit the South African consumer by offering a variety of exciting brands

Nabisco expected to expand its market, both in South Africa and through using this country as a base for exporting into the rest of Africa and other parts of the world

As far as export products were concerned, the local company, Royal Beech Nut, had potential with its Manhattan range, Super C and Beechies, especially with some of the sugar-free flavours

Vivian Imerman, the chairman of Delfood, said it had been clear that with South Africa opening up and other international companies entering the market the face of business was changing and the company needed an international partner

Nabisco was the natural partner since it had been in South Africa before and at one stage had owned Royal Beech Nut

(186) CT (BR) 26/10/95

Irish butter Kerrygold in local launch

(186)

By Stuart Kelly

CT(BR) 27/10/95

Johannesburg — Kerrygold, one of the world's top dairy brands, was launched on the South African market yesterday

The launch of the Irish product, well known for its connection with Independent Newspapers' major shareholder, Tony O' Reilly, and as prescribed reading as a text-book marketing case at Harvard University, was introduced in association with local importers and distributors, The Cold Chain

Speaking at a Kerrygold trade and press reception in Johannesburg yesterday, Fergus Kelly, regional manager of the Irish Dairy Board, said "The launch was an opportunity for the Board to celebrate the arrival of Kerrygold in South Africa in what augurs to be an important new era for a major imported dairy brand in the market

"Working closely with our partners, The Cold Chain has meant that Kerrygold will be carefully positioned to ensure a meaningful share of butter sales without disturbing the existing market"

Kerrygold Butter has become available in 80 countries since it was launched in 1962 and has been followed by other products such as cheese and tinned milk powders

Ireland's biggest exporter, the Irish Dairy Board produces a wide variety of branded dairy foods through a network of subsidiary companies, overseas sales offices, agents and distributors

(188) FM 27/10/95

FOODCORP

Food for thought

A good balance of interests in diverse food markets helped Foodcorp to weather the general malaise in that sector — particularly in the last six months

Results for the year to August 1995, though unexciting, do show real growth of 9%, and financing costs dropped 15%, along with borrowings Though turnover rose 12% to R3,1bn, operating profit growth of 8% to R202m lagged inflation, margins dropped from 6,8% to 6,5%

Nonetheless, CEO Dave Kennealy contends these results are "most satisfactory" in view of the hardships suffered industry-wide from drought, deregulation and increased competition

But analysts were disappointed, observing that earnings were below market expectations — though acknowledging that in a commodity business, problems such as meat price fluctuations are beyond management's control Foodcorp's business profile ranges from staples to value-added products, with about 20% of earnings coming from meat

Foodcorp's Kennealy *some superb performances*

The meat operations were hardest hit as local prices crashed, pulling income down Enterprise Meats also suffered from the high cost of importing pork to cover a shortfall in local supplies However, tough competition in the meat industry is almost certainly here to stay Kennealy considers imports will "become a feature of life and meat prices will tend towards import parity" The Cold Chain lost ground too, Kennealy points out "We don't manage them"

Miseries aside, the group "did well in fishing and snacks, flour and maize milling," says Kennealy "We had superb performances from Simba (snacks), Nola (edible oils) and Ruto (grain-based foods)"

The strong cash flow is reflected in the balance sheet, where interest-bearing debt was cut from R218,3m (1994) to R165,6m and cash deposits have mushroomed from R600 000 to R160,8m in a year

The sale of Simba to a joint venture with Pepsico Foods International produced two benefits an extraordinary profit of R130m — which helped cover losses from the discontinued northern Chilean fishing venture — and an alliance with "the largest salty snacks company outside the US"

This agreement extends to joint participation in any undertakings in Africa south of the Mediterranean bordering countries That, as Kennealy observes, offers greater prospects than sub-Saharan Africa

In recent months a flurry of activity in the food sector has boosted ratings and analysts are divided on whether the higher ratings are justified One considers not, "especially with only 16% growth in earnings in the middle of an upswing"

Kennealy contends there has not been an upturn in the food industry Another believes the sector looks relatively cheap and offers value

Food stocks have traditionally been considered defensive for their counter-cyclical properties, but one analyst observes that this no longer seems to be true as they "were hammered in the last downturn" If the Foodcorp counter, on a p e of 14,4, can deliver its predicted growth of 6% above inflation for the next few years, it would be worth the R37 price. *Margaret Anne Halse*

Nabisco joins old friends for a slice of SA food trade

(186) ST(BT) 29/10/95

By MARCIA KLEIN

NABISCO'S investment in Royal Beech-Nut, which will see the RBN business double in size by the end of the decade, is not so much a new investment as a rekindling of old ties

In April 1989 the Imerman family's Lovasz Chemicals bought RBN from the then RJR Nabisco when it disinvested Nabisco has now chosen to re-enter the South African market through its old partner

Ken McArthur, RBN's deputy managing director, said Nabisco's re-entry would involve "a genuine investment of funds" of about R85,1-million to take 50% of RBN

RBN's holding company, Del Monte Royal Corporation, which had been looking for a strategic alliance for some time, had found "a most perfect" match, he said

The companies knew each other well and both were customer-driven Many of RBN's systems were put in place under the previous Nabisco tenure

Perhaps most importantly, RBN already had many Nabisco brands, including Care-Free, Beechies, Lifesavers, biscuit ranges and baking powders

"From our point of view, we will get critical mass as Nabisco is a major player in world food," Mr McArthur said

"We will also have access to its technology and to many new products"

He said about 17% of Nabisco's total sales last year came from products less than two years old

PERFECT PARTNER RBN's Ken McArthur Picture. RUSSELL ROBERTS

Jim Postl, chief executive of Nabisco International, said the group's ability to create new business was crucial to its success

SnackWell's, a new health snack product which was launched four years ago, now had sales of over $500-million (about R1,825-billion) "We see this new business juggernaut continuing well into the future"

Mr Postl said Nabisco could bring product ideas from around the world to enhance RBN's portfolio RBN would soon introduce some Nabisco products like Oreo, Chips Ahoy!, Ritz and SnackWell's

Mr Postl said the joint venture would give RBN export opportunities from South Africa

Nabisco had entered the agreement with the objective of doubling the size of the South African business by the end of the decade from its current turnover of about R300-million This would require "substantial amounts of capital", but Nabisco and Del Monte had not yet discussed sourcing of capital

He expected RBN's bottom line profits to grow at an even faster rate than the expected increase in sales The joint venture was expected to bring "substantial profit growth opportunities for both of us", Mr Postl said

The investment represents a renewed focus on the part of Nabisco on its international markets When Nabisco bought itself out of RJR Nabisco, it sold off a portion of its international investment to get returns

John Greeniaus, Nabisco's chief executive, has said one of Nabisco's key goals is to rebuild overseas sales and operations It has already has a strong presence in Latin America, Canada and Europe and is investing in China and Indonesia

In 1994 Nabisco's sales were $7,7-billion (about R28-billion), of which international sales were $2-billion (about R7,3-billion)

Mr McArthur said Nabisco executives had been to South Africa to look at capacities and executive staff, and they saw in RBN a company which could expand

"In expanding so rapidly internationally, management could become stretched, so they were keen to meet the executives and have been assured of their calibre"

Although the structure of the board of directors might change, Mr McArthur expects the management team to remain in place Some less profitable products may be streamlined

COMPANIES

Langeberg in Dole Food link-up

Edward West (186) BD 3/11/95

CAPE TOWN — Cape-based food processor Langeberg, which yesterday reported negligible growth in earnings for the year to end-September, said it was concluding a strategic alliance with Dole Food to allow it access to an established global brand in Europe

The phasing out of the general export incentive scheme (GEIS) and the continuing high trade barriers in export markets had necessitated action to improve competitiveness, it said

Langeberg's international marketing division would in future operate out of Europe, which would further advance plans to grow exports

The group, controlled by Tiger Oats, posted static earnings a share of 37,6c as a result of a sharp hike in taxation after a reduction in GEIS benefits and strong growth in pretax profit

Softer demand on the local market reduced domestic sales volumes, but the group's brand leaders — Koo and All Gold — maintained market shares, it said Margins also improved, in spite of price increases remaining below inflation for the third consecutive year.

Turnover was 5,2% ahead at R862m and operating income was 20,4% higher at R89,6m, but taxation surged to R34,1m from R8,7m, leaving attributable income only 0,3% higher at R60,2m (R60m)

A final dividend of 8c brought the full dividend for the year to 12,5c, unchanged from the previous year.

A R5,9m extraordinary charge reflecting costs on discontinued operations was charged below the line

The group said certain operations were rationalised in the second half, and substantial savings were expected from these actions in future

Langeberg's profit rises 20 percent

(186)

By Maggie Rowley

Cape Town — While operating profit of Cape-based food processing company Langeberg was up 20 percent at R89,6 million for the year to end September, a sharply higher tax bill saw earnings virtually unchanged at 37,6c (37,5c) a share

Good growth in export sales volumes, particularly in newly acquired markets, was offset by weakened domestic demand which curtailed turnover growth to a 5 percent improvement at R862 million

An unchanged dividend of 12,5c was declared

In spite of the expected reduction in GEIS benefits, further substantial rationalisation costs were incurred to improve the group's international competitiveness

The operating margin was lifted to 10,4 percent, from 9,1 percent This was due in part to prices having stabilised on international markets and the company being able to redirect sales into more profitable markets and reap the benefits of the decline in the value of the rand, particularly against the major European currencies

The company, which is controlled by Tiger Oats, increased net cash and deposits to R64,3 million from R7,6 million last year, which generated net interest income of R4,6 million against last year's R5,7 million.

However the tax rate increased from 13 percent to 36 percent — a difference of R25,5 million — due mainly to GEIS becoming taxable in 1995

Chairman Nick Dennis said the group was in the process of concluding a strategic alliance with the Dole Food group which would provide access to an established global brand in Europe The international marketing arm of the group would also operate out of Europe in future

Dennis said a contraction in the international supply of fruit appeared likely in the coming year due to adverse climatic conditions in Europe This, supported by expected stronger local market demand, augured well for future prospects

CT (BR) 3/11/95

BAKING INDUSTRY (186)

Stale mate

FM 10/11/95

Plummeting consumption has caused heavy rationalisation in the R3,2bn a year bread industry and has led to the closure of 21 bakeries since deregulation in March 1991

And further closures are forecast following this month's hefty increase of up to 24c a loaf

Sunbake group MD Dave Gradidge says his group, which had 22 bakeries in 1990, now only has 13, having closed a further two bakeries this year

"With sales down and margins under pressure, we have only one option — cut costs, which includes closing down unprofitable outlets," he says

Utian *tragic downward trend*

Gradidge says with bread consumption dropping, even before the November 1 wheat price increase of 15%, group sales were down 7% since July "I estimate that the bread baking industry is now sitting with about 20% excess capacity," he says

Industry pundits say poorer consumers — who now have to pay up to R2,50 for a loaf of white bread — are moving away from the former "staple," to cheaper basic food commodities like maize meal

While flour prices have increased — the cost of flour constitutes about 85c of the new R1,84c wholesale price of a loaf of brown bread — labour costs are also under constant pressure

Labour accounts for 57c of the price of each loaf

"It is a vicious circle — and retailers do nothing to help the industry's long-term interests by adding huge margins, which force more and more customers either to the supermarkets, which now sell 12%-15% of all bread in SA, compared with 4% before deregulation or to maize meal consumption" Retail margins, which were pegged at 4c/loaf before deregulation, have shot up to 40c/loaf

Cafes and corner shops do not seem to worry much about the industry's long-term future — and who can blame them if they now net R300 a day from the sale of 1 200 loaves, compared with R80 a day before deregulation?

"The shopkeeper — while much better off in the short term — is shooting himself in the foot and driving away customers by adding excessive margins," says Gradidge

For example, while Sunbake increased its price by only 13c/loaf (white and brown) from November 6 compared with Premier Foods' 17c/loaf increase from November 1, shops sell both loaves at the same price Premier Foods chairman Gordon Utian confirms the "tragic" downward trend in bread consumption, which is putting margins under pressure as large bakeries operate below capacity "We have also rationalised by closing several bakeries"

Chamber of Baking executive director Nic Alberts says this year's 15% wheat price hike was largely the result of the huge spike in global wheat prices, which means that there will be no benefit from cheaper wheat imports such as were enjoyed in previous years The domestic wheat subsidy has also now largely fallen away

With quantitative restrictions being phased out, farmers are therefore in a stronger bargaining position as the market is freed "No wonder they accepted an agreement with the six big milling groups to sell the whole local crop (latest estimate 2,16 Mt) at a slight discount to world prices," says one industry source

This week, Gulf fob wheat prices reached US$220/t, which boils down to almost R1 100/t, landed in Gauteng And it could take up to 18 months for world prices to drop significantly, even with good US and European crops. ■

Spice the bright spot for HLH

(186)

BD 10/11/95

Beatrix Payne

FOOD and timber holding group Hunt Leuchars & Hepburn Holdings (HLH) posted an attributable loss of R40m (R3,4m profit) for the six months to end-September after losses at most of its operating subsidiaries and a higher interest bill.

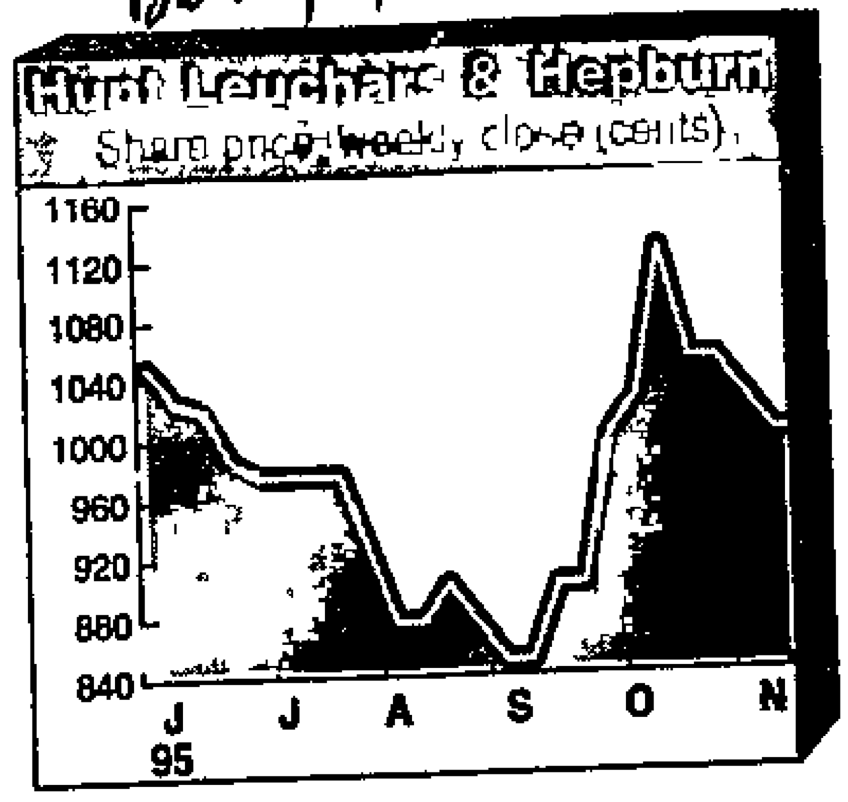
Losses a share — including losses incurred by non-subsidiary companies — amounted to 26,7c compared with earnings of 2,3c in the comparable period last year.

HLH CE Neil Morris said yesterday that the group lifted sales 7,7% to R767,4m on the back of a strong performance from spice merchant Robertsons

Margins were under pressure from the poor performance of the sugar operations, with operating income slipping to R45,5m (R55,9m). The division incurred heavy losses as the drought depressed sugar cane volumes and quality. Malelane and Komati mills operated at 45% capacity.

As a result, financing costs increased sharply to R58m (R47,9m) as the sugar mills' poor performance hampered the group's ability to pay off costs "There is little we can do except hope for rain," Morris said

Pre-tax losses came to R12,6m



(R8m profit), but Robertsons' strong performance saw the tax bill up at R4,5m The group's share of associated companies' losses rose to R22,9m (R7,5m loss). No dividend was declared.

Morris expected to see profit in the second half on an improved performance from Rainbow Chicken, but year-end results would reflect an overall loss. Share losses for the year should be below 10c.

Morris said the sale of the group's timber operations would help ease its interest-bearing debt, which rose to R872,2m (R864,7m) during the six months.

Parent company Huntcor, which had as its sole investment its holding in HLH, posted a loss of R30,5m (R2,6m profit) and waived dividends for the period.

ICS cuts lossmakers and boosts earnings

BD 13/11/95 (186)

Beatrix Payne

FOOD group ICS Holdings reshaped its operations and cut costs to lift attributable earnings 44% to R108,5m for the year to September

The CG Smith-owned company lifted sales 3% to R2,9bn, after closing its struggling businesses and the sale of its lossmaking Clayville Dairy

The elimination of Clayville's losses combined with strong contributions from its fishing, poultry and other dairy businesses to lift operating income 44% to R179,2m

Finance charges rose 47% to R18,6m, but the income figures were further swollen by investments' income climbing 71% to R21,2m, buoyed by Sea Harvest Pre-tax income came in 46% higher at R181,8m

Share earnings were 44% higher at 284,7c, while the full-year dividend was 43% up at 86c

The group also took a R64,9m charge below the line, with R46,1m stemming from closure costs within its meat division, and the remainder on goodwill stemming from Sea Harvest's investment in Namibian operations

MD Roy Smither said the results were "pleasing" as favourable first half conditions had been followed in the second half by a flood of cheap imports which knocked red meat and poultry prices Tariff loopholes had been closed and illegal imports were now lower.

Earnings for the 1996 financial year were unlikely to match the 1995 level of growth. ICS would be underpinned by continued cost controls and the benefits of recent mergers. But government decisions on fishing quotas and import tariffs could have an important bearing on the performance.

The group's Earlybird poultry operation was affected by the cheap imports, but a strong first half performance had cushioned the blow.

In the red meat division, feedlots

Continued on Page 2

ICS

(186) BD 13/11/95

Continued from Page 1

came under pressure from low auction prices but the retail and wholesale operations had a "reasonable year."

Earnings at Sea Harvest rose 22% on firm prices on international markets The milk products and juice division produced satisfactory results following the Clayville sale

Results from the Cold Chain improved but the company had still not reached its full potential. Fedics continued to perform well amid higher tourist activity which helped its airline and airport catering operations.

Enterprise Foods' performance was disappointing after the division's margins and stock holdings were hit by the need to import costly pork.

The Dairymaid/Nestle joint venture also had an unsatisfactory year Smither said earnings should improve in 1996 as a large capital expenditure programme was virtually complete.

During the year the group bought Tongaat Hulett's 50% stake in OKK Food's meat and dairy operations, so taking full control of the business. ICS also sold its 50% stake in Chandling International to Rennies

(186)

Earnings surge 44% for ICS

ET (BR) 13/11/95

By Llewellyn Jones

Johannesburg — Food group ICS Holdings continued the improvement started last year by reporting a 44 percent surge in earnings to 284,7c (197,5c) a share for the year to September.

Roy Smithers, the managing director, was pleased with the results which he said were achieved in a period of varying market conditions. While prices were firm in the first half because of protein shortages, trading conditions in the second half were more difficult as prices were lower as a result of imports which flooded the market via tariff loopholes. Although problems still existed, the loopholes had largely been attended to and illegal imports were at a lower level.

There was a 2,8 percent improvement in turnover to R2,9 billion because of the disposal of loss-making Clayville Dairy last year and improved production and cost control efficiencies saw operating profit soar 43,6 percent to R160,6 million

Interest paid rose 47 percent to R18,6 million while income from investments showed by far the largest increase, rising 71 percent to R21,2 million

After tax of R68,8 million (R43,8 million), the company's attributable earnings rose 44 percent to R108,5 million.

ICS bought Tongaat's 50 percent interest in OKK Foods' meat and dairy operations this year, taking full control of the business

Earnings surge 44% for ICS

(186)

By Llewellyn Jones

STAR 13/11/95

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Baking industry slumps

(186)

Louise Cook

BD 20/11/95

THE baking industry had lost 3 000 jobs since the lifting of controls four years ago had seen the industry scale down operations, Chamber of Baking executive Nic Alberts said recently

He said nearly 25 large plant bakeries had shut down outside major urban areas where in-house bakers had taken a sizeable slice of their business

Inhouse bakeries had provided more than 1 000 jobs for retrenched workers

Sasko director Joeff Penny confirmed that the industry was under pressure since government had lifted controls on the bread price This had been aggravated by a drop in consumption

"The full effects of deregulation were felt only now We had to close one bakery in Port Elizabeth "

Sunbake MD Dave Gradidge said nine of the company's bakeries had to shut down over the past five years "Bread consumption was 7% down on last year " He believed the industry as a whole could have lost 12 000 jobs in the past five years

Genfood was more upbeat, saying although competition had become more intense, the company was not considering closing bakeries

Tiger Oats boosted by food operations

(186) BD 20/11/95

Beatrix Payne

A STRONG performance from the core food operations, tighter margins and cost containment pushed food and pharmaceuticals group Tiger Oats's attributable earnings 27% ahead to R466,6m for the year to September

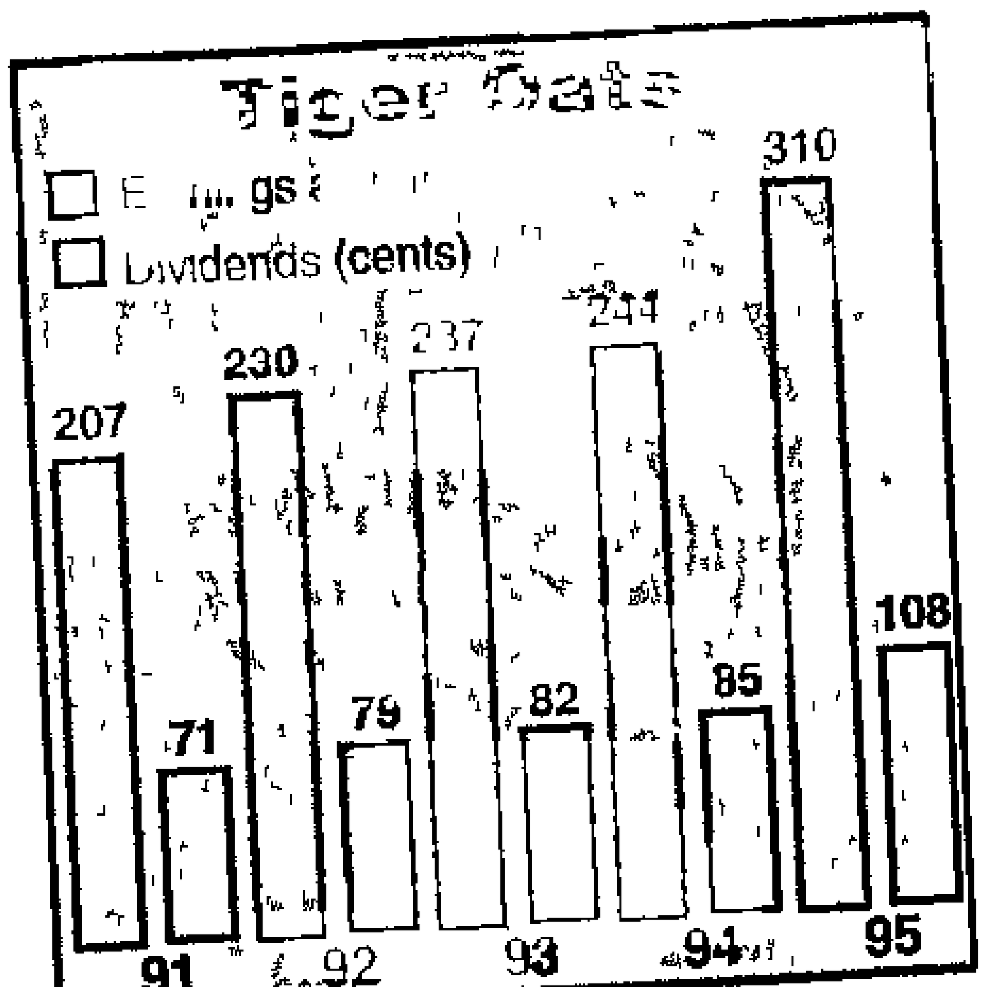
Finance director Wallace Holmes said at the weekend slow consumer spending and increased input costs had capped the CG Smith-owned group's turnover, which was up only 9% at R11,9bn

Operating income rose 20% to R815,1m after margins increased to 6,8% from 6,1%

Interest paid fell to 15,1m (R39,3m) after gearing fell to 30% (44%). Net surplus cash increased to R380m.

The tax bill increased 33% to R288,2m leaving net income higher at R539,2m (R445,2m)

The group reported an extraordinary profit of R8,2m (R144,9m loss) following the sale of investments, losses on discontinued operations and goodwill and trademark costs Earnings a share rose 27% to 310c and a dividend of 108c (85c) was declared.



Graphic KAREN MOOLMAN Source TIGER OATS

Holmes said despite the highly competitive market, margins had improved and reflected the benefit of the restructuring introduced after MD

Continued on Page 2

Tiger Oats

(186) BD 20/11/95

Continued from Page 1

Nick Dennis joined the group early last year. The group was only about a third of the way through its rationalisation programme and there was scope for improvement in margins.

Over the past year "quite a few thousand" people had been retrenched but Holmes could not say what level of staff cuts were expected during the current year.

The food division's contribution to earnings rose 34% to R308,3m despite changes to tariff and duty structures and the deregulation of the maize price In the branded consumer products division, Beacon Sweets and Jungle Oats performed well but Fatti's and Moni's was affected by higher durum wheat prices

The staple foods division improved profits although the Queenstown and Pietersburg mills were closed Bakery volumes were affected in the second half after the suspension of school feeding schemes

Poultry operation County Fair was affected by Newcastle disease but strong demand for eggs helped Golden Lay Retail chain Spar produced a strong performance while containing costs below inflation

The pharmaceutical division through Adcock Ingram saw its contribution to earnings rise 18% to R140,1m The fishing division's contribution to earnings fell 5% to R18,2m The group reduced its holding in Oceana Fishing to 43% from 70%

Without the distortion caused by the change in the accounting treatment of Oceana Fishing, overall turnover rose 11%.

The group's markets would remain competitive particularly with the increasing involvement of international food companies As a result, Tiger would focus on brand development and cost competitiveness Real growth in earnings was expected this year

Food division helps Tiger lift earnings

CT (BR) 20/11/95 (186)

By CHARLOTTE MATHEWS

Johannesburg — A good performance from its restructured food division enabled food and pharmaceutical group Tiger Oats to lift attributable earnings 27 percent to R466,6 million in the year to September compared with last year

Group turnover rose 9 percent to R11,9 billion but, excluding the effect of the disposal of a large proportion of the stake in Oceana Fishing, turnover was 11 percent higher This also affected operating income before interest, shown as 20 percent better at R815,1 million but excluding Ocfish, 25 percent higher

Tiger Oats reduced its 70 percent stake in Ocfish during the period to 43 percent and now jointly controls the company with Real Africa Figures for 1995 are proportionately consolidated while in 1994 Ocfish was fully consolidated

As gearing dropped to 30 percent from 44 percent previously, the interest bill dropped to R15,1 million from R39,3 million However, the tax rate rose to 35 percent from 33 percent, mainly reflecting higher tax in the food division as the tax status of GEIS changed and assessed losses were exhausted

An extraordinary profit of R8,2 million was made, mainly on profit on the sale of investments, compared with last year's R144,9 million extraordinary loss

On earnings of 310c (244c) a share, the dividend for the year was 108c (85c) The food division contributed two-thirds of attributable profit as it grew earnings by 34 percent to R308,3 million The pharmaceutical division grew earnings by 18 percent to R140,1 million while fishing's contribution dropped by 5 percent to R18,2 million

Nick Dennis, the managing director, said the food division achieved its good results in the face of difficult trading conditions, deregulation of the maize industry, the phasing out of the general export incentive schemes, changes to tariff and duty structures, the drought and increased competition

In the international food businesses, the Minneapolis trading office has been closed but a 19 percent stake in Van de Kamp's Inc, the market leader in branded boxed-fish products in the United States, was acquired for $14 million (about R51 million) since year-end

Wallace Holmes, the financial director, emphasised that growing the food business globally was a major strategic objective This growth would be primarily in branded consumer products, not necessarily similar to the brands already established in South Africa

In the pharmaceuticals division, listed Adcock Ingram grew earnings 17 percent and Logos performed well The contribution from fishing activities dropped because of the sale of part of Ocfish but all Ocfish's divisions produced strong results and its earnings improved 31 percent

CG Smith expected to see at least 30% growth

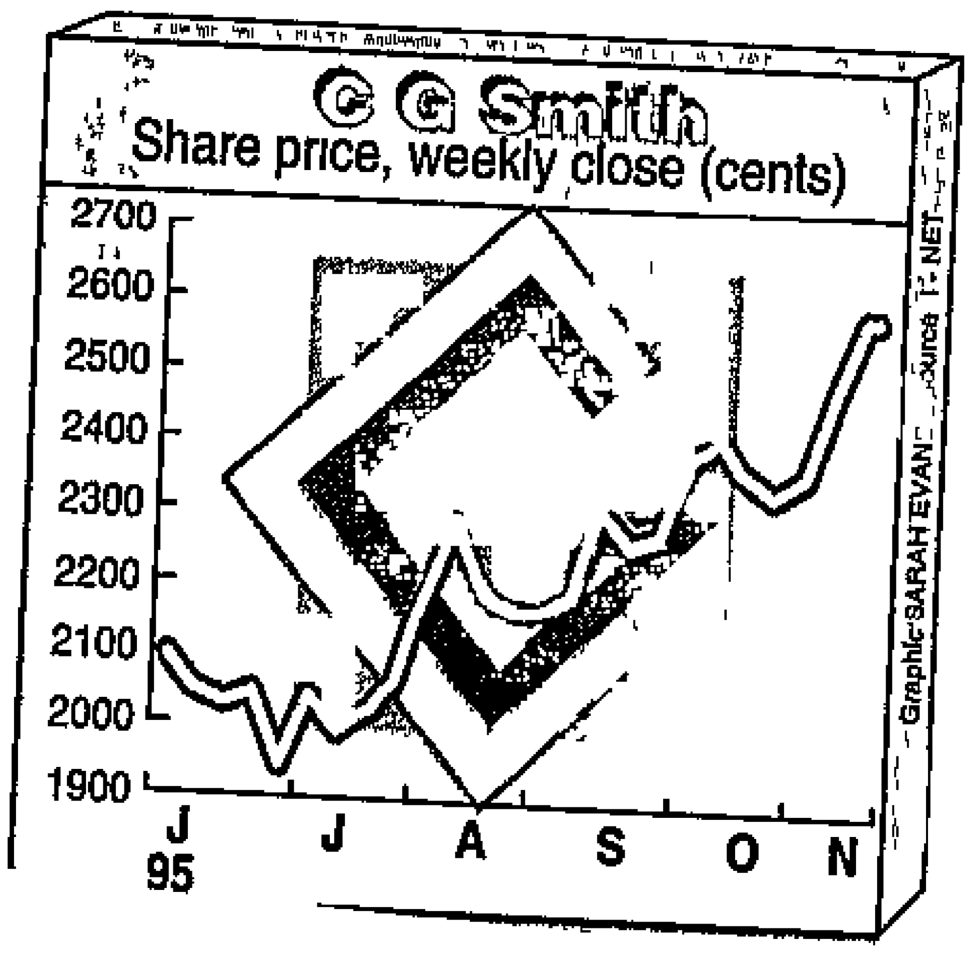
(186) ~~(3) STAR~~ BD 21/11/95

Beatrix Payne

STRONG earnings growth from Illovo Sugar and ICS should help the CG Smith (CGS) group improve earnings at least 30% for the year to September — against a 12,6% rise to R499,3m last year — when it releases results today.

Most analysts expect its subsidiary CG Smith Foods — which accounts for about 60% of group earnings — to raise earnings 32% to 35% when it releases year-end results at the same time

"But you can practically ignore CGS Foods as most of the numbers are out already and it is just a conduit into CGS itself," said one analyst, who did not want to be named.



Diversified protein food group ICS lifted earnings 41% to R108m during the review period and Illovo saw earnings surge 68% to R93,2m, based largely on a recovery from the drought in KwaZulu-Natal

As their growth had come off a low base, neither was likely to maintain its earnings performance this year, which meant CGS might show earnings growth in the region of only 20% to 25% during that period, analysts said.

Packaging group Nampak, one of the biggest single contributors to CGS's earnings, reported a 31% rise in attributable earnings to R458m Tiger Oats, which through CGS Foods was responsible for about 50% of CGS earnings, posted a 27% hike in earnings for the 12 months to September

But results from Tiger and Nampak came in at the high end of most analysts' expectations and few expect the companies to maintain that level of earnings growth in the coming year.

One analyst said the key to maintaining growth in SA's food industry was to adjust cost structures and exit unprofitable operations so that growth was possible in the face of below inflation price increases

Tiger was fortunate in that it had a number of very strong brands which would help maintain earnings growth, he said.

(186)

TIGER OATS

Roaring back

FM 24/11/95

If they did anything, Tiger Oats results for financial 1995 wrong-footed most analysts

Curiously, it may have taken management by surprise too — at the time of the interims, Tiger's managers let it be known they didn't expect great shakes from the second half And it was a rough time the maize industry has come through a stressful deregulation, the poultry business was clobbered by imports on a vast scale and Tiger had to put up with high charter rates in its Island View Shipping operation

Dennis

The preliminary results make it difficult to glean much, but what is clear is that the substantial cost-reduction exercises put in train by new MD Nick Dennis have borne exceptional fruit Of course, Dennis is well known in the industry as Mister Cost-Cutter and the results from Tiger suggest the organisation certainly was a fat cat "You have to hand it to him," says Ed Hern Rudolph analyst Syd Vianello, "he really has done it "

Moving with speed in the company's labouring food division, Dennis closed plants in Queenstown and Pietersburg and concentrated increasing volume production where economies of scale would have the best impact In the process many people have been retrenched though numbers aren't available

The results speak for themselves on improved earnings of 27% overall, the food division contributed the biggest increase — 34% up to R308m Pharmaceuticals grew 18% to R140m and fishing declined 5% (because of the sale of 33% of the holding in Oceana) to R18m

All this leads to a re-examination of Tiger's vulnerabilities and strengths First, the successes International food giant Mars arrived with Uncle Ben rice braced for an easy fight The outcome is clear Tastic swelled and occupied the available space Any challenge Mars posed to local confectioners was met by other local producers though it is worth noting in passing that Beacon's dominance of sugar confectionaries (nonchocolate, nongum) is probably unassailable (about 45% market share)

The strengths lie in some well established brand businesses Tiger must be invulnerable in products like oats and peanut butter, its Spar supermarkets are gaining market share even dreary Langeberg has found an international partner and may produce some sparkle in the next year And, despite the problems, Tiger has definitely shown how to run a poultry business

However, challenges may lie in wait Mars is hovering again, this time with its famous brand of pet foods The pasta business is crowded and more competitive Pick 'n Pay s internal restructure may make growing Spar more difficult.

Tiger s balance sheet is a model of underlying strength The group has no debt and net surplus cash of R380m Though the numbers are not provided, since there are long-term liabilities of R473m and a gearing of 30%, this points to short-term borrowings of R380m and cash in hand of R1.2bn

This is supported by powerful cash generation of R846m Even after taking R75m into working capital and forking out R258m for future operations, the net surplus for the year is R420m

Dennis's problems down the line are that cost-cutting is laudable but can't go on for ever He says he is only a third the way through restructuring, so what is to follow will be watched with unusual interest Organic growth is now necessary, never easy in a mature business though Tiger is demonstrating real signs of initiative by hitting the shelves with new products, variations of old ones and new formulae recipes

At R61 the counter is near its 12-month high of R62,50 (registered just a few weeks ago) and is on a p e of 19,7 (which compares strangely with competitor Premier's 21) The range of broker expectations is wide, from as little as 14% growth next year to a massive 24%, 20% is probably a safe bet

At this level the counter is fully priced though good companies are always expensive to buy anyway

David Gleason

Trimmer Tiger Oats embarks on food operations shake-up

(186) BD 21/11/95

Beatrix Payne

TIGER Oats is to embark on a shake-up of its mainstay branded consumer food operations following staff cuts which reduced overall group numbers by nearly 10% in the year to September, finance director Wallace Holmes said yesterday

The group shed about 3 000 employees during the year in the initial stages of its restructuring, and by the end of September its staff complement was down to 29 400

While the staff numbers had been cut across the board last year, most of the losses had been in the staple foods division

The branded consumer products division — which was responsible for about 40% of group profits — would come under the spotlight this year as operating margins there were not what they could be, Holmes said.

"The operating margin (in the division) is less than 10% and that is not good enough International branded food companies would not consider a 15% margin too bad," he said

However, he could not say how many employees would be lost in the current year as the group did not have specific quotas

"We will look at each business and identify what is required In some cases that may mean no-one is retrenched," he said

Tastic Rice, for example, was trading at a large premium compared with some of the competing house brands Margins could be improved either by not raising prices or by milling rice in SA on a smaller scale, he said

Tiger Oats' shares closed unchanged on the JSE yesterday at R61 after the group had reported a 27% increase in attributable earnings for the year to September

Call to curb illegal food imports

ACTION had to be taken to eliminate illegal and fraudulent imports of a broad range of food products, Tiger Oats chairman Robbie Williams said in his annual review

The extent of these imports was of great concern as they constituted unfair competition and a serious threat to local industry. BD 5/12/95

He said the phasing out of both the government's general export incentive scheme and SA tariffs judged to be excessive, and the lifting of the few remaining import quotas, would put prices of locally produced products under pressure Although Tiger had the resilience to react to normal competitive pressures, the local market had to be protected against dumping and illegal or fraudulent imports (186)

"SA needs a less complicated tariff system and, most importantly, an effective customs monitoring and surveillance system administered by sufficient numbers of trained staff capable of quick investigation and prompt action when contraventions occur."

Tiger achieved record results in the year to end-September with earnings up 27% to R466m, earnings per share up 27% to 310c and dividends increasing 27% to 108c

While the country saw a welcome return to economic growth it was lower than expected. "Certainly the economy will need to grow at a faster rate if the level of unemployment is to be reduced and jobs created." — Sapa.

Call for new tariff system on oil cake

(186) (~~###~~)

Louise Cook BD 5/12/95

THE Animal Feed Manufacturers' Association called for a new tariff system on imported oil cake, which had resulted in government creaming off R13m a year from the industry, association spokesman Hansie Becker said yesterday

Oil cake is the raw material used for the manufacture of animal feed products He said an unreasonably high tariff had been charged on imported soya oil cake, with the tariff rising to R241/ton in January 1995 from the previous R100/ton

The association called on the Board on Tariffs and Trade (BTT) to decrease the duty to R105/ton as a temporary measure, but a permanent solution will see tariff on soya oil cake fall to R30/ton This rate should be fixed for an indefinite period and adjusted only if major changes occurred

Becker said in terms of the current system, the BTT reviewed the tariff on imported oil cake every three months, but it took government nine months to implement any changes

"The process took too long — tariff adjustments have to be approved by three ministries The high tariff has now pushed production costs up to R1 144/ton instead of R900/ton, costing the country R37,5m a year "

Becker said consumption was 500 000 tons of oil cake, and about half was imported from Argentina

The BTT was not available for comment.

'Many job advertisements flout interim constitution'

CT 5/12/95 (BR)

By Françoise Botha

Cape Town — More than 50 percent of job advertisements are discriminatory and illegal in terms of the interim constitution and the bill of rights, says Elizabeth Milne, co-founder of the Affirmative Action Alliance

"They typically fall into two categories — those that are obviously discriminatory where an applicant's age, race or sex is stipulated and those that are plainly bad in terms of their wording," she says

Milne said that advertisements now had to include details of the inherent requirements of a particular position.

"Terms like 'Xhosa-speaking' have come to mean African and often have nothing to do with the requirement of the applicant to speak the language," she says.

She said that employers should be aware that the constitution had made provision for legal action if an applicant felt that he or she had been unfairly discriminated against in the selection process

In terms of the interim constitution, if someone can supply reasonable evidence of discrimination, the case will be assumed to be proved, unless the person or organisation accused can produce evidence to the contrary

The fact that the onus of proof lies with the employer has sent a shock wave through local industry since organisations are now forced to disclose their selection processes if challenged on reasonable grounds of unfair dismissal

"This is quite reasonable because the individual generally would not have access to the documentation and evidence necessary to prove his or her case in the usual way," says Milne

For the purposes of determining unfair labour practice, the Labour Relations Act includes an applicant as an employee

Milne said, however, that the discrimination had not yet been challenged in the courts, but that it was just a matter of time

Commenting on discrimination on arbitrary grounds, Milne said that while it had been outlawed, the righting of past wrongs through corrective or affirmative action was still acceptable

"Affirmative action could be problematic if one regards it as being in conflict with equality It is less so if seen as a means of establishing a society based on equal opportunities for all.

"Most South African employers are likely to experience far more difficulty accommodating the practical requirements of non-discriminatory selection. That is apart from the fact that many organisations believe that their present practices are non-discriminatory," she says

Foodcorp looking to buy assets

(186) CT (BR) 5/12/95

By Charlotte Mathews

Johannesburg — Substantial acquisitions must be made to complement organic growth in its existing operations if Foodcorp is to become a world-class, internationally competitive business, chief executive Dave Kennealy said in the group's latest annual report

From the beginning, the group has aimed at forming alliances with global food groups Two years ago it formed a joint venture with The Pillsbury Company, and during the past year has formed a company with PepsiCo Foods, which owns Simba

In addition to the value these companies have added locally, Pillsbury and PepsiCo Foods have opened new export doors to Foodcorp and its products

The link with PepsiCo Foods included a first-option right for Foodcorp to co-invest in any future African ventures

In the year to August, the group reported a 17 percent improvement in shareholders' profit to R201,9 million compared with the previous year

Foodcorp chairman, Grant Thomas, said most of the group's businesses, with the exception of Marine Products, which enjoyed reasonably favourable operating conditions, had had to buck industry trends in the past year and, in the circumstances, achieved "very creditable" results

Kennealy said the short-term outlook for the food industry remained mixed However, the group expected to achieve further real growth next year owing to its market position, management team and healthy balance sheet

Tiger Oats confident of real growth

(186) - CT (BR) 5/12/95

By Charlotte Mathews

Johannesburg — The markets in which Tiger Oats operates are expected to become even more competitive than before as international activity in South Africa increases, chairman Robbie Williams said in the group's latest annual report

Tiger Foods, Adcock Ingram, Logos and Oceana Fishing have been anticipating this challenge for the past few years and have been working to establish their brands and become more competitive, both in cost and against international companies

"Against this background we are confident of producing real growth in earnings in 1996"

Williams said South Africa's return to economic growth in the past year had been welcome, but lower than expected The economy needed to grow faster if unemployment was to be reduced

The phasing out of the government's general export incentive scheme faster than initially expected would put the prices of locally produced products under pressure

Tiger Oats could react to the normal competitive pressure of the marketplace However, the local market had to be protected against illegal or fraudulent imports

COMPANIES

ICS showing depends on tariffs

Beatrix Payne BD 7/12/95 (186)

NEW tariffs for agricultural imports would need to strike a balance between cheap food and job security, ICS Holdings said in its annual review

The food group procured most of its raw materials from the local farming community, linking its own prospects those of SA farmers

Group margins had come under pressure during the year following a flood of cheap imports of meat and poultry. Chairman Robbie Williams said the situation had been aggravated by shortcomings in the SA customs surveillance system. This had created opportunities for goods to enter the country fraudulently.

The CG Smith-controlled group reported a 44% rise in attributable earnings to R108,5m for the year to September on sales up at R2,9bn from a previous R2,8bn

The current year's performance would depend largely on the size of import tariffs and the outcome of negotiations over agricultural policy

It was disappointing that the group only had minority representation on the fisheries policy development committee as the deep sea trawling industry was highly capital intensive and a significant provider of employment.

Trading conditions in the year ahead would be "challenging" and margins would continue to come under pressure It would continue to direct its focus away from commodity products to higher margin branded products.

ICS expects tough trading conditions

(186) CT(BE)7/12/95

By Françoise Botha

Cape Town — A slowdown in consumer spending and high levels of crime and violence, which had a significant effect on investor confidence, were likely to affect on the results of Imperial Cold Storage (ICS) Holdings over the next year, says the chairman of the food group, Robbie Williams

Giving his expectations for the year ahead in the company's annual report, Williams said that trading conditions were likely to be challenging

Operating margins would continue to be under pressure

He attributed some of this pressure on the economic upswing being retarded to some extent by effect of the drought on agriculture and the fact that weather and soil conditions in the country meant that South Africa was not a low-cost producer of food

Williams said that the company's results would be influenced by the level of local protein surplus and shortages

CHALLENGES *ICS chairman Robbie Williams*

These were influenced by weather conditions and the extent of imports, he said

He said, however, that the benefits of strategic mergers, improved efficiencies and cost competitiveness and further product development should result in real earnings growth over the next year

Much would also depend upon the government's attitude towards the imposition of protective tariffs to regulate the volume of imported proteins, and upon the effect of its competition policy, he said

Commenting on tariffs, Williams said that it is important that the new tariff policy should provide an appropriate balance between the importation of cheaper foods on the one hand, and the need for job security in agriculture on the other

FOODCORP (186)

Eating better

FM 8/12/95

CE Dave Kennealy landed in an unenviable situation when he took charge at Foodcorp A group in shock after the sudden loss of its previous CE and an economy staggering unsteadily to its feet after years of recession could not have been his first choice But he

Activities: *Production, manufacture and distribution of food*
Control: *Malbak 76%*
Chairman: *G Thomas CE D Kennealy*
Capital structure: *48,1m ords Market capitalisation R1,73bn*
Share market: *Price 3 600c Yields 0,8% on dividend, 7,1% on earnings, p e ratio, 14,0, cover, 9,5 12-month high, 3 700c, low, 2 625c Trading volume last quarter, 466 159 shares*

Year to August 31	'92	'93	'94	'95
ST debt (Rm)	240	87	112	99
LT debt (Rm)	24	54	106	67
Debt equity ratio	0,41	0,19	0,28	0,05
Shareholders' interest	0,52	0,53	0,56	0,57
Int & leasing cover	4,5	6,7	8,9	11,2
Return on cap (%)	14,1	14,1	13,6	11,9
Turnover (Rm)	1 705	2 657	2 755	3 088
Pre-int profit (Rm)	118	183	188	202
Pre-int margin (%)	6,9	6,9	6,8	6,5
Earnings (c)	165	211	221	257
Dividends (c)	53	60	60	27
Net worth (c)	1 190	1 391	1 501	1 919

is chalking up some steady achievements, despite what he terms a "roller-coaster ride" in the past year.

On the negative side, he cites a slower and weaker economic recovery than expected, plus high cost and volatile supply of "agricultural inputs" Competition, mainly as discounting, was aggressive and the well-publicised cheap protein imports depressed margins, as did increased production costs and the loss of 50% of Simba's contribution for the last three months.

Counterbalancing these are the "exceptionally good results" from operations such as Marine Products, which "enjoyed reasonably favourable operating conditions," says chairman Grant Thomas Ruto and Nola, on the other hand, had to "buck adverse industry trends" to deliver

Kennealy considers that Foodcorp's diverse product range, embracing staples on the commodity side and value-added products in the branded goods sector, has stood it in good stead

Turnover rose 12% though margins fell from 6,8% to 6,5%, and attributable earnings grew 17% to R124m, or EPS of 257c Immediate reaction on seeing no final dividend is shock, but the reason, says Kennealy, is to save on STC in expectation of it being "abolished or at least reduced in the next Budget" Covenants in the Debenture Trust Deed preclude a scrip dividend, so the 1996 interims should see a higher dividend in compensation

The effective tax rate dropped to 31,5% as the transitional levy fell away, and net interest paid shrank to R13m as total borrowings dropped to R166m (interest on debentures was steady at R5m) Gearing is low, further offset by R161m in cash and deposits — overall a strong balance sheet

Capex of R35m for 1995 was low, but major spending is planned for 1996 — mostly at Simba's three plants, into which PepsiCo Foods International (PFI) technology — considered world-class in manufacturing circles — will be introduced

Foodcorp, maintains Kennealy, has as one of its "principal strategic objectives" the formation of alliances with "global food groups" So far it has concluded joint ventures with Pillsbury Africa to manufacture frozen foods and PFI in Simba Benefits include export opportunities and the option to invest with PFI in future African ventures — several of which are being considered

Of the existing joint ventures, Simba performed well in the wake of its restructuring, gaining market share and boosting volumes Enterprise and Pillsbury were less successful, hit by raw material shortages (pork and peas) and a chicken glut

Pillsbury now has a new management team, "and the business has improved considerably," says Kennealy It is reiterated that the quality of management cannot be emphasised enough

Though the market expected more of Foodcorp, it did produce good real growth and appears to have the fundamentals in place for an even better future performance The shape of the food industry is changing in the "New SA," however, and continued vigilance is in order The share is probably fairly priced

Margaret Anne Halse

Premier Foods to offset good group results

(186)

ET(BR) 12/12/95

By Charlotte Mathews

Doug Band

Johannesburg — A poor return from Premier Food is expected to offset good performances from Premier Group's other listed and unlisted investments in interim results, for the six months to October, due tomorrow.

Analysts said this week that they were forecasting an increase in earnings a share for the group of about 20 percent for the full year to April, but that would be earned mostly in the second half.

The listed subsidiaries and investments that have recently reported interim figures have improved earnings by between 14 and 29 percent.

Premier Pharmaceutical, 57 percent owned, lifted earnings 14 percent to 63,2c a share. This was marginally below the 15 percent rise in earnings reported by 47 percent-held Clicks to 6,3c last Friday.

Also on Friday, Bonnita Holdings, in which Premier retained 61 percent, reported a 20 percent rise in earnings to 12,5c.

Premier's 32 percent-held CNA Gallo, reporting for the six months to September, lifted earnings by 22 percent to 5,5c. The star performer has been Metro Cash and Carry, 68 percent held, which grew earnings by 29 percent to 31,4c in the six months to October.

The group has a 50 percent stake in unlisted Teltron, a photographic and consumer electronics business, which was likely to have been underperforming ahead of the scrapping of surcharges in October.

Analysts said the first half had been hard on Premier Food, the 100 percent-owned wheat and maize milling, baking, margarine, edible oils, peanut butter, petfoods, cotton ginning and fishing operation.

A number of factors were militating against a rapid turnaround in the subsidiary, which reported a 44 percent drop in attributable earnings in the year to April after an ill-executed attempt at restructuring.

In the past six months, Premier Food has had to contend with upheavals in the maize industry, including drought and deregulation, while pressures on input costs arising from these upheavals met with consumer resistance.

☐ See Background&Analysis

Premier Food pins hopes on restructuring

(186) ET (BR) 12/12/95

By Ann Crotty

It could be difficult for Premier to remain the third-largest food group

Johannesburg — When Doug Band took over as chairman of the Premier Group in December last year, the food division had just slid marginally behind Foodcorp in terms of size of profit.

In the financial year to April of last year, Premier Food reported attributable earnings of R100 million compared with Foodcorp's end of August figure of R107 million.

A year later, the figures were R56,2 million and R124 million respectively.

The way things are going Premier could have difficulty holding onto its position as the third largest — in terms of profit — food group in South Africa.

Premier's interim results, to be released later this week, may show some recovery in the food division's earnings but unless something unexpected happens to push Foodcorp badly offtrack, it is difficult to see what Premier can do to recover the number-two position. It is so far behind now it is hard to see how it could ever get back to the number-two position.

Premier has hitched its fortunes to food staples — a growth strategy identified by management some years back. Foodcorp's stronger performance reflects the benefits of its increasing emphasis on value-added foods.

In the era of deregulation it seems that staples are likely to be highly volatile income earners; the more so as South African players appear to be having difficulty coping with the new free-market regime. By contrast it seems value-added/branded products are more easily managed in a free-market environment.

For the six months to the end of October, it was difficult to see where Premier Foods could have picked up much in the way of earnings growth.

There will not be a repeat of the benefits of the reversal of deferred taxation enjoyed in the second half of this financial year and the interest bill will be significantly higher in line with the higher debt level.

On the operational front, none of Premier Food's interests will have done well enough to counter the negative effect of the virtual doubling of input prices for maize combined with the limited relief in terms of selling prices.

On the basis of operational factors, it is difficult to see how even Band will be able to persuade shareholders to support a rights issue — particularly at the present price level.

For the major shareholders such as Liberty and Johnnic, which have been well represented on a board that for much of the past decade sat by idly as margins in the food division were coming under increasing threat, he could try moral persuasion. The real trick will be to persuade shareholders that despite the grim short- and medium-term prospects, there are sufficient signs that the new, trimmed-down and revitalised management team is making progress, that it is coming, or will be able to come to terms, with the requirements of deregulated markets.

What seems unlikely is that Band will announce a completely new food strategy with the promise of substantial sustained earnings growth in the not-too-distant future.

Management, and probably shareholders, are now weary of restructurings and the promises of what restructurings can achieve.

In a dramatic presentation to analysts mid-way through this year, Band made much of the inept performance of key management players, effectively letting some of the more serious culprits off the hook.

While a lot of senior management understandably got the chop, many within the investment community continue to wonder why directors, particularly on the main board — executive and non-executive — did not do something to stop the rot that has been evident for the best part of a decade.

Even as Tony Bloom was relinquishing the chair in 1987 there was hushed talk among some analysts of declining margins in Premier's food operations.

The Premier Group

In subsequent years despite deckchair rearrangements, nothing was really done to address the long-term trend of declining fortunes in the food operations. Attention was increasingly drawn to Premier's growing non-food interests.

With this in mind, the 10-year review that accompanies this year's annual report suggests one reason why there may have been little apparent concern, at main board level, about the food division until this year, trading profit and earnings were growing steadily.

VOLATILE EARNERS *Premier has hitched its fortunes to food staples — a growth strategy that was identified by management a few years ago*

PHOTO: PREMIER

Even this year, when there was a 14 percent decline in earnings, a 12 percent drop in net worth and a crippling debt burden, the dividend was maintained.

Aided by an aggressive acquisition strategy involving non-food assets (until Bonnita in 1993) it was presumably easy enough to assume all of Premier was doing well.

That the wheels came off this year can be attributed to the dramatic extent of change in the food industry and that the new management leadership were actually prepared to announce that the wheels were off.

The annual report that was released in October showed a balance sheet that resembled a battlefield — with the accompanying notes being the financial equivalent of headstones.

There were extraordinary losses of R194,5 million — consisting of a list of items that read very much like the combined effect of an industry in the process of change and a management team that did not make quite the right decisions — nothing that would rate as extraordinary in terms of international accounting standards.

Despite a drop in shareholders' funds of R163 million the directors decided to pay out a dividend of R86,9 million.

What was not shown on the balance sheet was the market share that was lost as management continued to grasp for direction, using consultants much as drunks use lampposts — for support rather than light.

Each time a mistake was made volume and market share were lost.

While it cost nothing to lose market share it will cost a fortune to regain it.

Before top management at Premier Food can devote much time to developing more profitable food interests it will have to get its staples right.

For maize this includes having to do better in their price negotiations than they did this year when they inappropriately played hardball with farmers who held out and benefited from the shortage-induced higher prices. Tiger made the same mistake.

Next year, margins will be lifted as South Africa moves back into a surplus maize situation, but politicians and small maize millers will be looking closely and will ensure consumers enjoy some of the benefits.

As the latest issue of Food and Beverage Reporter says "Generally, deregulation results in some dispersion in the value chain — as is reflected in the mushrooming of rural abattoirs and in dairy value-adding. Particularly in rural areas, where the smaller millers can be highly competitive with their larger brethren, price wars in maize are likely."

For both maize and wheat, the journal notes that food processors will need to be super-aware of international prices and tariffs if they are to be competitive. In the long term, the recently introduced tariffs on wheat are likely to particularly benefit bakery and bakery-supply companies that are not tied to flour mills.

To make matters even more difficult for Premier, the development of efficient and competitively priced "miniaturised" mills means that financial muscle is no longer an advantage and there will increasingly be a competitive threat from small players.

These are just some of the reasons why times ahead will be tough for Premier Food. But it seems few doubt that, in time, the much trimmed-down and revitalised management team will show it can cope with the pressures of a more volatile trading environment.

In the meantime, the sale of Clicks and the impending rights issue will take much of the sting out of the interest burden. There is always Teltron which could be listed or sold in the new year.

Subsidiaries shore up Premier's earnings rise

(186) CT (BR) 14/12/95

BY CHARLOTTE MATHEWS

Johannesburg — The Premier Group reported a marginal improvement in sustainable earnings in line with market expectations in the six months to October compared with last year but the core food business has shown signs of turning around and is forecast to show a significant improvement in the second half

Attributable earnings after exceptional items rose by 56 percent, but the current year benefits from the comparison with the last interim period when there was an exceptional loss of R35,9 million on the restatement of results at United Pharmaceutical Distributors

Excluding that item, sustainable earnings were R100,4 million this year from R100,1 million last year

On a higher number of shares in issue, earnings before exceptional items were 12,0c (12,1c). Capitalisation shares or an interim cash dividend of 4,0c, unchanged from last year, have been declared.

Group sales were 13 percent better at R8,6 billion on which trading profit surged by 26 percent to R381,5 million, mainly because of a good performance from the listed subsidiaries — Metro Cash and Carry, Premier Pharmaceutical, Bonnita Holdings, CNA Gallo and Clicks — and encouraging progress from the unlisted companies The interest bill rose to R92,2 million and total borrowings on the balance sheet now stand at R1,1 billion from R915 million a year ago

FOOD FOR THOUGHT *Premier Group chairman Doug Band answered questions from the media on the interim results yesterday* PHOTO JOHN WOODROOF

The increase in debt arose mainly from a greater investment in maize stocks in Premier Foods

The group said it was planning to reduce its borrowings

186 FM 15/12/95

dy to grow

Activities: *Processes and distributes dairy products, meat, poultry fish and frozen vegetables Investments include catering and meat canning*
Control: *C G Smith Foods 68,9%*
Chairman: *R A Williams MD R V Smither*
Capital structure: *38 1m ords Market capitalisation R1,43bn*
Share market: *Price 3 750c Yields 2,3% on dividend, 7,6% on earnings, p e ratio 13 2, cover, 3,3 12-month high, 3 750c, low, 3 650c Trading volume last quarter, 549 649 shares*

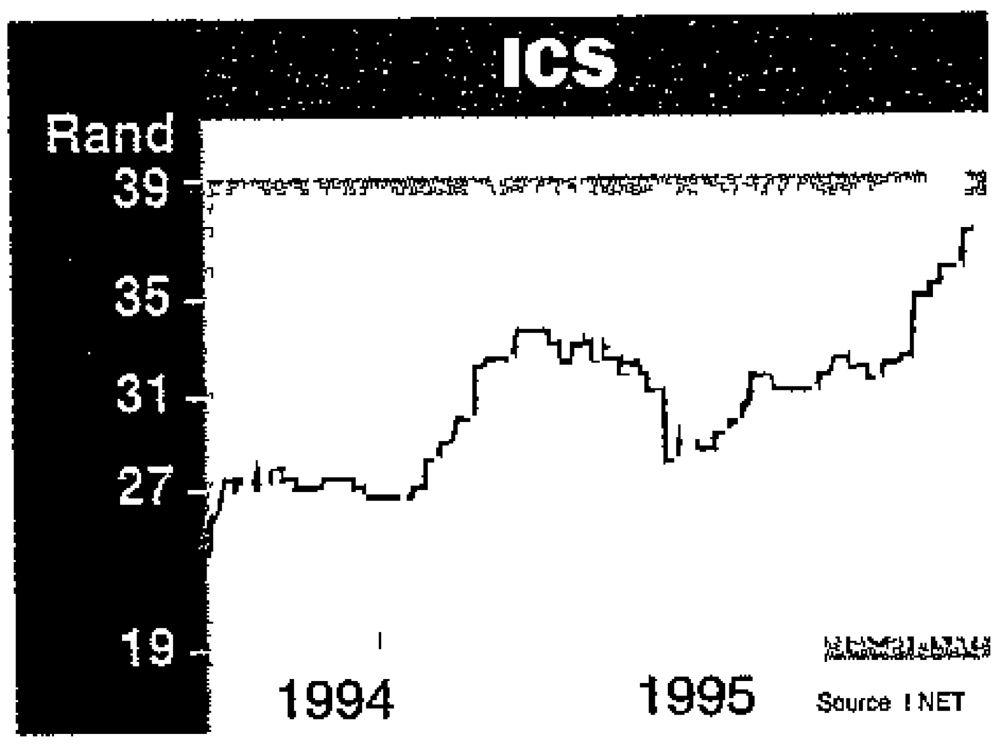
Year to Sep 30	'92	'93	'94	'95
ST debt (Rm)	32,2	73,3	175,3	174,8
LT debt (Rm)	36,3	36,5	13,5	6,5
Debt equity ratio	0,12	0,03	0,23	(0,03)
Shareholders' interest	0,49	0,44	0,34	0,37
Int & leasing cover	3,5	n/a	345,2	143,8
Return on cap (%)	4,4	5,8	9 9	14,3
Turnover (Rbn)	2,45	2,44	2,83	2,91
Pre-int profit (Rm)	42,3	68,6	124,9	189,1
Pre-int margin (%)	1,7	2,8	4,4	6,2
Earnings (c)	147	164	198	285
Dividends (c)	45	50	60	86
Net worth (c)	1 204	1 104	904	1 029

ICS's achievements over the past few years add considerable weight to the premise that recession and/or negative trading conditions in a particular industry are vital components of any business cycle

The reason for this is as simple as it is logical Faced with adversity, companies are more inclined to take a long, hard look at themselves and to implement what may at the time be painful strategies to enhance their long-term potential

This was the situation facing ICS a few years ago when it realised it was going nowhere For a variety of reasons, it was having no noteworthy success in recovering the ground lost in 1990's 35% earnings fall Its answer was to embark on a two-pronged programme, which has changed the face of the business by concentrating on higher value-added products in its turnover mix and divesting from activities which had shown consistently poor returns

Some of these decisions cannot have been easy — and might not have been made under more favourable business conditions There must have been much soul-searching



before ICS decided to enter into joint-ventures with rivals, such as the Early Bird chicken operation (with OTK co-op) and the Cold Chain and Enterprise businesses, both jointly owned with Foodcorp The same considerations apply to the ditching of main (but unsuccessful) operations, such as the Clayville dairy facility in Gauteng

Nor was the process accomplished without pain — this is evident in the extraordinary write-offs and costs which wiped 25% off net worth between 1992 and 1994 despite heavy profit retentions throughout this period

However, the transformation that has taken place must be a source of considerable satisfaction to management Comparing 1995 with 1991, group turnover in real terms has declined 13% But there has been a fourfold increase in trading margin from 1,5% to 6,2%, while gross return on total assets has jumped from 3,9% to 14,3%

There has been a proportionately smaller improvement in ROE, but it has climbed from a substandard 11% four years ago to almost 28%, despite a current effective tax rate of close to 38%

The high effective tax rate underlines another point not all of the steps taken so far have made their full impact on the income statement

Last year's attributable profit still included R16,2m in losses from both subsidiaries and joint ventures which, as corrective action works its way through, will provide a further source of profit improvement This is one reason why chairman Robbie Williams and MD Roy Smither can forecast with some confidence that 1996 will be another year of real earnings growth

One of the disappointments of the year was that ICS failed to get any recognition from the market for its achievements Though the current 3 750c share price is a historic high, the 36% gain (from 2 750c) since the *FM*'s review of the 1994 annual report did not keep pace with the improvement in earnings and dividends yields are higher than a year ago and the share, by implication, is relatively cheaper

Two possible reasons for this are the slow-down in growth during 1995's second half (the gain in EPS, for example, declined to 27% for the April-September period from 66% in the first half), which was opposite to the pattern of 1994 Secondly, there are no clear indications as to future government policy on areas of crucial interest to ICS, such as agriculture, fisheries and tariffs

While one accepts that markets hate uncertainty, ICS now is in far better shape to deal with whatever the future holds than was the case four years ago Its risk profile as an investment is materially lower And with a cash-positive balance sheet for the first time, it is also better able to grow, either through acquisition or expansion as opportunities arise

Brian Thompson

New energy drink for release

(186) CT(BR) 20/12/95

By Llewellyn Jones

Johannesburg — Another product in the highly competitive energy drink market is to hit South African shelves at the end of this month

Guvi, the European market leader, will be imported from Germany and is the first of several speciality food products to be introduced to the local market by Cape Town-based Brain Wash Marketing

Newly formed Brain Wash represents a joint venture between German-owned Henniges & Henniges and Thumb Trading, which holds the exclusive agency in South Africa for various prestige food brands, such as Hersheys Chocolate and Campbell Soups.

Initially introduced to the German market last year, Guvi sold out its entire 300 000 unit run during its February launch phase By the end of the year, Guvi had sold more than 15 million cans This year, the company is expected to capture 30 percent of the 150 million-can-a-year market in Germany

Guvi's distributors aim to capture 80 percent of the local energy drink market and nearly 250 000 cans have been ordered for the South African launch phase.

Chiclets scoops 10% market share

CT (BR) 20/12/95

(186)

BY FRANÇOISE BOTHA

Cape Town — Warner-Lambert has scooped a growing share of the R100 million South African chewing gum market and, according to product manager Eric Hardy, strong growth of its brands will boost the company's confectionary arm

Hardy said that Warner-Lambert, the company which invented chewing gum earlier this century, had concentrated its efforts on establishing chewing gum brands on the local market

South Africa's contribution to Warner-Lambert's total turnover was "fairly small" at the moment, but substantial growth was expected from the products

"As a result, they are likely to outpace the growth in contributions of pharmaceuticals. We are expecting that chewing gums will be among the top four or five brands of the company."

Hardy attributes the company's success to the launch of Chiclets in July, which has claimed significant market share from rival brands, Beechies and Stimerol

Chiclets currently holds 10,10 percent of the South African market Together with the company's other chewing gum brands Dentine, Trident and Clorets, Warner-Lambert holds about 25 percent of the South African market, ahead of Stimerol

Beechies is still market leader, despite having lost about 8 percent during the past year

Growth figures for the year to the end of December will be available within two months

MANUFACTURING – FOOD

1996

JANUARY – JULY

PHOTOCOPIES

DATE	NAME	NO after printing	Number of copies: Saldru	Co-op	L.R.P	F/Hare	Other	cash
Balance B/F			3783	3970	3875	1376		
TOTAL c/forward								

I&J to build new R20m head office

(186) CT(BR) 10/1/96

By Maggie Rowley

Cape Town — New R20 million headquarters will be built in Cape Town for I&J, the fishing company in the Anglovaal stable

Work on the new headquarters, which will provide a total of 10 500m² over three floors, with two additional parking levels, will start shortly

Completion is scheduled for December this year

The block will be built on a vacant lot bordered by Prestich, Bennett and Cardiff streets near the Victoria & Alfred Waterfront, giving easy access to Cape Town docks and I&J's fishing activities

Grinaker Projects & Properties, a division of Grinaker Construction, which is also in the Anglovaal group, has been appointed project managers

Roy Gordon, the managing director of I&J, said the building would allow the group to relocate its activities under one roof He said activities were presently housed in various buildings in Cape Town's city centre

Financing options were still being finalised, he said

The new building has been designed by architects Douglas Roberts and Peter Loebenberg Quantity surveyors for the project are CP de Leeuw The structural engineers are Walden & Colussi

Partnership de Villiers are the mechanical engineers and GH Marais & Partners are the electrical engineers

Food manufacturing behind PPI rise

(181) CT (BR) 12/1/96

STAFF WRITER

Johannesburg — South Africa's producer price inflation rate increased marginally to 8,3 percent for the 12 months to November from 8,2 percent in October, the Central Statistical Service said yesterday

The increase came in the wake of a sharp 1,5 percent month-on-month rise in food at the manufactured level Food at the agricultural level declined by 0,7 percent

The local component of the producer price index (PPI) rose by 0,3 percentage points month-on-month, while the imported component was flat.

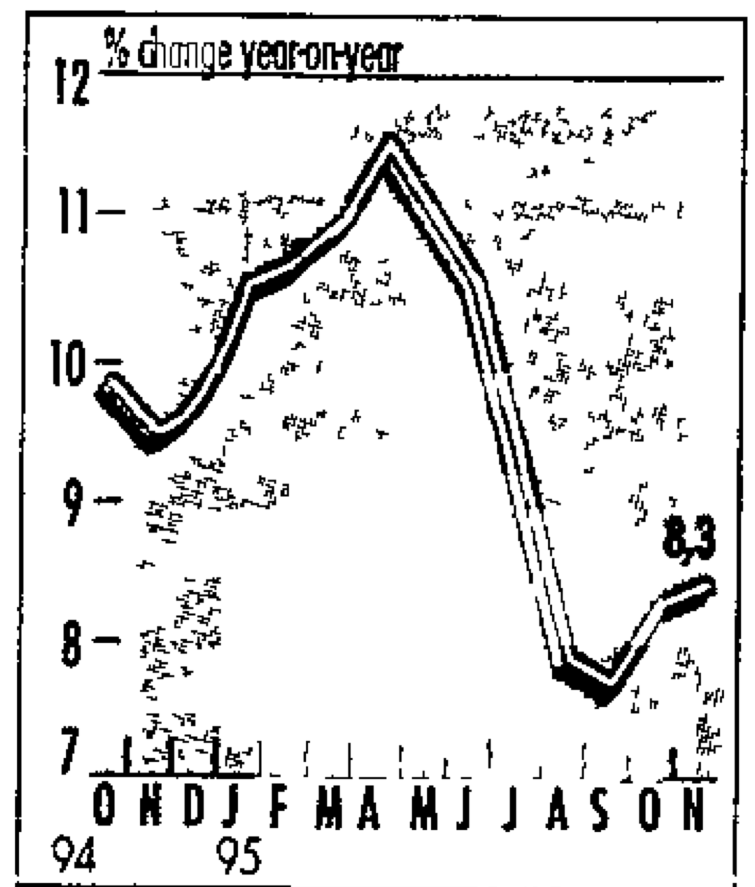
The subdivision of the PPI shows that for the 12 months to November last year the increase in prices of locally produced commodities was 9,0 percent, while the rise in the prices of imported goods was 5,5 percent, the reason for the hike in the total index being contained to 8,3 percent This was, however, the second consecutive monthly rise The PPI was 7,6 percent for the year to September

On the basis of the rise in the PPI, some upturn in the consumer price index (CPI) can be expected when the December figure is released later this month

But economists generally are confident that the annual rise in the CPI for this year will be less than 10 percent Some forecasts range as low as 8 percent, although an accelerating trend in the closing months is also widely expected

Standard Bank yesterday forecast that producer inflation would average 9,5 percent last year and between 7,0 percent and 7,5 percent this year

Producer Price Index



WHAT'S THE SCORE? *Enoch Godongwana, the general secretary of the National Union of Metalworkers of SA, takes a break during yesterday's talks with the government on privatisation*

PHOTO JOHN WOODROOF

Strike delays protest

CT (BR) 12/1/96

FROM SAPA

Johannesburg — A march by post and telecommunications employees protesting against proposals to privatise state assets was delayed by a Putco bus drivers' strike in Johannesburg yesterday morning, a union official said

Ali Kubayi, the Witwatersrand secretary of the Post and Telecommunication Workers' Association (Potwa), said the marchers had planned to hand a memorandum to Gauteng's premier, Tokyo Sexwale However, they were waiting for members of the association from Soweto who did not have transport to the city

About 500 Potwa members toyi-toyied and waved placards outside the union's headquarters in the city centre

Ian Goldin offered top job at DBSA

CT (BR) 12/1/96

BY DUMA GQUBULE

Johannesburg — The Development Bank of South Africa (DBSA) has offered the position of chief executive Ian Goldin, a senior economist at the European Bank for Reconstruction and Development (EBRD) in London

The post was widely expected to be given to a black candidate after a palace revolt by black professionals at the bank almost two years ago

Sources within the bank said yesterday that the board had decided to offer the job to Goldin after the last-minute withdrawal of Timothy Thahane, a Lesotho national and vice-president of the World Bank.

The Development Bank chairman, Wiseman Nkuhlu, last night confirmed that the board had met on Tuesday to discuss the appointment of an acting chief executive for the bank as negotiations with Goldin were taking longer than hoped

The DBSA is a quasi-government agency that provides finance for development in southern Africa It has played a key role in the development of the RDP

Black DBSA managers said yesterday that the bank had gone out of its way to look for a suitable black candidate They were prepared to give Goldin a chance because of his widespread international experience

"After all, our demand is that development must reach the people on the ground It does not follow that this will not happen if a white person is appointed," a source said.

Goldin, 40, left South Africa in 1978 and has worked as an economist at the Organisation for Economic Co-operation and Development and the World Bank. He has worked at the EBRD for the past eight months

COMPANIES

Premier Foods a big beneficiary

Edward West and Jacqueline Zaina

(186) BD 23/1/96

PREMIER Group would use some of the proceeds from a R400m-R500m rights issue and the sale of Clicks to Malbak to recapitalise recently restructured Premier Foods, Premier Group finance director John Sturgeon said yesterday

Premier chairman and CE Doug Band said the group was finalising plans for a rights issue to raise at least R400m, and hoped to table the proposals before March. The group's previous estimate of a possible R800m cash call had not taken the sale of Clicks into account, Band said

Sturgeon said Premier was concerned about its level of debt, which amounted to just more than R1bn at the end of the first half to October 31 1995 The rights issue and sale of Clicks, expected to net more than R400m in cash for Premier, represented the latest developments in a major restructuring of Premier's interests

Other aspects of the restructuring were the hiving off of Premier's food division into a stand-alone subsidiary, and the sale of the group's half share in Epol to Rainbow Chicken. This price tag was the subject of arbitration

Malbak CE Grant Thomas said Malbak had been searching for an opportunity to "move more closely into the retail sector" for some time He was happy with the purchase price

Thomas did not foresee major management or operational changes Clicks stores were trading well, Diskom was growing fast and the Musica chain had moved into the black.

Foodcorp to meet target

(186)

Jacqueline Zaina

BD 24|1|96

FOODCORP would achieve its forecast of a 14%-16% increase in earnings for the year to August, but growth in the first half was likely to be in the single-digit range, chairman Grant Thomas said yesterday

At the AGM, Thomas said dumping of imported chickens and large-scale importation of lower grade beef had reduced red meat prices A sharp decline in prices since mid-July had cost the group about R5,5m in attributable earnings.

Foodcorp earnings grew 18,5%-19% in the first half of last year, but red meat prices had since fallen to about R8 from R8,50-R10

Strong performances by Foodcorp's marine products division and its grain-based interests and branded products — Simba, Nola and Enterprise — would ensure the group attained its earnings target for the year as a whole, he said

Oceana meeting profit forecast

186

ARG 8/2/96

Business Editor

OCEANA Fishing is on course with profit forecasts for the first quarter of the 1995-96 financial year, managing director Dave Behrens said yesterday

He told shareholders at the annual meeting in Cape Town that results were ahead of last year's

Total allowable catches of anchovy for 1996 had been set at 200 000 tons, compared with 210 000 tons last year, but the figure would be reviewed this month

Since the beginning of the season in the middle of January, Oceana had landed 5 817 tons of fish, compared with 12 452 tons last year, Mr Behrens said.

The large catches of redeye herring, which had filled the nets last year, had not been seen this year

The total allowable catch of pilchards had been set for the industry at 64 500 tons, compared with 117 000 tons last year.

Lobster fishing was going well, with 261 tons landed since the season began in November, compared with 238 tons last year. Demand in Japan, South Africa's main market, was steady, but prices had weakened

Oceana meeting profit forecast

FISHING

(188)

ARG 8/2/96

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Alcohol abuse soaring

CT (BR) 9/2/96 (18b)

Stuart Rutherford

Durban — More businesses are suffering productivity losses as alcohol and drug abuse in South Africa continue to soar

Jan van der Merwe from the Durban branch of the South African National Council for Alcohol and Drugs (Sanca) said all three measures of chemical abuse are on the increase per capita consumption of alcohol, absenteeism at work and demand for treatment

"Demand for our services has increased by 11 percent in the last financial year Figures for this year will be even higher," he said.

Van der Merwe estimated that 25 percent of the average alcoholic's salary is lost to the company through the drinker not being at work or not being fully productive.

He said the self-employed, people in creative professions and those in the hotel and liquor industry were worst affected

"Creative people are particularly high risk, the thing that makes them creative, sensitivity, also makes them vulnerable to the knocks of life," said Van der Merwe.

He said the high levels of unemployment and the increase in disposable income recently had exacerbated the problem

"People are also being promoted to stressful positions, without being taught how to handle the stress"

Van der Merwe encouraged companies that had a problem to improve the standard of health of their employees, dispose of company bars and to get involved in the Employee Assistance Programme

The programme, run only by Sanca in Durban, aimed to encourage employees to seek confidential help before their personal problems affected their job performance

Van der Merwe said the programme was highly cost-effective "For every R1 you invest in the programme you get R4 to R5 back through improved productivity"

Sanca had trained 400 coordinators from around the country and would run eight courses this year, he said

Van der Merwe said employees with dependency problems who worked in an unsympathetic company should approach Sanca before going to an "unpredictable boss"

Biscuit factory may close and retrench 188

BD 9/2/96 (186)

Jacqueline Zaina

NATIONAL Brands' Associated Biscuits may shut down its Port Elizabeth factory because of an expected increase in competition following the scrapping last October of the 45% surcharge on imported biscuits

MD Cliff Sampson said yesterday the company, which produces the Pyotts, Bakers and Baumann's brands, would probably close the operation in the first quarter of next year.

The move, currently being negotiated with the Food and Allied Workers' Union, may result in the retrenchment of all 188 employees.

"We are being compelled to streamline operations in order to remain competitive with international brands," he said

Nabisco's recent acquisition of a 50% stake in Royal Beechnut and the entry into SA of Danone — Europe's largest biscuit manufacturer — through a 33% share in Clover SA, would intensify competition in the local market

Sampson said Associated Biscuits' three main brands had originally operated as separate companies with their own manufacturing operations. However, production would be rationalised in a bid to reduce overheads.

The Port Elizabeth plant, which manufactured Romany Creams and Salticrax, would be integrated into one of the company's existing factories in Isando, Cape Town or Durban

The company was involved in talks with the union on an incentive scheme for workers at the plant, in terms of which they would be paid a cash sum at the proposed date of closure to ensure productivity levels were maintained

No further rationalisation was planned at present, he said

Associated Biscuits has a technology agreement with United Biscuits in the UK in terms of which it imports McVitie products and United Biscuits distributes Provita in the UK on behalf of its SA counterpart more than R5,2 billion market.

PHOTO JOHN WOODROOF

Kolosus reports 21,5% drop in half-year profit

(186) CT(BR) 12/2/96

By John Spira

Johannesburg — Kolosus Holdings, the natural protein group, has reported attributable profit before exceptional items of R23,8 million for the six months to last November — 21,5 percent down on the figure for the comparable period of 1994.

The company declared a maiden interim dividend of 11c a share

Turnover increased by 31,9 percent to R936 million and operating profit rose by 33 percent to R32 million.

Managing director Tito Vorster said gearing had been negatively influenced by the Silveroak acquisition, which had a major effect on the interest bill Nevertheless, he expected Silveroak to make "a good contribution" to future profitability at Kolosus

Some of Silveroak's businesses, which had been making losses before and after the takeover, had already shown some positive reversal They had become profitable a mere four months after the takeover because of Kolosus's rationalisation, financial discipline and because it had been incorporated into the group

Rationalisation and restructuring costs had totalled more than R20 million. These costs, together with a write-off of R6 million goodwill, had been disclosed as an exceptional item in the income statement for the six months

Vorster said since the exceptional item was non-recurring, it was not taken into consideration for the purposes of calculating the dividend.

He said that after the Silveroak acquisition, Kolosus's main business had shifted emphasis from the fresh-meat trade to the leather industry.

"The rationalisation of Silveroak and its incorporation with the Kolosus group offers benefits and savings of more than R30 million annually"

Vorster said steps had been taken to reduce gearing, among them.

- The Silveroak acquisition and the resultant improved balance in Kolosus would let management disinvest much faster from the low-margin carcass trade, which had been strategic for the securing of hides and skins.
- Stock would be consolidated in the joint Kolosus leather resources division, at Port Elizabeth. This had been made possible by placing the group's tanneries on a "just-in-time" stock system, releasing substantial amounts of operating capital to be applied towards the redemption of interest-bearing obligations

Kolosus was first listed in December 1994 Its first interim report showed sales up 49 percent and attributable income up 60 percent.

However, the subsequent six months reflected a slowdown because of the group's entry into the vehicle upholstery export market, which required a substantial increase in stock and capacity Earnings for the full year of 91,8c a share fell below the prospectus forecast of 99,04c.

The most recent interim statement demonstrates that Kolosus continues to struggle with burgeoning financing costs — which is probably why the share's 6,5 price-earnings multiple is well below the average for the JSE's food sector.

NEWS

Del Monte posts decline in earnings

(186) CT (BR) 16/2/96

BY ANN CROTTY

Johannesburg — Branded food group Del Monte Royal International yesterday posted a 20 percent decline in earnings a share to 42,6c for the 12 months to end-November last year, from the 53c reported for the previous financial year

The strength of the Kenyan shilling, from where much of the group's fruit is sourced, together with the reduction in the General Export Incentive Scheme exporters' allowance from 19 percent to 12 percent, was largely responsible for the fall

A final dividend of 10c a share has been declared, bringing the total for the year to 16c compared with the full-year dividend payout in financial 1994 of 21,5c a share

A second-half improvement in demand combined with the introduction of new products lifted turnover for the year by 19 percent to R1,838 billion (R1,546 billion) However, a sharp drop in operating margins to 10 percent (14,7 percent) saw this translated into an operating income decline of 13 percent — taking income before tax and interest down to R196,7 million (R226,9 million) A 23 percent increase in interest payments compounded the damage and, despite a R6 million kick-in from associates, attributable earnings showed a 26 percent year-on-year knock to R145,5 million (R181,1 million)

A restatement of the previous year's figures, due to requirements to bring exceptional items above the line, saved the group from having to report a 30 percent decline in earnings a share The restatement brought earnings a share for 1994 down from the 61c announced a year ago to 53c The 30 percent decline was in line with management's forecast at the interim

Chief executive Vivian Imerman said he was budgeting for an increase in earnings this year

LOOKING UP *Vivian Imerman, Del Monte's chief executive, is budgeting for a rise in earnings this year* PHOTO JOHN WOODROOF

Investors losing patience

BY ANN CROTTY

Johannesburg — Four years ago the investment community seemed evenly divided into two camps — those who supported the Royal/Anglo purchase of European-based food company Del Monte and those who opposed it

Performance in the four years since the 1992 acquisition brings the evidence down firmly on the side of those who thought Vivian Imerman, the chief executive of Del Monte, and Anglo were extravagant in paying R2,4 billion for a high quality brand group at a time when sophisticated European consumers, who represented the bulk of its market, appeared to be moving away from up-market branded products

Imerman said the switch to own-branded and tertiary products was a temporary phase, and the group's plans to extend the application of its valuable brand name to other fruit products as well as to expand into Eastern Europe ensured the group was a good buy

"Unconvincing" was one of the more polite responses to yesterday's presentation by the Del Monte Royal Food executives, who were hearing for the fourth successive year these same reasons as to why earnings would get better Exposure to the Kenyan shilling, to the world pineapple crop, among others, and to sophisticated European consumers are not being viewed as bullish factors by investors The executives may have the patience, but it seems more and more investors do not

Genfood in Namibian venture

(186) CT(BR) 16/2/96

By Roy Cokayne

Pretoria — General Food Industries (Genfood), the Pretoria-based food manufacturer, has entered a joint venture agreement with a prominent Namibian businessman to establish a R25 million wheat mill in Walvis Bay

The mill is expected to be in production during the first quarter of next year The joint venture agreement is with Aaron Mushimba, the chairman of the newly established Namam Trading & Milling (NTM), which has been incorporated in Namibia

Mushimba has also been instrumental in the establishment of other Namibian projects such as City Savings, Investment Bank and Mukorob Fishing

Genfood, a major player in the milling and associated industry in South Africa, has become the largest single shareholder in NTM with an equity of about 40 percent

Genfood founder and executive chairman Johan Roode and Mushimba have been appointed to the board of NTM The balance of the board members will be announced at a later date The Agronomic Board of Namibia authorised the setting up of the mill last year, but the final agreement between the main players was finalised this year

Mushimba said the construction of the mill was an extremely important development for Walvis Bay and the Namibian economy He said it would provide job opportunities, training for Namibians, an alternative supply of wheaten products to Namibians and earn foreign exchange from exports of basic foods from the region

Del Monte 'on the road to recovery'

BD 16/2/96 (186)

Edward West

DEL Monte Royal Foods' attributable earnings, which fell 20% to R145,5m in the year to November, are expected to improve this year with the European food sector showing signs of moving out of recession

CE Vivienne Imerman said the 19% sales increase to R1,8bn pointed to the recovery in the second half and the contribution of new products

At the half-year turnover had increased 8,7% to R762,4m.

However, operating margins fell to 10,7% from 14,7% and operating income was 13% down to R196,7m The drop was blamed on weak pineapple prices, reduced export incentives and the strength of the Kenyan shilling

Imerman said the improving trading conditions allowed a final dividend of 10c (13c) to be paid out, bringing the year's total to 16c (21,5c). Share earnings fell 20% to 42,6c, but would have fallen 30% and in line with the interim forecast if the 1994 results were not restated in keeping with new generally accepted accounting practice

Interest paid increased to R54,1m from R43,8m after an increase in working capital resulted from the policy of holding back pineapple deliveries until prices improved

The R1,3m extraordinary profit — taken into attributable income for the first time — included R32m written off on professional fees and other costs associated with a failed acquisition of a European business (widely speculated to be the Switzerland-based Hero group), and about R7m in restructuring costs incurred by Del Monte's Philippines associate Chairman Graham Boustred said he was not in a position to discuss the failed acquisition but the group would have continued negotiations with the European busi-

Continued on Page 2

Del Monte (186)

Continued from Page 1

BD 16/2/96

ness if possible.

A R30m extraordinary profit was made on the R84,6m sale of 50% of Royal Beech-Nut to leading US biscuit and food group Nabisco in September, while a R9,2m profit was made on a settlement of a claim against the vendors of Del Monte Foods International

Newly appointed executive director Andrew Hawkins said there were now glimmers that the European food recession was bottoming out and Imerman expected increased earnings.

However, positive factors were being tempered by the high cost of production in SA, the reduction in GEIS and the strong rand. SA's deciduous fruit exports were becoming uncompetitive in Europe, Imerman said.

COMPANIES

Del Monte bruised but confident as earnings drop 20%

ST 18/2/96 (BT)

(18b)

By MARCIA KLEIN

IN line with its forecasts, Del Monte Royal Foods, the branded foods group which is largely based offshore, dropped its attributable income 20% to R145,5-million in the year to November

But Vivian Imerman, its chief executive, is fairly confident Del Monte's earnings will improve in the next financial year after two years of disappointment

He says trading conditions started picking up in the second half The recovery in demand and the contribution of new products, like fruit juice, is reflected in a 19% rise in turnover to R1,8-billion Sales are divided fairly equally between confectionery, beverages, deciduous fruits and pineapple Almost 30% of sales are to Europe, 30% to Italy, 23% to Britain and 15% to Africa

But operating income was 13% lower at R196,7-million, largely because of weaker prices, the residual effect of the strong Kenyan shilling and the reduction in GEIS allowances Marketing and promotional expenditure increased by 14% to R196-million

During the year Del Monte spent R59,2-million on new plant and equipment and R46,5-million on new product development and launches, mostly in Italy, where a new fruit drink, Batik, was launched In its first season in Italy, Batik became the market leader in volume and value and sales of over R24-million were achieved in the first eight months The product will now be introduced in other European markets

Del Monte also launched frozen pizza in Italy and freshly squeezed juice in Britain

The group spent almost R38-million on a potential acquisition and restructuring in the Philippines The bulk of this expense relates to the unsuccessful bid for Hero, the Swiss-based jams and fruit manufacturer

Del Monte spent R60-million on Italian fruit beverages company Confruit and made R30-million profit on the R85-million sale of 50% of Royal Beech-Nut to Nabisco.

Mr Imerman says many factors which influence the group's results are changing in its favour Pineapple prices have firmed and there has been a slowdown in the growth of discounters and private label brands There has been a reduction in stock levels around the world, and pineapple and deciduous fruit are in short supply

Del Monte has increased its production levels Kenyan production is up 17% and the operations in Greece are at full capacity.

"We are short of stock in all our core products, particularly pineapple Significant capacity has been taken out around the world in our core product lines, and we have seen prices increase at retail level for the first time in years. This means we can look toward a higher margin."

In 1996, Del Monte will enjoy a full year of higher selling prices, volume growth and improved margins as well as the benefit of its new products and acquisitions. It will also start production and distribution in Russia and is looking at Eastern Europe It has the licence for Del Monte products in all these areas

Mr Imerman says such regions have enormous growth potential and could provide an opportunity for Del Monte to double the size of its business over 10 years

While he is confident of improved earnings, Mr Imerman warns that high production costs in South Africa could affect results The group is also susceptible to exchange rate fluctuations While the Kenyan shilling is now at a manageable level, Del Monte could be knocked by the continued strength of the rand.

Andrew Hawkins, Del Monte's financial director, says the food industry recession appears to be bottoming out The group will continue "to keep rigid control on costs", develop new products, be innovative and expand its brand geographically

BACK IN FLAVOUR : Vivian Imerman, whose group spent R196-million on marketing last year

WS

Unfortunate Del Monte struggles on

(186) CT(BR) 19/2/96

By Ann Crotty

Johannesburg — The Del Monte Royal Foods share price did not fall on the release of weak results for last year largely because investors had resigned themselves to holding on to the share for at least another two or three years

The only way out of this share, without taking a massive knock, is to sell into any sign of strength that might be caused by an occasional and temporary brightening of the group's prospects

In 1993, institutions loaded up with the group's (then Royal Food) stock when it placed shares at 880c to fund the 1992 R2,2 billion acquisition of Del Monte Foods International

The institutions were encouraged by Vivian Imerman's bullish talk about prospects for this high-quality branded group and by the partnership with Anglo

Three years down the track, many shareholders are probably wishing that the Reserve Bank had somehow been able to block the deal

No doubt the need to use the finrand to effect the acquisition added to the cost, but anyone prepared to pay top dollars for a business must be motivated by the belief that he can get more profit out of it than the vendors could

Not only have the group's shareholders not seen any improvement, they have seen a dramatic deterioration

In year one, financial 1993, earnings a share were 61c, in 1994 earnings a share were 61,5c, but stripping out exceptional items reduced the figure to 53c, and last year earnings a share were 42,6c

The backdrop to these figures is a steady erosion of operating

BULLISH *Vivian Imerman, the Del Monte chief executive*

margins Results for the 12 months to the end of November last year show the operating margin down from 14,7 percent to 10,7 percent

Financial 1993 was tougher than expected Among other difficulties, a worldwide oversupply of fruit depressed margins in its pineapple and deciduous fruit operations — the group grows and cans its own fruit Sales in the important British market were hit by own-brand products and discounters

In 1994 British margins were still under attack and profit on the group's pineapple operations were hit by weaker world prices and the strength of the currency in Del Monte's two supplying countries — the Philippines and Kenya

Things got even worse last year There was no let-up in the British market, the benefits of a slight improvement in pineapple prices were more than countered by the continued strength of the Kenyan shilling, and, like all other South African exporters of manufactured goods, the group suffered a knock in its allowance from the General Export Incentive Scheme (GEIS) as the incentive rate dropped from 19 percent of the value of its South African exports to 12 percent

The way in which the group's profit has been bounced around by uncontrollable trading factors has prompted some analysts to suggest it deserves the sort of rating that is given to commodity-related groups such as Iscor or CMI

The average price-to-earnings ratio for these stocks is about eight to one, which is considerably below the sort of levels enjoyed by food groups such as Langeberg, now on 16 1, or Premier and Tiger on 23 1 But it is in line with the group's present rating

Some argue there is nothing on the JSE against which the group can be accurately compared

Analysts say each year something will happen that undermines growth

Referring to the ratings of international branded food groups may be more useful, but it does not show the group in much better light

Heinz is on a price-earnings ratio of 19 1, Kellogg on 22 1, Nestle on 14 1, Hero on 12 1 and Danone on 13,5 1

The group's income is derived fairly evenly from four sources confectionery and others accounts for 25 percent of earnings before interest and tax, beverages 25 percent, pineapples 26 percent and deciduous fruits 23 percent

This type of diversified portfolio often enhances a share's rating

But for the group, three consecutive years of disappointing results have brought many analysts to the conclusion that each year something will happen to undermine earnings' growth

If it is not an oversupply of pineapples or deciduous fruit this year, it will be problems with one or other of the currencies that the group does business in — the rand, Filipino peso, Kenyan shilling, or the European economy might remain in a slump, or activity in the British retail market may continue to be dominated by upmarket in-house brands at one end and discounters at the other

Even if some consumers switch from in-house brands and discounters, in future the proven success of in-house brands is likely to act as a restraint on the margins that can be earned on premium branded goods

For the next few years there is also the prospect of the profit being earned from GEIS being whittled away

On the positive side, the management is successfully extending its product range, particularly into beverages, and extending its geographic markets

In recent years this has cushioned other negative factors, but has not been sufficient to boost earnings

As some of the negative factors change around, the share price will kick up

But a sustained improvement in the price-earnings ratio will have to wait until the market sees evidence that this is not a commodity stock

In the meantime, developments such as a R32 million write-off for expenditure incurred on the failed acquisition of Hero will not encourage much enthusiasm

Thousands down tools at Epic Food plants

Sowetan 22/2/96

THOUSANDS of workers at Epic Foods plants countrywide downed tools yesterday in protest against retrenchments.

Food and Allied Workers Union (Fawu) national shop stewards council chairman Mr Peter Phukubuye said the company had retrenched about 4 000 workers since 19[illegible]

(186)

EXCEPTIONAL *Wine growers expect high-quality grapes after the recent rains broke the drought in the Cape*

Grape quality is high, but it is still too early to predict yields

(186)

CT(BR) 23/2/96 (~~FRUIT~~) (~~WINE~~)

BY FRANÇOISE BOTHA

Cape Town — The quality of local grapes in the early stages of the harvest has been exceptional, but it is still too early to predict whether yields will be any higher than in the past, said Paul Wallace, the viticulturalist for Stellenbosch Farmers' Winery

The remark comes in response to reports last week that Australia, one of South Africa's closest rivals in the British wine market, is likely to report bumper crops, estimated to be 25 percent up on last year

South Africa's world wine rivals are Australia, New Zealand and Chile

Australian producers forecast a grape crop that could be as high as 830 000 tons this year But the most recent figures released by KWV show that this is still 28 percent less than South Africa's 1,063 million ton production last year

KWV estimates that the harvest this year will be 5,4 percent up on last year at 1,121 million tons

South African wine-grape production is not committed only to the production of table wines About 40 percent of the local crop is used for brandy, distilling and grape concentrate for the fruit-juice industry

A KWV spokesman said yesterday that only some of the early-ripening varieties had been picked It would be necessary to wait until late-ripening varieties were picked in April before harvest figures would be available

Wallace said the Australian figures referred to the Hunter Valley Other areas like Coonawarra and Adelaide, which are cooler than Cape Town, would not have started harvesting yet

He said the Australian figures should be seen in the context of good rains, which have broken four years of drought Good rains in the Cape have also ended droughts that have persisted for the past two years in some outlying regions

"For Stellenbosch, Paarl and the Swartland we are expecting the harvest to be much the same as last year, despite good rains Generally, the number of bunches is the same but, in some areas there is bad berry set which will reduce the yield," he said Another concern of some local farmers is the rain that fell in late January — a critical time for ripening some varieties

"This has caused sour rot in some vineyards in irrigation areas like Worcester," said Wallace

The good quality of South African grapes this year is likely to be more of a deciding factor in the competition with Australia on foreign wine markets than higher yields achieved by producers from Down Under, he said

South Africa exports a little more than 2 million cases to Britain each year and has only 3 percent of the market compared with Australia's 8 percent

Of greater concern is the pricing of South African wines in Britain — the wine market most sensitive to price and quality

On average, South African wines are £1 a bottle cheaper than Australian wines The chairman of the South African Wine and Spirit Exporters Association, Jannie Retief, said "This might not sound like a lot, but it amounts to at least R60 a case"

Police swoop again on Jumbo Liquor

Nicola Jenvey (186)

DURBAN — Customs and excise officials seized another 3 000l of alcohol valued at R78 000 and two motor vehicles from the Jumbo Liquor Bottling warehouse in Jacobs yesterday

It emerged yesterday that private investigator Ernest Robbertse had been hired by the liquor industry to investigate Jumbo. He declined to name the companies but said the approach had been made by a group representing most of the industry

The seizure follows a swoop on Tuesday in which Jumbo stores across SA were raided, as part of an investigation into alleged customs and excise fraud put at about R20m

Jumbo's owners were not available yesterday, but two companies whose offices were raided by police denied any wrongdoing.

Bookkeeping firm Baudin & Associates said it acted only as the accounting officer for Jumbo's parent Interalc Clearing and forwarding company Tasnad said police had searched its premises for evidence without success

BD 23/2/96

Irvin & Johnson hit by poor demand, lower catch rates

BD 20/2/96 (186)

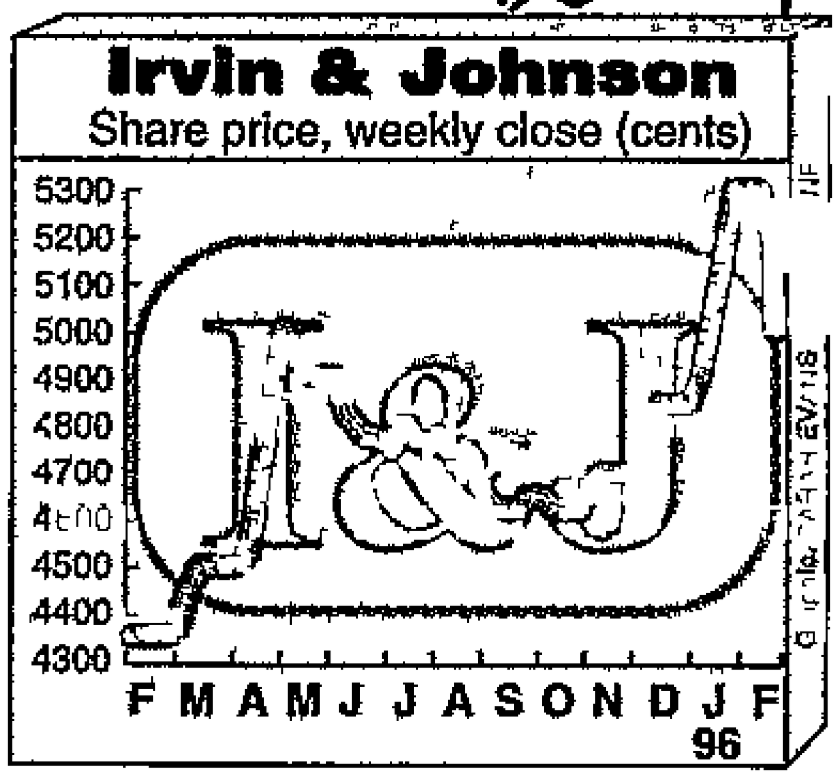
Samantha Sharpe

CAPE TOWN — Earnings for food group Irvin & Johnson slumped 33% to R29,1m in the six months to December amid difficult trading conditions in major markets and subdued sales volumes

Group chairman Jan Robbertze said profitability was expected to improve in the second half, although earnings for the full year would probably fall short of those achieved in financial 1995

Lower catch rates in the seafood division and the negative impact of chicken imports on chicken prices and sales were reflected in a muted 2% rise in turnover to R1,08bn

A 27% plunge in operating profit to R43,8m and a higher interest charge lowered profit before an exceptional item by 30% to R38,97m



Pretax profit fell 34% to R37,1m after an exceptional item charge of R1,8m, which was the write down of an investment to net asset value

A lower tax charge compensated for a fall in associated company-retained earnings Share earnings after exceptional items were 34% down at 101c

Robbertze said the group's joint venture company in Namibia, Kuiseb Fish Products, sustained a significant loss

The seafoods division had until recently experienced lower catch rates — a condition exacerbated by difficult trading conditions in Irvin & Johnson's European and Eastern markets

"In particular, the decline of the lira against the dollar and the consequent impact on consumer markets in Italy dampened demand for the company's products "

Canned abalone prices also came under pressure in the Far East because of reduced demand, while catch rates in Namibian waters were "particularly low"

The group's abalone quota for this year was cut 10%

Robbertze said capital expenditure remained high, reflecting the number of projects in progress

I&J reports drop in earnings

(186) CT (BR) 20/2/96

By Audrey D'Angelo

Cape Town — Irvin & Johnson (I&J), the frozen food and fishing company, was hit by a combination of disappointing catches, difficult trading conditions in some of its export markets and competition from imports in the six months to December 31

Earnings plunged 33 percent to R29,1 million (R43,6 million) on a 2 percent rise in turnover to R1,08 billion (R1,05 billion)

Operating profit slid 16 percent to R73,2 million (R86,8 million) before a R29,4 million (R27,1 million) allowance for depreciation

Income from investments also slipped, easing 3 percent to R5,4 million (R5,6 million)

Profit before tax, but after an exceptional item, was R38,9 million (R56 million) The exceptional item was the R1,8 million write-down to net asset value of an investment in a Namibian joint-venture company, Kuiseb Fish Products

Earnings at share level were 29 percent lower at 107,4c without the exceptional item and 101c after it was included.

The directors said in their interim report that they expected the next six months to be better "although earnings for the full year are unlikely to match those achieved in the 1995 year"

Roy Gordon, the managing director, said that sales volumes were lower "as a result of lower landings and procurement in the seafoods division and lower supplies of chicken Chicken sales and prices were also adversely affected by disruptive volumes of imports

"Catch rates in Namibian waters were particularly low and the joint venture, Kuiseb Fish Products, sustained a significant loss Catch rates did improve in January and this, together with a cost-reduction programme, indicates better performance in the second half," he said

John Morrison, the financial director, said that Italy was a major market for exports of hake. He said the fall in the value of the lire against the dollar had affected sales

COMPETITION SQUEEZE

Six months to	Dec 31 1994	Jun 30 1995	Dec 31 †1995
Turnover (Rm)	367	342	402
Operating income (Rm)	61,2	55,0	64,4
Attributable (Rm)	50,4	48,4	96,3
Earnings (c)	34	32	62
Dividends (c)	5	14,3	5,5

† Including R55,6m profit on realisation of investments

DALYS/SUNCRUSH

NOT SINGING IN THE RAIN

(186) FM 23/2/96

Drought-breaking summer rains were not good news for everyone While sugar farmers were singing in the rain, this Durban-based soft drink bottler saw most of its high season volume growth wiped out by a wet, cold December

That was the main reason for subdued turnover gain of 10% Financial director Brian Allison says volume growth in a seasonal month like December can be nearly double a nonseasonal month's

Perhaps of more concern, though, is the tightening of operating margins, the effect of increased competition While Allison says there has been a prolifera-tion of new container packages, the presence of Pepsi (Suncrush's main product is Coca-Cola) can be detected, at least indirectly

Unlike ABI, there is little overlap between Suncrush's franchise areas and those of relaunched Pepsi One area where they do meet head-on is Vanderbijlpark, and this is where the more hostile marketing environment chairman/MD Robin Hamilton referred to in the last annual report can be seen

Robin Hamilton *prefers to do business when the sun is shining*

For example, Suncrush launched a new 1,25*l* glass bottle in the region to pre-empt a similar Pepsi product Cost writedowns on these and other new packages will be "unusually high" for the rest of the financial year

The near doubling of earnings is due to investment income, which grew from R12,4m to R53,4m, largely through the sale by listed investment trust subsidiary Ettington of Sakers and Saficon shares The holdings, acquired for about R12m, were sold for R67m

The importance of the investments in Ettington and Tempora is evident from a breakdown of EPS Including profit on sale of shares, investments account for 34,6c of total EPS of 62,3c Excluding the profit, EPS grew by 13%, the sort of in-crease expected for the full year

Fifty percent parent **Dalys** increased EPS by 11,4% to 27,4c

Holdings in Ettington and Tempora are soon to be unbundled, probably through a dividend in specie, though a final deci-sion may be delayed until after the Bud-get in case unbundling concessions are extended beyond the original June 1995

Once that happens, the historic p e ratio on bottling interests will fall from the present 20 to about 15, which looks undervalued compared, for instance, to ABI's ratio of 17,8 Even in its present form — where the investment trusts account for about 40% of market cap of about R2bn — and assuming EPS growth of 13%, the forward p e unwinds to around 18, not demanding in the highly rated Beverages sector

Shaun Harris

IRVIN & JOHNSON

186

INTO ROUGH WATERS

FM 23/2/96

Unaudited results for the six months to December came as a complete shock The earnings decline was a well kept secret and analysts could not believe the figures to be as poor as they are

One main reason for the 27% drop in operating profit is the spectacularly low catch rate in Namibian waters The joint venture Kuiseb Fish Products sustained large losses because of it

I&J finance director John Morrison explains that tough conditions make for extended efforts to try and bring the catch up to target These push up costs disproportionately, particularly if, as happened, the catch rate still doesn't improve

Catches in local waters of hake, crustacea and other species were not much better and also hit the sales & distribution and seafood divisions

In sales & distribution, volumes of frozen chickens sold were 6% down on a year ago, mostly because of continued supply problems Also, imported cheap chickens (they do, you know!) took a significant share of the market to the detriment of local suppliers, Rainbow in particular

The seafoods division earns substantial export income To compound other difficulties, the European and Eastern markets deteriorated Because of the stable rand and the decline of the Lira against the US$, demand in Italy fell Prices of canned abalone in the Far East had to be cut, for similar reasons

Then, to add insult to injury, I&J's

STILL SINKING

Six months to	Dec 31 1994	Jun 30 1995	Dec 31 1995
Turnover (Rm)	1 058	1 060	1 080
Pre-int earnings (Rm)	65,4	59,7	49,2
Pre-tax profit (Rm)	56,0	42,0	37,1
Attributable (Rm)	43,8	31,6	29,1
Earnings (c)*	152,0	109,5	101,0
Dividends (Rm)	—	100	—

* After exceptional item

abalone quota was reduced by 10% for calendar 1996 Hake quotas in both Namibia and SA remain the same But on a lighter note, Morrison says catch rates in January improved and those in February are "looking OK "

The Prepared Foods division continues to do well and is achieving consistent growth in both sales volume and profits

Lower profits in the first half will depress earnings for the year Though MD Roy Gordon expects the second half to be much better in most areas responsible for the reductions, "earnings for the full year are unlikely to match 1995 "

On a more optimistic note, a fall in the value if the rand could provide an unexpected fillip which may take earnings to the same level as in 1995

But a big question has to be answered Evidently, I&J is more vulnerable to the vagaries of fishing and its food commodity markets than was thought So does the share merit its market rating?

I&J is well managed It has a strong balance sheet and will no doubt weather the current earnings storm But it would not be surprising if the market attaches a greater risk factor to the share in the coming weeks and marks it down accordingly *Gerald Hirshon*

Food sector is likely to produce lower earnings

BD 1/3/96 (181)

Jacqueline Zaina

FOOD manufacturers looking for relatively high earnings growth this year could be disappointed by the effect of short-term pressures on their profit potential, analysts said yesterday

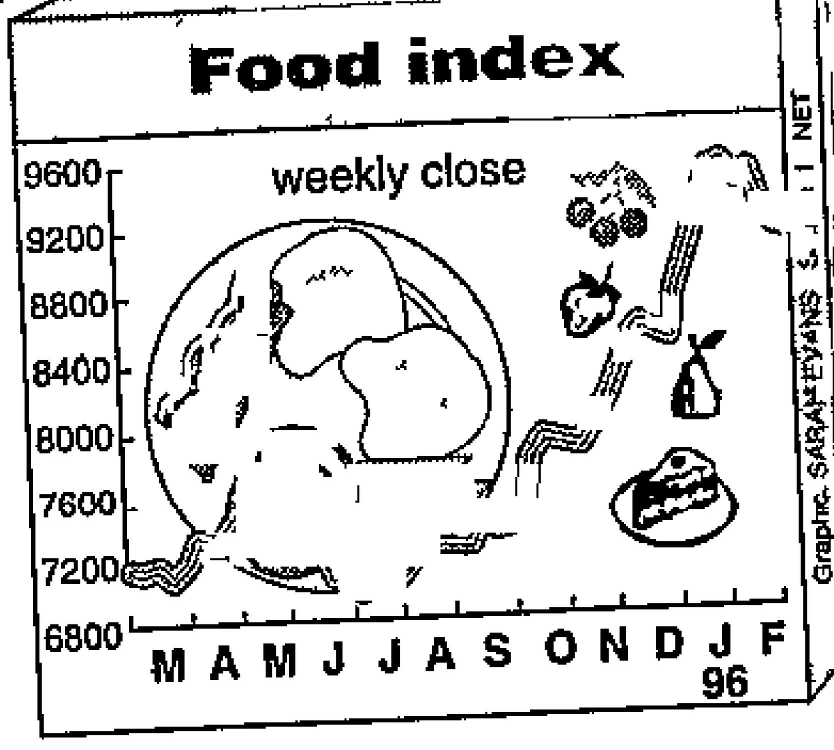
BoE NatWest Securities senior analyst Syd Vianello said he expected the weighted average earnings growth of companies represented on the food index to be about 13% this year, with average earnings growth in the sector as a whole likely to be below this. Earnings increases averaged about 20% last year

The food index closed at 9 122,1 points on the JSE yesterday, down from its February 2 annual high of 9 516,3 amid expectations that most food companies, including Cadbury Schweppes, Premier Food, Foodcorp and Rainbow Chicken would underperform

Vianello said Tiger Oats, which is forecasting earnings growth of more than 20% in financial 1996, was among the few companies he expected to outperform the food index this year

Most analysts said they expected Cadbury Schweppes' financial 1995 results to be below forecasts following flat sales in its beverage sector as a result of the wet summer, and a slump in confectionery sales in the second half on the same period the year before.

The contribution from its beverage sector was likely to be static in the current year, with earnings growth even lower than in financial 1995, they said



Premier Foods CE Gordon Utian said food manufacturers were feeling the pinch, with consumers having less discretionary spending power While Premier might have to trim its budget expectations, the decision would depend on the maize price, which could be reduced by the good crop expected this year, he said

Analysts said investors would remain sceptical until its R400m rights issue was sewn up.

Foodcorp chairman Grant Thomas said last month that while the group would achieve its 14% to 16% earnings growth forecast for the full year, single-digit growth was likely in the first half to end-February. This followed reductions in red meat prices which were affected by the dumping of imported chicken and the importation of lower grade beef.

No last round at the shebeens

Granting of township liquor licences changed drinking patterns for black people, but illegal watering holes continue to flourish, writes Abbey Makoe

Star 4/3/96 (186)

In the 1940s, envious of the pleasures their masters enjoyed in the whites-only pubs, black people invented their own version of white suburbia's drinking places Prohibited by law from drinking "white man's liquor", many people in the townships turned their homes into places where people could stop in for a drink, a chat, a dance – at all hours of day or night

Today, no one is certain about the exact number of shebeens in the country, but it is estimated that it runs into hundreds of thousands

In May 1984, under immense pressure to recognise the existence of shebeens, and perhaps with the realisation that such places were here to stay, the National Party government granted the first ever liquor licences to 27 Soweto shebeen operators

Shortly after that, chairpersons of the 38 National Tavern Association regions gathered at the Jabulani Amphitheatre in Soweto Each, with a filled glass in hand, proudly poured *umqombothi* (a home-brewed traditional beer) into the ground

It was a ceremony symbolising that ancestors were not dead, but somewhere fighting on the part of those they left in this world – a very simple act with a large significance in the black culture.

Shebeeners have always regarded their trade as legitimate After the long struggle for recognition, thanking the gods for that achievement was the thing to do Not long after the granting of the 27 licences, the number rose to 36 and the future looked bright Towards the 1990s, "tavern" became the buzzword, a licensed drinking place in the township

Some of the requirements that operators had to meet included·

■ Separate toilets and ablution facilities for men and women For female patrons it meant finally having the freedom to visit the powder-room without fears that a drunken male would barge in

■ Keeping up with the proper hygienic standards

■ Following standard prices set by the liquor board rather than raising their prices at will as shebeeners did

■ Most important, age requirements would be strictly enforced Children under 18 would not be allowed to sit and drink at these licensed places as they often did at unlicensed establishments

Shebeens and licensed taverns have a symbiotic relationship

Above all, having a licence meant the end to fears of patrons and proprietors alike of yet another police raid and a trip to the police station for drinking in an illegal place

The dawn of the licences heralded a new era for black people and changed drinking patterns It was a long way from the 1950s and the 1960s when black people were not allowed to drink "white drinks" – beer, wine and spirits Blacks were known to drink their *umqombothi* That was mainly what they were exposed to

The era of being granted licences was a triumphant departure from those days when, if a black person needed to buy spirits they had to do so bearing their employer's letter to show how much they earned as proof that they could afford the white man's drinks

Some of the people whose individual contributions to the struggle for black liquor traders to be recognised by the law include Peggy "Bel Air" Senne, Ray Mollison, Lucky Michaels and Godfrey "The Godfather" Moloi

All made reputations as shebeeners

In the past weeks, The Star went out to speak to some of the shebeeners in Soweto, most of whom are still operating illegally Although most of them knew that their operations were illegal, they remained content that the law was irrelevant and long defeated

During The Star's informal survey, it was found that most of the licensed operators, or taverners, did not want the Government to shut down, or even harass, their unlicensed counterparts, the shebeeners

The reason? The shebeeners frequently buy in bulk from the taverners Because of huge bank debts that taverners incurred when renovating their premises to fulfil licence requirements, they largely relied upon illegal operators for cash inflow

One of the licensed taverners, Julie Kalane, owner of Julie's Inn, said "Many of these unlicensed shebeeners buy from us We survive largely because of that massive support I can safely say without shebeens some of us wouldn't be where we are"

Kalane said being a licensed taverner gave her "peace of mind" She said she could not remember the number of times she had to pay R500 fines for selling alcohol when she had worked as a shebeener Now, as a tavern owner for the past 10 years, she says her only fear is being robbed

Figi Mkhasibe runs Joyce's Inn in Rockville He says before getting his licence nine years ago he frequently had to go and fetch his refrigerator from the police For the more than 20 years before he was licensed, he was one of the many weekly targets of the police raids and confiscation of liquor

Mkhasibe is among the many successful taverners who support the shebeeners

"Most of these shebeens are run by women, mostly single parents, who are trying to make a decent living and maintain their children," Mkhasibe said "The Government must alter its past racist laws to make room for these old ladies and aunties who try to earn a living without stealing"

One of the shebeen queens, Mampe Mosia, said she had brought up and educated all her three children from alcohol sales "I have been selling liquor since the 1960s," she said "My eldest daughter is 34 I fended for her through running this shebeen"

Did she know that according to the present law she was operating illegally? She was shocked "Really?" she said "Please get serious. We have voted for a new and better government"

Mosia said if the police were to raid shebeeners as in the old days, "we will vote for another party" The only reason she has not applied for a licence is that "it required a lot of money, R2 000 for lawyers to handle your application Can you imagine the number of the things I can do with that money?"

Patrons spoken to by The Star gave differing views, with many expressing sympathy for the shebeeners Floyd Mokapo, drinking at the Heart Breakers tavern, said· "If the Government must raid the shebeens, then they must warn them beforehand to get their licences I can see that through licensing there would be better control of the standards and all that But it will depend on how this Government goes about it"

Another patron, Fred Mokone, said· "Raiding our people would mean going back to square one The Government, if it is wise, cannot do what the boers used to do to our people"

BOB GOSANI

Going strong … started in the 1940s, most illegal township drinking holes have continued to fly in the face of the law.

Cadswep gets a fillip from growth in its key markets

BD 6/3/96 (186)

Jacqueline Zaina

GOOD growth in the sugar confectionery and soft drink markets and gains in market share in its key operating sectors enabled Cadbury Schweppes (Cadswep) to lift attributable earnings 21,7% to R101,2m for the year to December

Share earnings came to 277,9c (231,2c), and directors proposed a final dividend of 88c which, with an interim dividend of 24c, would make for total distribution of 112c (93c)

Group CE Peter Bester said growth in the confectionery market and market share gains in the chocolate, sugar confectionery and soft drink categories had boosted turnover 20% to R1,1bn

Operating profit had improved 22,7% to R112,7m, but margins remained under pressure due to high levels of competition in its markets, high raw material and increased packaging costs which had not been fully recovered in higher selling prices.

Financing costs had declined 3,2% to R7,9m due to improved cash flows from operations which reduced the average level of borrowings, leaving pretax profit 25,2% higher at R104,8bn A higher tax rate of 24% (22%), resulting in deductions of R25,1m (R18,4m), left taxed profit at R79,7m, up 22% on the same period the previous year.

Bester said that while a significant reduction in Russian chocolate exports due to fierce competition and the collapsing rouble had resulted in the removal of export incentives, this had been offset by tax allowances from the group's Swazi operations and capex.

Strong market lifts Cadbury Schweppes

(186) CT (BR) 6/3/96

By Ann Crotty

Helped by a strong domestic confectionery market, Cadbury Schweppes (Cadswep), the food and beverage group, has reported a 20 percent improvement in earnings a share to 277,9c from 231,2c for last year

A final dividend of 88c a share has been proposed, 20 percent more than the previous year's final

Declaration of the final dividend has been postponed until after the Budget The directors will decide then whether a scrip dividend will be offered as an alternative to the cash dividend.

Turnover for the period was up 20 percent to R1,1 billion from R940 million After an 8 percent price increase this represented an advance in volume of about 12 percent

Export sales to Russia, which represented a significant proportion of financial 1994's turnover, were down substantially last year. This was attributed to increased competition in that market as well as the collapse of the Russian currency.

Operating profit was up 22,7 percent to R112,6 million from R91,8 million, which reflected a slight improvement in margins.

Peter Bester, the group chief executive, said the improved margin was not as strong as expected because competitive market conditions prevented management from passing on the full extent of the increase in input costs

The tax rate rose slightly to 24 percent from 22 percent with the benefits from capital expenditure offsetting the reduced tax benefits from exports.

Dividend income and equity accounted earnings, which included the income from ABI, were up 20 percent to R21,6 million from R17,9 million

ABI's contribution was for the 12 months to end-September Attributable income was up 22 percent to R101,2 million from R83,2 million

Management expected good growth this year

Cadbury aims to raise chocolate production

Jacqueline Zaina BD 7/3/96 (186)

CADBURY Schweppes' new Port Elizabeth factory, representing a total investment of R150m in chocolate manufacturing capacity over 3-4 years, is expected to double production by the year 2000.

Financial director John Buchanan said yesterday the group's recent market share gains and the healthy growth expected in the chocolate sector had necessitated increased capacity to cope with consumer demand.

While he could not forecast sales for the current year, the chocolate category had shown moderate growth last year, ending four successive years of volume declines. Between 1990 and 1994 sales volumes had declined by an average 8%.

Buchanan said historically the chocolate market had grown at a faster rate than GDP, and double-digit market growth — last seen in the 1980s — could well be achieved in the near future.

He said it was too early to establish how many jobs would be created through the additional capacity. However, the investment would boost productivity by expanding facilities, modernising operations and updating systems in line with world-class standards.

"In developing the new plant, we have benefited from our access to the expertise of our UK-based parent company, Cadbury Schweppes plc," Buchanan said.

Snack-food company is munched to success

(186) CT (BR) 14/3/96

By Françoise Botha

Cape Town — Baker Street Snacks, relative newcomers to the South African snack-food industry, has achieved the market's stamp of approval by increasing its turnover to more than R60 million in under three years

Bernard Immelman, the marketing director of Baker Street, said that the growth had been achieved by regularly tickling the tastebuds of South African consumers with new products "When we launched Baker Street, we wanted to be a snack-food company, not simply a popcorn company," he said The company was established in March 1993 by Immelman and Keith Elkin, two former directors of Simba, with the Cape entrepreneur Dave Mostert

The company launched its first four flavours of Jumpin Jack savoury popcorn and Diddle Daddle sweet popcorn that July

Before Baker Street opened, other players in the snack-food industry warned that it would be entering a "graveyard business" This graveyard business has become one of the fastest-growing in the Western Cape and now employs more than 100 people

As Immelman put it, this was achieved with little more than a gut feeling that the popcorn market could be larger than other snack-food companies had ever imagined and a desire to do for the local snack-food market what "Perrier did to water, Rolex to watches and Chanel to perfume"

"In the process, we broke all the traditional marketing textbook rules by, for example, using a black packet for our white cheddar flavour — a colour not usually associated with food — strong colours for the others and not relying on the appetite appeal of showing the snack on the outside," he said The Baker Street team went to the United States to source the biggest and best popcorn kernels available and airfreighted 10 tons into the country

They put neither price limits nor ingredient limits on the team that developed the flavours Immelman said the decision to launch a particular flavour was easy "If the directors do not get goosepimples when they first taste it, the flavour does not go on to the market," he said

Seeing the runaway market success of the popcorn snacks, Willards and Simba, the big players in the sector, soon followed and helped to create a segment worth more than R50 million a year

Nielsen, the market researchers, were soon forced to recognise the segment It established a new category for the snack market Baker Street has 85 percent of the market

The attention to detail was seen again when the company launched its low-fat Royces chips later that year Instead of choosing the standard route of slicing potatoes to turn them into chips, Baker Street imported potato flour from Holland.

The flour was mixed to form a dough and then cut with giant biscuit cutters to make what has become South Africa's first reconstituted crisp "That way each chip was made perfectly and did not have those dark marks that one sometimes sees," said Immelman

Rewarded by consumers in its first year of trading, the company turned over R30 million, exceeding its projections by 300 percent Turnover almost doubled the following year after the launch of Royces

Immelman said turnover this year was expected to climb another 30 percent to more than R70 million

Baker Street sold a 30 percent share to CGP Holdings, the holding company of the producers of Robertson's spices, in August last year to continue developing the business The latest product to be launched since then is Snack Dip, a range of five flavours of dips that can be added to bases such as yoghurt or cottage cheese

"The snack dip sauce market in the US is valued at over $1 billion a year Just like many people thought that popcorn did not have much potential in the South African market, we think there is an opportunity to create a dipping culture here too," said Immelman

As a result of its success on the South African market, Baker Street has expanded into Zimbabwe, Zambia and Kenya and has set its sights on entering a number Far East countries

JUMPIN' FOR JOY *Two of the three founders of Baker Street Snacks, Dave Mostert and Bernard Immelman, are poppin' with happiness over the turnover from the new company*

PHOTO ANDREW BROWN

ALL-WEATHER STRENGTH

Year to December 30	1994	1995
Turnover (Rm)	940	1 129
Operating income (Rm)	91,8	112,7
Attributable (Rm)	83,2	101,2
Earnings (c)	231	278
Dividends (c)	93	*112

* Final 88c proposed

CADBURY SCHWEPPES (~~182~~)

CHOCOLATE MONEY (186)

FM 15/3/96

Shareholders in Cadbury Schweppes (Cadswep) should be counting their blessings Not only did it deliver a tidy increase in turnover and dividends — both up 20% — for 1995, but prospects look better than they have for some time

After four years of contraction, markets for chocolate, sugar confectionery, carbonated soft drinks (CSD) and soft drink concentrates — the "affordable luxuries" of daily life — are expanding "We gained market share in all the important sectors," notes CE Peter Bester, "and that is a good indicator of our competitive ability "

Peter Bester

Cadswep is in a strong position Among its advantages is a global parent which provides access to the latest developments in technology and branding Adopting global best practice "keeps us from becoming parochial," comments Bester "And we have the best of both worlds — an SA personality plus skills from a global network "

It also has a strategic product range "Our portfolio is working well," says Bester The businesses come in at different times and appeal to varied markets, for example, CSDs, where Cadswep has 12% market share, sell in hot weather, chocolate in cold weather, balancing earnings Income from associate Amalgamated Beverage Industries, also up 20%, fits in neatly

Concentrates, sold by Bromor, are countercyclical with CSDs because consumers tend to trade down when times are hard They also appeal to families with small children, in contrast to the teenage/adult CSD consumer.

The group is highly cash-generative and pays good dividends After the Budget, management will decide between a final cash dividend and a capitalisation award A proposed doubling of chocolate manufacturing capacity by the year 2000 can probably be funded internally, even though the low gearing makes debt funding an option

Though Bester cites the key driver as gaining market share at home, exports are important and "we are actively looking to fill the gap" left by the ending of a Russian contract, says finance director John Buchanan Sugar confectionery and concentrates have good potential, particularly in the rest of Africa

Provided the economy keeps growing, the only risk would be the arrival of a powerful new player But the market is competitive, margins are tight and there are no obvious gaps to fill

The share price has risen to R66 from R55 six months ago On a p e of 23,7 it is the most highly rated in the food sector and deservedly so Though not cheap, it is the next best thing to money in the bank *Margaret-Anne Halse*

Sasko plans for 11% rise in earnings

~~SWHEAT~~ (186)

BY MAGGIE ROWLEY

Cape Town — Paarl-based Sasko, which produces about a quarter of all bread consumed in South Africa, is budgeting for earnings growth of 11 percent on a 14 percent increase in turnover for the year to end in September

Rudolph du Toit, the acting managing director, said the company produces 1,5 million loaves of bread a day at its 51 bakeries He expected the figures would rise on the back of a 20 percent growth in turnover to R1,9 billion for the past financial year, in which earnings went up 16 percent to R50 million.

Du Toit said the financial year had started strongly but demand at wholesale and retail level had tapered off over December and January, though there were signs of this picking up

He said the company had been hampered by heavy rains in some of the main wheat producing areas as well as violence in KwaZulu Natal

CT(BR)20/3/96

Filipinos in Delfood deal

(186) CT(BR) 26/3/96

STAFF WRITER

Johannesburg — Del Monte Royal Foods (Delfood) has increased its effective interest in Del Monte Pacific Resources from 34,9 percent to 50 percent "for minimal outlay"

Delfood said yesterday that it had also increased its effective control and influence over a key asset and supply source

'The group achieved control by entering into a joint venture with Macondray, a major privately owned Philippine food and industrial group, and by a relatively modest increase in gearing within Del Monte Pacific Macondray invested $90 million in the venture

Del Monte Pacific operates the world's largest contiguous pineapple plantation It is also one of the leading food companies in the Philippines

"Del Monte Pacific is experiencing significant earnings growth, a trend which is expected to continue Delfood will now be able to enjoy a larger share of this profit growth and the partnership with Macondray should further enhance the attractiveness of the deal," said Vivian Imerman, the chairman of Delfood

Imerman expected the transaction to enhance Delfood's earnings moderately in the short term "However, in the medium term it is expected to provide significant earnings enhancement"

Kolosus in move to allay fears about beef

BD 28/3/96 (190) MEAT (186)

FEARS about "mad cow" disease struck the JSE this week as shares in beef producer Kolosus Holdings slumped. The stock was hit by fears that SA consumers would be scared away from its meat products by the furore.

Management at Kolosus, a producer of livestock, processed foods and leather, moved to allay consumer and shareholder concerns yesterday following a 7% dive in its share price since Friday. The share was untraded yesterday, stuck at an all-time low of 500c.

The beef scare follows the UK government's admission last week that scientists had discovered a possible link between "mad cow disease", a lethal brain condition, and its fatal human equivalent, Creutzfeldt-Jakob disease.

"Although we are firmly entrenched in the meat industry ... Kolosus is not a meat-only company," Kolosus said. It said 60% of attributable income came from its leather business. Although meat-related activities contributed the remaining 40% of income, only 20% was beef-related.

"About 20% of our meat business is food processing and distribution. Our processing is mainly pork-based, not beef, and distribution is a service industry," Kolosus financial director Ronnie van Rensburg said.

He said Kolosus did import beef from the UK for processed products, but group policy had always been to import from herds free of BSE (bovine spongiform encephalopathy), substantiated by veterinary certificates. "All fresh and frozen beef we sell to retailers comes from our local feedlots."

Last week an agriculture ministry spokesman said SA imported 3% of its beef from Britain. SA's Federation of Meat Traders said this equalled 27 000 tons in 1995.

Although in the past a significant quantity of Kolosus's imports stemmed from the UK, it was already sourcing supplies of beef from countries such as those in South America. — Reuter

Sukhulu chairman Lou Ichikowitz, fell 58% to R60,5m.

Delfood scoops 50% of Pacific Resources

BD 28/3/96 (186)

Jacqueline Zaina

HONG KONG-based merchant bank Peregrine was beaten at the post by Del Monte Royal Foods in its bid for 50% of Del Monte Pacific Resources, despite its bid being about 20% higher.

The venture capital investment bank, one of the largest in Asia and backed by Indonesian and Filipino investors in its bid, was left in the cold after existing shareholder Delfood exercised its pre-emptive right to the company, in which it held a 35% stake.

Pacific Resources is a leading food company and pineapple producer in the Philippines.

Delfood CE Vivian Imerman said the deal, in which Delfood acquired joint control of Pacific Resources with privately owned Philippines food and industrial group Macondray & Company, had facilitated the negotiation of a more favourable pricing agreement for products supplied by Pacific Resources under a 10-year agreement.

Analysts said the better pricing structure, and the fact that Delfood had gained rights to supply the Philippines market and the Indian subcontinent with certain Del Monte branded products, would have a positive effect on the group's medium-term earning potential. One analyst said the group would need to generate earnings growth in Pacific Resources to justify its high price tag.

The valuation of the company at $183,1m (R717,4m) set Delfood's 35% share at R260m, but the company had contributed only R6m to its bottom line last year.

Imerman denied that the company had been bought at a premium. "The deal has enabled us to step up our equity, without investing capital," he said. While its partners had put up the money, Delfood's $5m shareholders' loan was interest-bearing, rather than an equity instrument.

While Delfood's investment in Pacific Resources was valued at $25m prior to the deal, it was now worth $91m, he said. There had been a strong improvement in underlying performance in the business, and the different trading terms with Pacific Resources' principal trading customer Del Monte Corporation would further improve its earnings potential, Imerman said.

FOODCORP
(186) FM 5/4/96

TOUGHER MARKETS

Difficult conditions in the food industry are reflected in the sector's recent underperformance against the JSE Industrial index

Foodcorp met market forecasts for growth of about 7% in EPS (before exceptional items) in the six months to end-February But fully converted EPS (after exceptionals) rose only 3,8% Analysts now say this Malbak subsidiary will have to achieve a better second half, with EPS rising by 13%-14%, to avoid share price weakness

After the interims, its p e ratio is 16,2 This is well below Tiger Oats' 19,9 and CGS Foods' 18, but it is better than Irvin & Johnson's 14,4 and ICS's 12,4

Foodcorp's first-half turnover fell 3,4% to R1,53bn, partly because of the sale of Simba into a joint venture with PepsiCo Foods International Financial director Trix Coetzer says Simba is performing well as a joint venture, she expects Foodcorp's half of the division's 1995 sales to double by 1998

SPENDING TIGHTENS

Six months to	Feb 28 1995	Aug 31 1995	Feb 28 1996
Turnover (Rm)	1 580	1 508	1 526
Operating income (Rm)	101,6	100,3	86,9
Attributable (Rm)	56,3	148,8	60,3
Earnings (c)†	105,8	140,7	113,1
Dividends (Rm)	27	—	67

† Fully diluted

Turnover was also affected by lower revenues from the protein division Sales of beef fell for two reasons a strategic decision to reduce the Middelburg Estate feedlot, and competition from imports depressed selling prices

But this alone doesn't account for the 14,5% fall in operating income, to R87m Coetzer says flagging consumer spending was the main reason for the narrowing of group operating margins This intensified competition, which further restrained product prices

"Many analysts were basing their forecasts on unrealistic expectations for growth in the food industry, taking low food price inflation (6%) into account," she says "Though the economy is improving, upgrading the quality of food won't be a first priority for consumers Results will improve only in line with real economic growth"

Most analysts expect a recovery in the second half, accepting management's forecast of a 14% rise in EPS This would also be significant, bearing in mind food price inflation

Coetzer hopes better operating efficiency, particularly in two joint ventures, The Cold Chain (storage) and Pillsbury (frozen vegetables retailing), will boost the group operating margin at year-end The Pillsbury operation has been hit by a series of mishaps, the last was a fire on Christmas day (caused by lightning) at the Fresh Meat Balfour plant Coetzer hopes the plant, which supplies hamburgers, will be back in full production by June

In the milling activities, volumes have increased across the board But, like other baking operations, Foodcorp's Sunbake has suffered from bread price hikes "This will improve only when grain prices fall," says Coetzer

Interest-bearing debt was almost halved after the sale of Simba and finance costs should remain low for a while Interest cover has increased to 17

The joint ventures should help keep the effective tax rate (now 25,3%) low for the medium term

With low gearing and cash on hand from the Simba deal, management is closing a deal to acquire an operation in Zambia, priced "at a discount to NAV" The group wants to extend African operations and is investigating options in various countries

At R39, the share is well above its 12-month low of R30 set in April last year, and is just below the high of R40 On these figures, and given management's cautious view on market conditions, the share looks fully priced There is little incentive to buy now *Michelle Joubert*

Cadswep shifts from exports to SA market

(186)

BD 11/4/96

Jacqueline Zaina

CADBURY Schweppes had shifted its focus from export markets to the domestic market after good growth in local sugar confectionery and soft drink demand, in the wake of four successive years of volume declines, group CE Peter Bester said yesterday

He said the company's Russian exports had been halved during financial 1995, but significant growth in its key SA markets had seen all Cadswep's divisions, including Cadbury, Bromor and Schweppes, increasing their market share

Although the company was exploring export opportunities in Europe and Africa to replace its Russian exports, volumes were not expected to regain their 1994 peak

Bester said the upturn in SA's economy meant the company was bullish about prospects for its local operations this year, and expected the expansionary volume growth trends to continue

A new R150m chocolate factory in Port Elizabeth would double production capacity in the next 3-4 years, to meet increased consumer demand.

Workers to act after dismissals

By DAN DHLAMINI

CP 21/4/96

THE NATIONAL Union of Food Beverage, Wine, Spirits and Allied Workers (NUFBWSAW) is to take legal action against the owners of Dairy Belle in Bloemhof following a mass dismissal of more than 270 of its members

NUFBWSAW's North West regional organiser, Mosa Matela, told City Press that trouble at Dairy Belle's Bloemhof branch started on March 29 when workers confronted management over working conditions

Matela said workers complained that management did not discuss working on holidays with them

"The workers just saw their names on the notice board indicating that they would be working on certain holidays without management having discussed the matter with them or their union. They decided to embark on a go-slow until their problems were addressed."

Matela said one of the issues was that the long service award would be reduced.

He said management also wanted to reduce the shift allowance.

"Instead of addressing the workers' genuine problems – and while negotiations were on – the Dairy Belle management locked out the workers," said Matela.

He said negotiations reached a deadlock on April 12 and the workers decided to ballot for a legal strike The majority decided to go on strike They were informed about the mass dismissal on Tuesday, April 16

He said management subsequently obtained a court interdict against the workers stating that they should not come within 500 m of the company premises They were also warned not to intimidate those who were working and not to hinder vehicles coming to or leaving the company premises

Matela said Dairy Belle was now using white scab labour

City Press was unable to get comment from management

~~(182)~~ (186)

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(182) (186)

ALL PUFFED UP *Manfred Vietze, production manager, and Bernard Immelman, the marketing director of Baker Street Snacks, examine a bag of chips filled with nitrogen* PHOTO ANDREW BROWN

Snacks get nitrogen dip

CT (BR) 23/4/96 (186)

By Françoise Botha

Cape Town — Baker Street Snacks, the snack-food company, is, literally, a breath of fresh air, thanks to a new partnership deal with Fedgas, a local gas company

The partnership was struck to establish South Africa's first nitrogen processing plant to be used in packaging Baker Street will use the nitrogen in the packaging of its popcorn and snack chip products

Established in 1993, Baker Street has implemented the first nitrogen-based packaging in the South African snack food industry

All companies that package chips, for example, flush the bags with ordinary atmospheric air before filling them, but Baker Street has opted to flush the bags with nitrogen to displace the air, which can cause the product to oxidise

Shortly after the launch of its first product, Jumpin' Jack popcorn, which in its first year exceeded the directors' sales expectations by 300 percent, the company's daily consumption of nitrogen has soared

After the successful launch of Royces and Gators chips last year, the company decided to commission a new production facility and install a nitrogen-producing plant on the site

Tony Martlew, the sales manager of Fedgas, said that because of the large volumes of nitrogen required for the process, Fedgas would erect the nitrogen plant and sell the gas to Baker Street

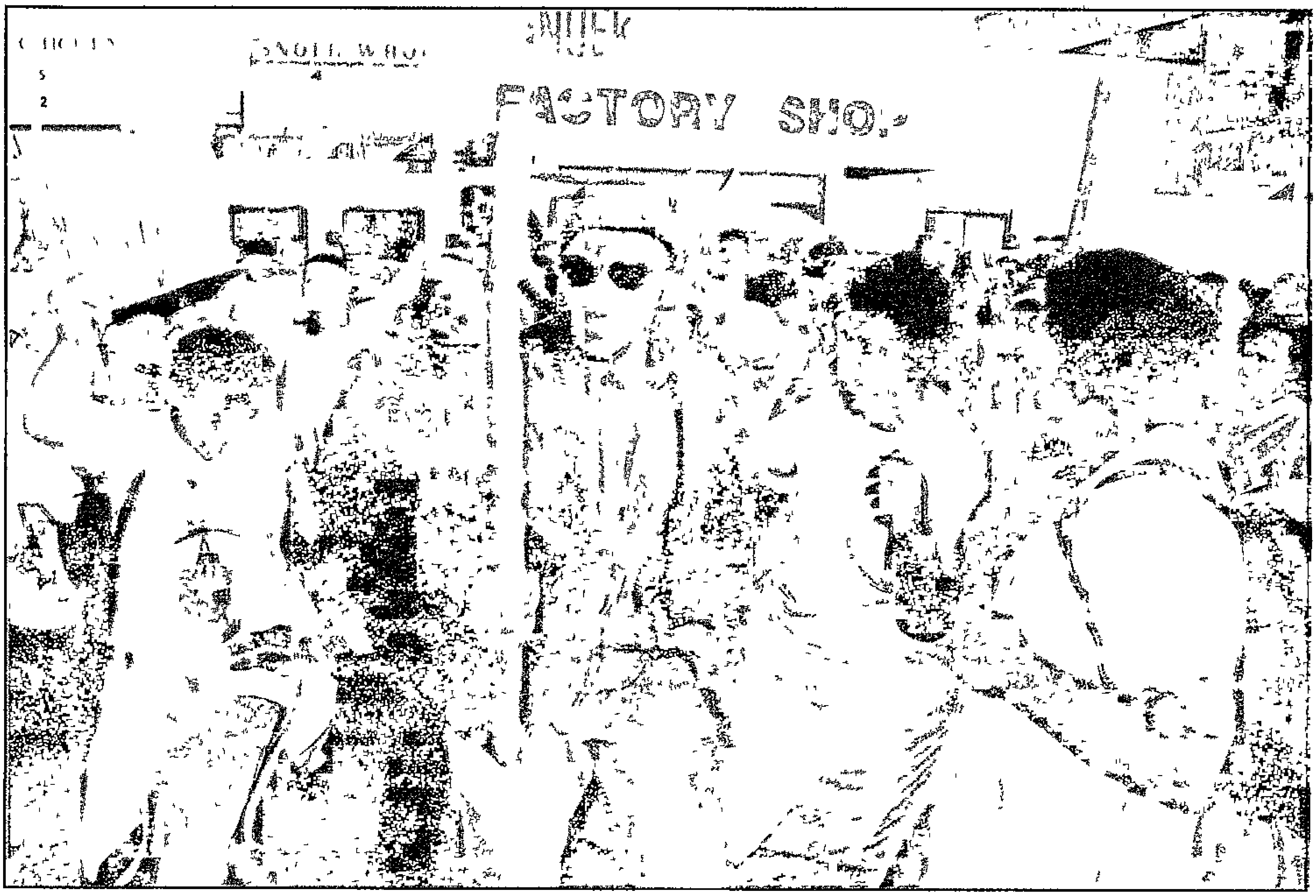
Nitrogen, which accounts for 79 percent of ordinary air, will be extracted by compressing the air and filtering out the oxygen and other gases

The nitrogen is then directed to the flushing process

"We decided to use nitrogen because it extends the shelf-life of the products," said Bernard Immelman, director of Baker Street

The plant will be able to produce seven tons of nitrogen a month The nitrogen is 99,9 percent pure and the plant is environmentally friendly because it does not use any cooling system, Martlew said

"It's strange for a manufacturer, but we are actually doing a hell of a lot of good for the ozone," said Immelman



Pictures ANDREW INGRAM, The Argus

ANGRY WORKERS: Strikers at Snoek Wholesalers in Philippi today where police used rubber bullets

Police fire rubber bullets at Philippi strikers

ESTELLE RANDALL
Labour Reporter

(186)

ARG 23/4/96

THREE people were injured today when police fired rubber bullets at striking workers at Snoek Wholesalers in Philippi

The employees are members of the Food and Allied Workers Union (Fawu)

A fourth worker was injured during attempts to stop a delivery vehicle The driver was assaulted

The officer in command, Johan Hansen said he had ordered police to fire the rubber bullets because workers had broken a window of the truck and had assaulted the driver

Superintendent Hansen could confirm that only one worker, Ann Fumbatha, had been injured by police fire However, a Fawu shop steward, Violet Dzikiti, said that she had also seen Julie Williams and Mavis Qotoyi shot

A union official had taken the three women to a local day hospital

CONFRONTATION: A police dog handler holds strikers at bay

She said she had also been hit buy a rubber bullet but that it had only grazed her arm

The tense standoff between police and the employees was calmed after Fawu organiser Ebrahim Wagied addressed workers

Mr Wagied said the workers were on a legal strike after the union and the company deadlocked during wage negotiations

Last week the union held a strike ballot which was observed by company representatives The company had agreed with the results of the ballot which showed that the majority of workers - about 140 - backed the strike The management was not prepared to comment

Tiger Oats signs deal with US food firm

CT(BR) 30/4/96 (186)

By Ann Crotty

Johannesburg — Tiger Oats has entered into a multimillion-dollar joint venture with ConAgra, the United States food company

The deal will give the local company 50 percent of ConAgra's worldwide barley malting interests

The US company's operations involve 19 plants with annual production of about 1,6 million tons of barley malt and annual sales of $490 million

No details were given on the price paid by the South African company, but its management said "Obviously we've got Reserve Bank criteria to satisfy"

The purchase is also subject to regulatory approval in the countries in which malting operations are located.

This is the second US acquisition the company has made in the past six months Late last year the group acquired a 20 percent stake in a leading distributor of processed sea products.

At the beginning of the month it announced it planned to raise $120 million in offshore finance through a syndicated loan

The proceeds are to be used for general corporate purposes, including refinancing existing local loan facilities

Analysts said that given the volatility and weakness of the rand, it would only make sense to use dollar loans for the acquisition of dollar-based assets or at least non-rand assets

They said Merck, the US pharmaceutical group, was recently repurchased by Logos from Tiger Oats Logos, which houses Merck's South African operations, was acquired by Tiger Oats in the late 1980s in the wake of increasing anti-South African pressure on the US parent company

Nick Dennis, the managing director of Tiger Oats, said the ConAgra deal was a continuation of the company's strategy which involved disposing of offshore assets which did not fit into the group's long-term strategy

Funds raised through disposal of assets were being redeployed in other offshore assets

"The deal is part of the group's stated strategy of building a global business We are committed to South Africa as our base, but fundamental to our strategy is selective global expansion

"We cannot provide shareholders with an acceptable return on capital, based on South African assets," he said

Analysts said it would be difficult for the company to grow in South Africa because of Competition Board constraints

Dennis said the deal with ConAgra, which has an annual turnover of $24 billion, could open up additional opportunities

Tiger Oats pounces on US food venture

(186) BD 30/4/96

Jacqueline Zaina

TIGER Oats plans to buy a 50% stake in US food corporation ConAgra's worldwide barley malting interests in the first stage of plans to forge closer ties with the $24bn-a-year group.

The CG Smith subsidiary said yesterday that the cost could not be quantified as the deal would be finalised only at the end of May. But it will give Tiger a stake in operations in Australia, Canada, the US, UK, China, Denmark, Argentina and Uruguay, with yearly sales of $480m ConAgra's operations supply breweries, including Australia's Fosters, Canada's Molsons Brazil's Brahma and Japan's Kirin

The deal would be funded offshore, partially by funds raised from the sale of non-core edible oil interests in north America over the past two years.

The partnership was not expected to have an immediate effect on Tiger's earnings — R467m for the year to September 1995 on sales of R11,9bn — but the growth potential in the medium to long term could be significant.

A council of members from both groups would be set up to manage the new venture. Tiger and ConAgra would be equally represented on the boards of the operating companies.

Tiger MD Nick Dennis said Tiger planned to take advantage of synergies in operations between the two companies as opportunities arose. Both are involved in grain procurement and trading and wheat and maize milling.

"Our association with a group of ConAgra's stature and our presence in a number of countries also creates various opportunities for Tiger Oats to seek additional export markets for a wide range of locally produced goods," he said. These included expansion opportunities for exports of Langeberg and Beacon products and for edible oil and peanut butter.

"We are committed to SA as our base, but fundamental to our strategy is selective global expansion"

ConAgra chairman and CE Philip Fletcher said: "We are pleased to have Tiger Oats as a strategic partner. It is a world-class company and our alliance could help us seize other business opportunities together."

Tiger deal marks change in strategy for SA food groups

CT (BR) 2/5/96 (186)

By Ann Crotty
CONSUMER INDUSTRIES EDITOR

Johannesburg — The joint venture between Tiger and ConAgra, the world's fourth largest food group, marks a significant departure in the internationalisation strategy adopted by most South African food groups

Where ties have been previously established with foreign companies, the emphasis has been on establishing relationships to develop operations in South Africa

In 1993 Foodcorp set up a joint venture with US group Pillsbury. Called Pillsbury Brands Africa, the company is one of the market leaders in frozen vegetables and related products It sources its materials from the Eastern Cape using Foodcorp's facilities

Last year Foodcorp's snack subsidiary, Simba, set up a joint venture company with PepsiCo Foods International, with which Simba had a long standing technical arrangement

And Guiness has been using South African Breweries as a partner to establish a presence in South Africa

In general, tie-ups between South Africa and international groups have been designed to develop the local market

Tying up has obvious attractions for both parties For the local company, it provides the opportunity to market strong brand names, backed by leading edge technology and an extensive resource base For the international partner, tying up with a local group provides the opportunity to get a toe-hold into a potentially lucrative market It can achieve this without having to undertake an enormous investment

A tie-up also means local and international partners can avoid the cost of open competition

Tiger and its associate, CG Smith Foods, made a few acquisitions in the 1980s, with mixed results

CG Smith Foods bought Monitor, an unlisted company, involved in beet farming Tiger bought several oil companies, which local management never seemed able to turn to account

In November last year Tiger acquired a 19 percent stake in Van de Kamp's, the market leader in branded boxed fish portions in the United States

Last week it announced a joint venture with US-based ConAgra

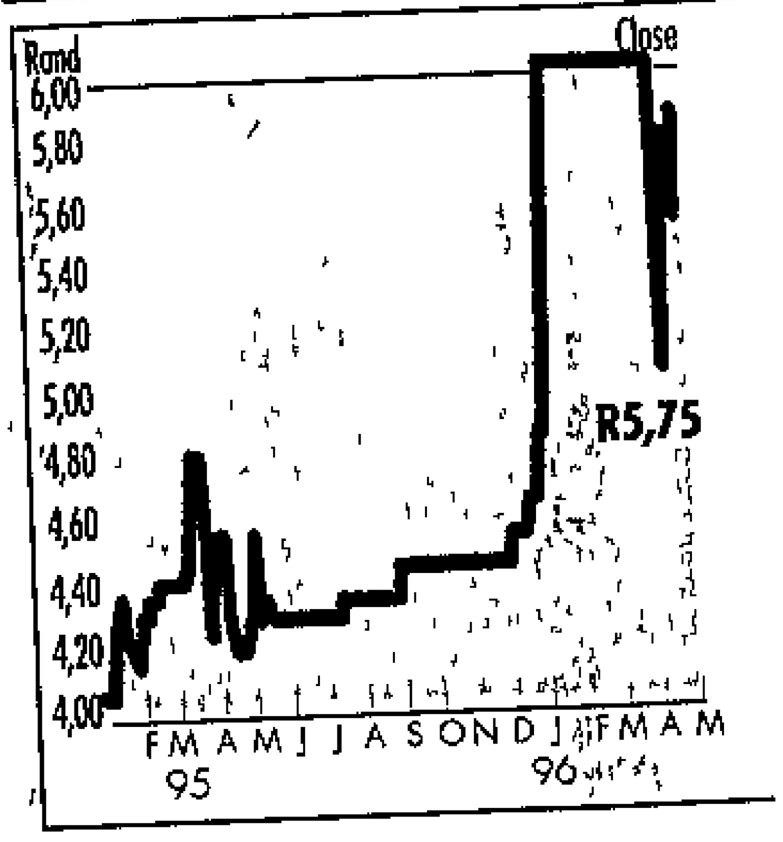
Unlike the other joint ventures with international partners, Tiger's is aimed at developing an overseas asset base Foreign earnings will boost its rand profit, depending on the exchange rate at which the deal was struck

Analysts were not surprised by the choice of partner as Nick Dennis, Tiger's managing director, has been attempting to tie up with ConAgra for years

What Tiger can bring to ConAgra is unclear

However, Dennis has referred to Tiger's skills in managing emerging markets

Langeberg Holdings



Langeberg reports 29% earnings rise

(186)

By Ann Crotty

CONSUMER INDUSTRIES EDITOR

CT (BR) 3/5/96

Cape Town — Langeberg, the fruit and vegetable canner, reported a 29 percent increase in earnings a share to 22c in the six months to the end of March, up from 17,1c in the previous six months

The group achieved this through better operating margins because of improved profitability in its export business

It has declared a dividend of 5,5c, up 22 percent from last year's

The group's turnover increased 4 percent to R449,1 million from R429,8 million An increase in operating margins from 9,3 percent to 11,5 percent led to a 28 percent surge in operating income to R51,8 million from R40,2 million

Andries van Rensburg, the managing director, said the group enjoyed steady growth in local sales and benefited from improved international conditions "A contraction in the supply of deciduous fruit as well as firmer prices improved our competitive advantage on international markets"

The recently established alliance with Dole, the multinational food group based in the United States, contributed to the good performance because "there was good acceptance of Dole deciduous fruit in the European market"

The group also benefited from a lower cost structure and the weaker rand The expected drop in contributions from the general export incentive scheme therefore had little effect on the results

Though there was a bumper deciduous crop, which led to improved use of capacity, poor weather during harvesting had had a negative effect on the group's processing yields

Working capital needs rose from R45,3 million to R126,2 million because of the larger crop and delays in international shipments

Van Rensburg expected favourable conditions to continue on international markets Domestic demand was uncertain, however

The group was also undertaking rationalisation steps that would adversely affect second-half results

Analysts expected full-year growth of about 20 percent

Langeberg posts earnings increase after sales boost

(186) FRUIT BD 3/5/96

Samantha Sharpe

CAPE-based fruit and vegetable processing group Langeberg Holdings posted a 36% increase in attributable earnings to R37,3m in the six months to March, boosted by improved international margins and increased local sales

Langeberg MD Andries van Rensburg said that although local market conditions were uncertain, the international trading outlook was favourable

"This will allow the group to achieve reasonable growth in earnings for the full financial year," Van Rensburg said

Turnover rose a muted 4,5% to R449,1m, with operating income 28,4% higher at R51,6m A net interest payment of R3,2m brought income before tax and abnormal items to R54,8m compared with a previous R42,8m.

A R700 000 abnormal item — rationalisation costs — showed net income before tax at R54,1m against R42,8m at the same time last year

The group had embarked on a rationalisation process over the past few years to compete favourably on the international market and reduce the effect of the phasing out of GEIS

A R16,8m taxation charge led to the R37,3m in attributable earnings Headline earnings were 29% higher at 22c a share, while the group declared a 5,5c interim dividend, which was 22% higher than March last year. Net income a share rose 36,6% to 23,3c

On the balance sheet side, shareholders' funds rose to R434,7m compared with a previous R392,8m

A cyclical increase in stock levels during the deciduous fruit season and delayed international shipments resulted in the group's debt to equity ratio rising to 13% from 2,7%

Van Rensburg said that the local deciduous fruit industry had experienced a higher crop intake, which had resulted in improved capacity utilisation

"However, the adverse climatic conditions experienced during harvesting impacted negatively on our processing yields "

He said the group had experienced a steady growth in local sales, with its Koo and All Gold brands strengthening southern African market share

A contraction on the supply of deciduous fruit and firmer prices had improved international competitiveness "Our recently established alliance with the multinational food group, the Dole Food Company, has taken off well with good acceptance of Dole deciduous fruit in the European market," Van Rensburg said

ICS stocks management 'exemplary'

(186) BD 13/5/96

David McKay

ICS HOLDINGS lifted attributable profit 10% to R61,7m for the six months to March despite a slowdown in consumer demand in its poultry and red meat divisions and pressure on margins. Headline share earnings for the CG Smith-owned food group came to 157c from 142c a year before. A dividend of 30c (1995: 27c) was declared.

MD Roy Smither said the group's management of stocks, creditors and debtors had been "exemplary".

Turnover slipped 5% to R1,4bn as the group's poultry joint venture Earlybird Farm and its red meat division experienced a fall-off in demand, while operating profit declined 9% to R87,2m.

However, the group received interest of R3,8m compared with interest paid of R3m in the comparable period last year, and the tax charge declined to R29m from R35,7m due to a reduction in STC and utilisation of tax losses.

"A sharp focus on management of working capital requirements, a lower tax rate and a larger contribution from associate companies enabled the group to increase after-tax profit by 9% to R69,1m," Smither said.

Trading conditions would remain difficult and operating margins would come under more pressure in the second half, he said. But improved efficiencies, cost competitiveness and new products should lead to real earnings growth for the full year.

Smither said Earlybird Farm had reduced profits due to a fall in demand and higher feed costs.

Profits were also down in the red meat division, but its feedlot and curing activities had produced good results. The division's loss-making Maritzburg tannery was closed in January.

Subsidiary Sea Harvest raised attributable earnings only 2%, he said. However, fishing conditions had since improved and expectations for the full year's results were positive.

Tiger Oats raises income just 2,8% after slow trade

(186) BD 15/5/96

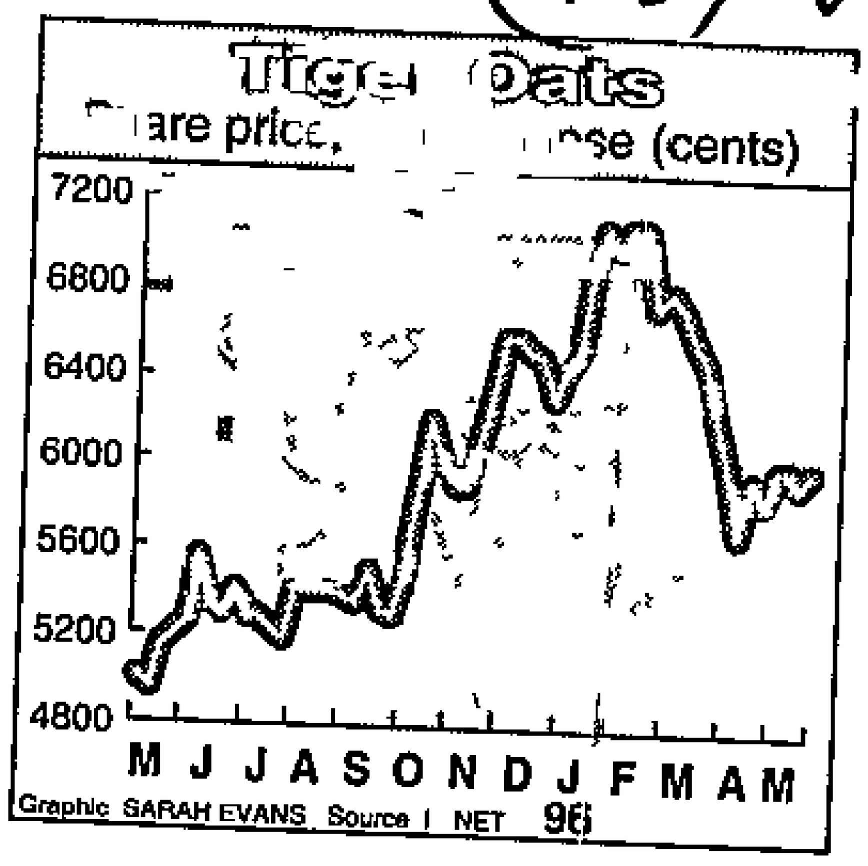
Amanda Vermeulen

FOOD and pharmaceutical group Tiger Oats raised net income by only 2,8% to R272,5m in the six months to March following a slowdown in trading conditions.

Headline share earnings increased 21% to 174,8c and an interim dividend of 44,5c (1995 38,5c) was declared. Turnover was up 7% at R6,5bn, while operating income before interest increased 16% to R466,7m. Income before tax and an abnormal item of R5,7m increased 21% to R479,6m. Taxed income improved to R308,1m from R300,2m.

Tiger Foods, which contributed 68% to total earnings, increased headline share earnings 22%, while listed subsidiaries Langeberg and Adcock Ingram posted increases of 29% and 14% respectively. MD Nick Dennis said the benefits of a continuing focus on production efficiencies and strong cash management were reflected in growth at the pre-tax profit level. Cash available from operations had increased to R339m from R175m in the comparable period.

He was pleased with the results, but a "disappointing" slowdown in the second quarter of the review period had made the group more cautious about performance in the second half.



"Coupled with the slowdown in consumer spending, world grain prices are now the highest they have ever been. This includes maize, wheat and protein inputs such as sunflower cakes, fishmeal and soya cake. Local maize prices are following this trend as farmers can get good prices by exporting."

The effects of this trend were already evident and would prevail for the rest of the year.

Langeberg had benefited from internal efficiencies to produce good results, while the rice, wholesaling, animal feeds and milling operations had also performed satisfactorily, he said.

The poultry division had generated a profit, but it was significantly lower than in the previous year due to rising feed prices and an oversupply in the market. The bakeries' results were also disappointing following a significant reduction in volumes.

Dennis said the group looked forward to opportunities which would present themselves following its acquisition of 50% of the barley malting interests of US company Conagra. The deal, which would be finalised at the end of the month, should boost earnings in the coming years, but there would be little impact on current year earnings.

US boxed fish company Van de Kamp, in which Tiger has a 20% stake, bought Mrs Paul's Kitchens during the period from Campbell Soup. Dennis said he expected real growth in headline earnings for the full year, but taking into account the slowdown in consumer demand and rising grain prices, this might not be sustained at the same rate as in the first half.

Efficiency pays off for Tiger Oats

CT (BR) 15/5/96 (186)

By Ann Crotty
CONSUMER INDUSTRIES EDITOR

Johannesburg — Tiger Oats reported a 21 percent improvement in headline earnings to 174,8c a share in the six months to March 31 from 144,6c last year, the company said yesterday

But the company only achieved a 2,5 percent increase in net income an ordinary share to 180,7c from 176,2c

The difference between the two sets of figures was that headline earnings in March last year excluded R42,5 million of abnormal items and in March there were only R4,8 million in abnormal items In both years, net income a share included abnormal items An interim dividend of 44,5c was declared, 15,5 percent up on last March's payment of 38,5c

Group turnover was up 7 percent to R6,5 billion from R6,1 billion The management said this reflected a volume decline of 1 percent With operating margins up to 7 percent from 6,5 percent, the group reported a 16 percent advance in operating profit to R456,7 million from R394,5 million

Interest from investments was higher and there was a R19,7 million swing in the group's interest position, from payments of R7,4 million to income of R12,3 million This lifted the improvement at pre-tax profit level to 21 percent from R395,7 million to R479,6 million

The management attributed the improvement to "the benefits of continuing focus on production efficiencies and strong cash management" They said the group's net cash balance at the end of the year increased to R500 million "despite seasonal upturns in working capital"

The group's tax rate increased to 36,5 percent from 31,7 percent This was unlike most companies that have reported in recent weeks which have shown the benefits of reduced tax rates

The higher tax charge squeezed the increase at net income level to 3 percent, up to R272,5 million from R265,1 million

Nick Dennis, the group's managing director, said he was pleased with the results, but that the disappointing slowdown in the second quarter "has made us circumspect about the second six months"

Nick Dennis, the managing director

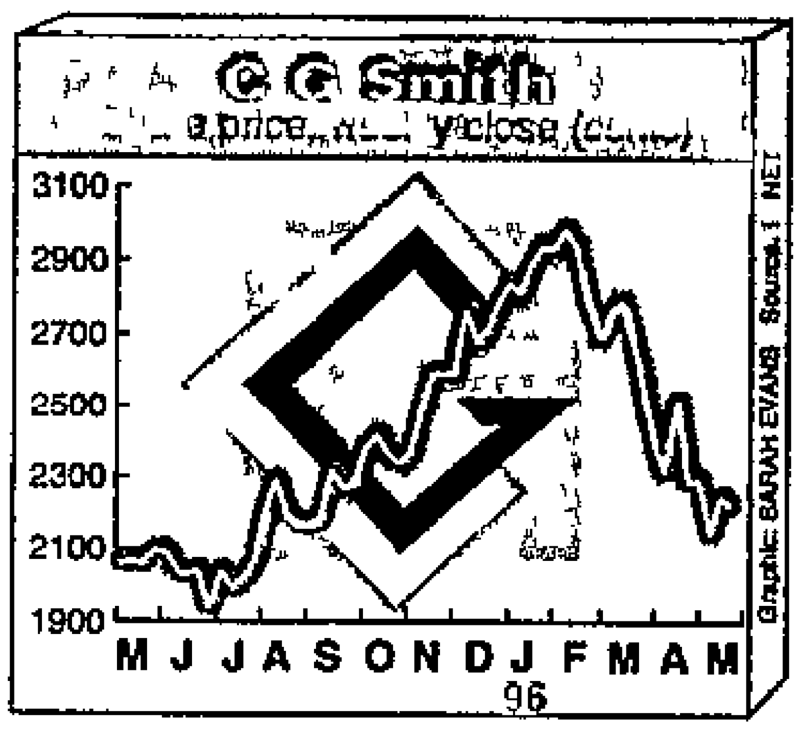
CG Smith raises operating profit

(186) BD 17/5/96

Jacqueline Zaina

FOOD, packaging and pharmaceuticals group CG Smith raised headline share earnings 15% to 75c in the six months to March after operating efficiencies widened margins and investments generated interest The interim dividend was set at 18,2c (1995 16c)

Chairman Derek Cooper said consumer demand had slackened in the quarter to end-March, resulting in an 8% turnover growth to R12,8bn However, he said, operating profit improved by 10% to reach R1,09bn, as a result of cost containment



Trading margins had increased to 8,6% from 8,4% in the same period the year before, which was substantial at the group's sales levels, he said

A focus on asset management resulted in net interest income of R7,7m compared to payments of R17,7m a year before, leaving pre-tax profit before abnormal items up 13% at R1,1bn Abnormal items of R5,7m reflected the profits on disposal of land and buildings

A tax bill of R386,6m (R355,3m), following a reduction in the effective tax rate to 35% from 36,3%, translated into a 9% rise in taxed profit to R723m Attributable earnings were 9,7% higher at R359,4m

CG Smith Foods, which contributed 32% of the group's headline earnings, lifted headline earnings per share 20% to 243,6c An interim dividend of 55,5c was declared, 18% higher than in the same period the year before.

The company, in which CG Smith has an 80% stake, lifted turnover 5% to R8,9bn, reflecting reduced consumer demand and restrained pricing by its operating companies, in some instances as a result of foreign imports

Operating profit increased 11% to R655,2m, helped by operating efficiencies and improvements in sugar production

Cooper said that CG Smith had cash available of R618.3m for investments and aimed to strengthen its asset base through international investment opportunities But it had delayed its offshore investment plans following the recent currency crisis

The weakening of the rand would affect raw material input costs in the packaging division, although not in the short-term

However, it provided a degree of protection against food imports in particular In addition, the group's exports through operating companies Langeberg, Beacon and Illovo offered a valuable hedge against the softer rand

Cooper said CG Smith Foods would be hard pressed to maintain the current earnings growth rate for the full year if the slowdown in consumer demand persisted, but CG Smith anticipated real growth in headline share earnings

Poultry and fruit sectors stand to gain most

Food producers at an advantage

CT (BR) 17/5/96 (186)

By Ann Crotty
CONSUMER INDUSTRIES EDITOR

Johannesburg — The slump in the rand, exceptionally high world maize prices and the move to a more open market for agricultural produce make forecasting major food companies' earnings performances this year a very risky task

On balance, analysts believe these factors will place South African food producers at an advantage over their international competitors.

Apart from the import of capital equipment, most of the inputs used by food manufacturers are sourced locally, except for Tiger's Tastic business, which relies heavily on imports

In general, the weaker rand puts local produce at a dramatic price advantage over imports

This is good news for manufacturers, but not so for consumers When the threat of imports was on the horizon, producers were under pressure to keep prices down.

This threat has been considerably reduced and analysts believe local companies will use the opportunity to increase prices, thereby lifting margins

The industry feels the situation allows them to pass on their cost increases for the first time in a few years In any event, as long as the market can withstand the higher prices without too much resistance, earnings will be enhanced

The poultry industry should do especially well The weaker rand has made the dumping of chickens and chicken pieces from United States and European sources an unprofitable exercise.

In addition, international poultry producers are facing a 40 percent hike in world maize prices and output will probably fall significantly There will consequently be a considerable reduction in what is available to dump on the international market

Local producers will thus enjoy a double tier of protection from the imports which have been blamed for decimating the local industry

Industry sources believe South Africa will be a net exporter of poultry in the next 12 months

The weaker rand will also provide a considerable boost for fruit exporters Langeberg, a fruit canner in the Tiger fold, stands to reap substantial benefits

Its balance sheet at the end of March, which was just released, showed stocks of R477 million, an increase of 38 percent on the previous March These stocks will be shipped at a much weaker rand exchange rate, so Langeberg's dollar receipts will translate into considerably more rands

Nick Dennis, the managing director of Tiger, warned recently of the effects of the "highest-ever world grain prices" and said "local maize prices are following this trend as farmers find they can get good prices by exporting"

However, other industry sources point out there are restrictions on how much maize can be exported The maize board has put a ceiling of 2,8 million tons on exports It will carry out 1,8 million tons itself and the other 1 million will be done on a permit system

Even without this restriction, however, South Africa does not have the infrastructure to export more than about 2,8 million tons The crop is estimated at 9,5 million tons, so this will leave enough to cover domestic requirements of about 6 million

Analysts believe white maize prices will drop about 10 percent this year because there is no world demand for the cereal Yellow maize prices are expected to increase about 10 percent to an import parity level. This is a far less traumatic increase than South Africa's trading partners have had to cope with

No belt-tightening for serious beer drinkers

ST(BT) 19/5/96 (186)

By JULIE WALKER

SOUTH African Breweries expects further real growth in earnings and dividends for the current financial year provided that consumer demand does not weaken significantly — comments made before Friday's increase in interest rates

Consumer demand can confidently be expected to grow, the real point is whether disposable income will permit demand to be met and paid for What will happen to all the Edgars accounts and furniture instalments if and when the people start to pay their lights and water bills?

Nevertheless, consumers found the money to boost SAB's turnover by 17% to R32-billion in the financial year to March 1996 SAB notes that real private consumption expenditure (excluding an inflation factor) increased by 4% during the period under review, so the group experienced real growth

Trading profit was 18% higher at R3,47-billion, and dividend income climbed R24-million to R130-million The improved trading margin is attributed to productivity enhancement and cost containment

The cost of financing borrowings for maintenance, expansion and acquisition jumped by 20% to R603-million, to leave profit before tax of R3-billion A lower rate of corporate tax meant that the Receiver's slice, R852-million, was almost the same as in 1995 Profit after tax and equity-accounted earnings was 26% higher at R2,25-billion, of which R521-million is attributable to outside shareholders and R1,66-billion to ordinary company members

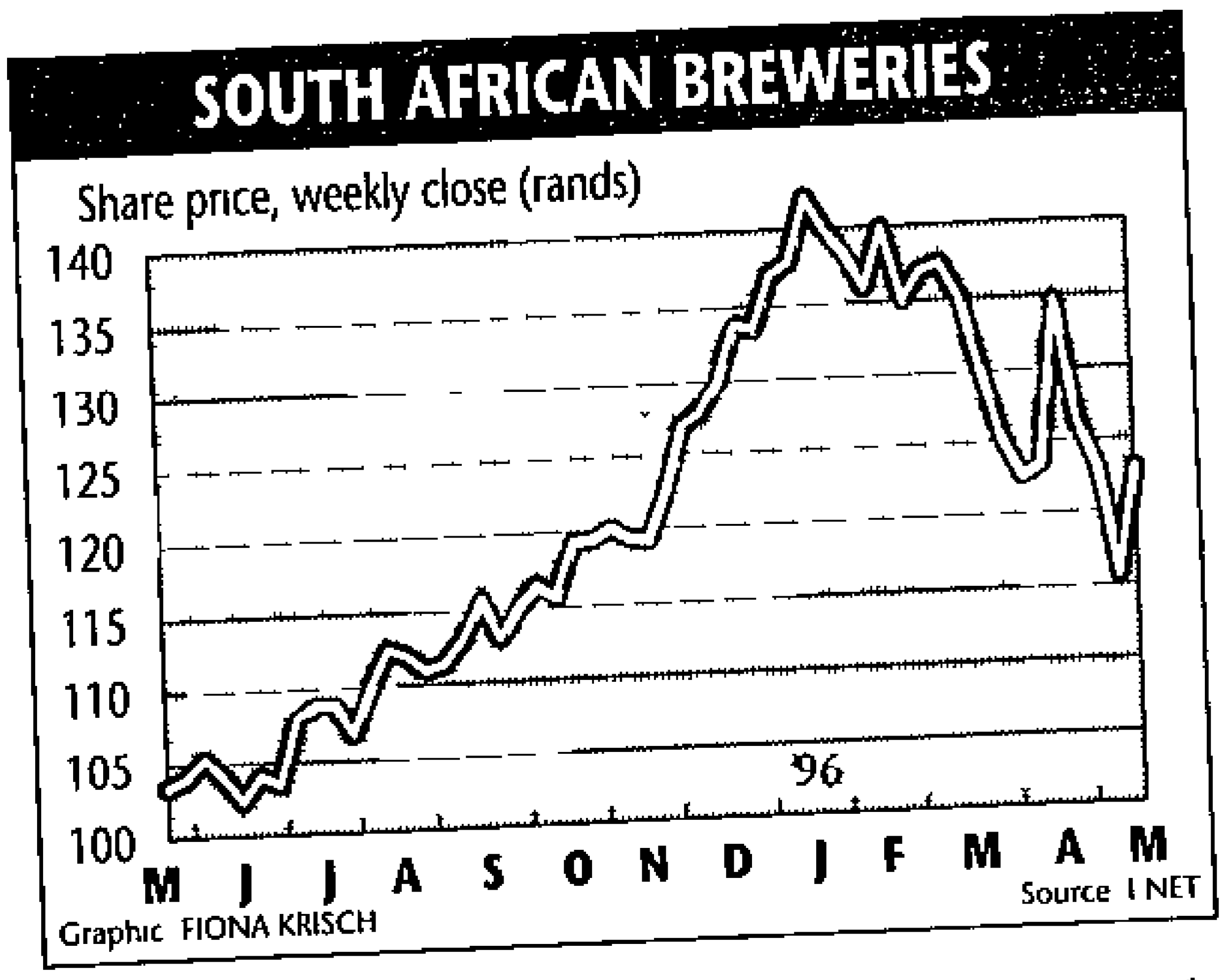
Beer still provides the bulk of the bottom line, chipping in 71% this year Its domestic contribution topped R1-billion and the international operations R172-million — almost a third higher than in 1995

SAB has invested in breweries in Africa, parts of central Europe, and in China, and has become the world's sixth largest brewer of beer

The balance of group income comes from its investments in many leading consumer-orientated retail and manufacturing companies Edgars, Plate Glass, Amrel, Afcol, Lion Match, Amalgamated Beverage Industries, Conshu, Da Gama and unlisted hotel and retail interests Southern Sun and OK Bazaars, the last pair showing improvement

The group invested a record R2,2-billion in capital expansion and acquisition, yet gearing declined from 55% to 39% Liquid resources almost doubled to R1,2-billion

SAB's shares edged up to R123 this week from R100 a year ago, but were down from January's R145 peak On attributable earnings of 566c a share, SAB trades at fewer than 22 times earnings and on a dividend yield of 2%



Food firms hit by higher costs and reduced spending

(186)

BD 21/5/96

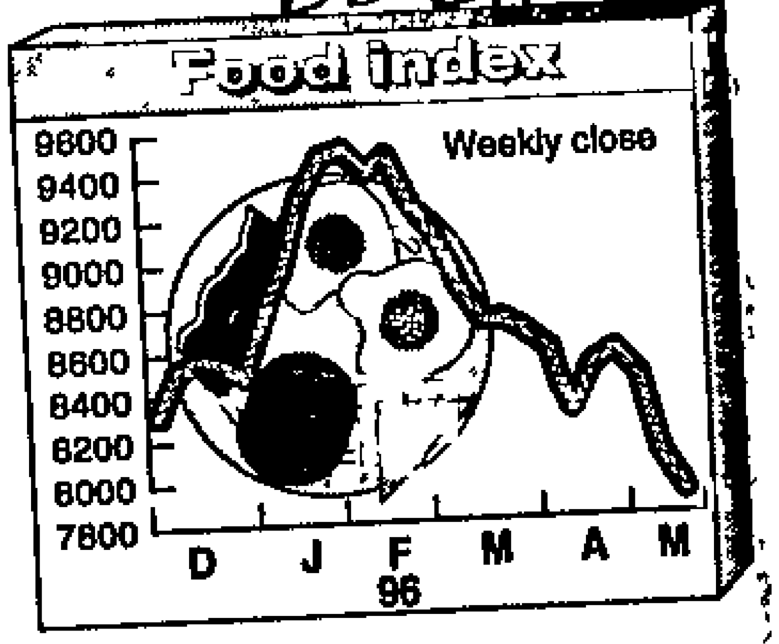
Jacqueline Zaina

THE JSE's food index, which has lost 25% of its value since the beginning of April, is expected to decline further this year as a result of higher input costs and additional constraints on consumer spending.

The index, which touched an annual high of 10 420 on March 29, closed at 7 838,5 yesterday.

BoE NatWest Securities senior analyst Syd Vianello said consumer-related shares, which usually grew in line with population growth, were not expected to perform well following the two recent interest rate hikes. The fall-off in these sectors, which included stores, was a function of the weakening of the economy.

While higher grain prices on the world market could strengthen the index by boosting food companies' foreign earnings, they would increase pressure on already constrained consumer spending, he said. This, together with the threat of growing unemployment, would further restrict growth in the food sector.



Shares with strong export revenues such as Delfood, Tiger Oats subsidiary Langeberg and Illovo Sugar were expected to outperform the sector, but the outlook for most food producers would not improve until interest rates started falling, he said.

Another analyst said increased competition from importers and foreign food companies, which were gaining market share, was also squeezing margins. Whether this was a long-term issue was unclear, but it had tarnished investor perceptions of local food companies' ability to grow.

Premier Food CE Gordon Utian said last week that it was too soon to quantify the effect of the interest rate hikes, but the outlook for the food sector was not positive. Inflation was gathering, interest rates and the petrol price were up, and the implementation of the new Labour Relations Act would add to costs.

"Consumers will be hard hit by price increases as companies are squeezed at the manufacturing level. We are expecting a difficult period."

Utian said consumers at the lower end of the market were exposed to higher levels of inflation than the general 7%, because a greater proportion of their income was spent on transport and basic foodstuffs.

While it was too soon to quantify the impact of recent economic developments on Premier Food's earnings, the company was "not an island", he said. Although it was in a recovery phase, it remained prone to the vicissitudes of the SA economy.

Division MD is replaced

Jacqueline Zaina

ERNST & Young is to reshape its management consultancy arm, replacing the division's MD and retrenching part of its 300-strong workforce.

Executive chairman Tom Wixley said yesterday the management consulting services (MCS) division had been underperforming, and the shake-up was part of a shift in focus from information technology consulting.

MD Gerry Baron had been replaced by Jan Venter, who would lead a small executive management team. Wixley said that it had become clear since Venter took over on May 1 that the division's financial results had been poorer than expected. The previous structure had led to delays in the decision-making process because of differing opinions.

"While the restructuring process will inevitably involve retrenchments, the MCS division will emerge leaner and more effective in addressing client needs," Wixley said.

Baron would leave E&Y shortly, and MCS partner Paul Matulovich had also decided to leave.

Wixley said Venter would build a market-driven, national practice, providing solutions to underperforming business and companies needing to catch up with global trends.

Anglo seeks toe-hold in Zaire

BD 21/5/96 (360)

David McKay

ANGLO American's plans to invest $100m in mining projects in Zaire could be an attempt to secure a toe-hold for future projects including gold and diamonds, industry analysts said yesterday.

The central African nation has been touted as, geologically speaking, one of the richest countries on earth, with huge resources of copper and cobalt from the Kitango copper belt, as well as resources of diamonds, zinc and possibly gold.

However, analysts said that Zaire had poor levels of infrastructure which had hamstrung attempts to export minerals through Zaire's main city, Kinshasa. Anglo recognised the difficulty of mining in the country, analysts said, but the company was increasing its presence in Zaire as it expected the situation to improve.

The group also did not want another mining house such as Australian rival Broken Hill Proprietary to pip it to the post. Anglo was, therefore, "putting down markers", one analyst said.

Another analyst said that Anglo was interested in access to the Kitango copper belt.

The Financial Times reported at the weekend that Anglo and its new bedfellow in Zaire, American Mineral Fields, were ready to invest money in reopening the 80 000 tons of zinc a year Kipushi mine and the Kolwezi tailings reclamation mine, owned by the state mining company Gecamines.

The two would share the immediate costs equally and be 50-50 partners in this project and others in Zaire.

The low-cost Kipushi mine, near the border with Zambia, was closed in 1993 due to lack of foreign currency. It also produced gold, silver, cadmium and geranium before it closed in 1993 due to lack of foreign currency.

An Anglo spokesman said the plans were still under negotiation. Only after the completion of a due diligence would a contract be signed with American Mineral Fields, he said.

Energy Africa strikes oil off Angola

BD 21/5/96 (183)

Samantha Sharpe

CAPE TOWN — Oil and gas exploration and production group Energy Africa has made a new commercial oil discovery off the Angolan coast.

The find was on Block 2/92, which Total Angola operates on behalf of a partnership of Total (40%), Angolan national oil company Sonangol (25%), South Korean company Daewoo (18,75%), Pedco (6,25%) and Energy Africa (10%).

Energy Africa technical director Adrian Nel said yesterday it was too soon to forecast the find's full potential, although it had been declared a commercial discovery in terms of an agreement with Sonangol.

He said initial testing had yielded a cumulative flow of 9 150 barrels of light crude a day, with further technical work needed before any development cost estimates could be made.

Nel said Energy Africa was well resourced to finance its 10% share of development costs. The group recently reduced by $250m the potential capital expenditure and exploration costs of its Kudu gas discovery after farming out 60% of its quarter share to Texaco Namibia Resources.

Energy Africa MD John Bentley said he was pleased with the discovery only six months after farming-in. Another well would be sunk this week and two more were planned later this year.

"This is an exciting discovery, which reinforces our confidence in the highly prospective western Africa region, where the group's exploration is primarily focused," said Bentley.

Energy Africa's interests in Angola also included a 15% interest in Block 1, with a 50% interest in Block 7, pending formal government approval.

Brenner Mills pushes up its share earnings

(186) CT (BR) 29/5/96

By Peter Galli

Johannesburg — Brenner Mills, the food group, posted an increase in earnings a share yesterday to 24,6c in the year to February 29 from 22,1c a share in the same period last year. No dividend was declared.

Turnover surged 31 percent to R137,77 million from R105,27 million last year and operating profit grew 23 percent to R9,64 million from R7,87 million.

But an interest bill of R834 000, compared with R1,27 million received last year, pushed pre-tax profit down to R8,8 million (R9,13 million).

A tax bill of R3,07 million (R3,99 million) saw a taxed profit of R5,73 million (R5,14 million) being declared. The company said this, the first full year of deregulation in the maize industry had seen a sharp increase in the price of maize and maize meal. However, short-term borrowings were necessary to get bulk maize at favourable prices, which had resulted in the interest costs. "Although recent interest rate hikes are not expected to have a direct impact on group earnings for the coming year, conditions in the food industry in general are expected to come under pressure ue to anticipated reduced consumer spending and rising costs. Modest growth is forecast at this stage," it said.

ICS (186) FM 24/5/96

FALLING OUT OF FAVOUR

Last year, ICS management's strategy of concentrating on higher-value products and divesting from activities showing consistently poor returns seemed to be winning market favour

But midway into 1996, enthusiasm for the food sector seems to be falling And tougher trading conditions — because of less consumer demand for perishable food and increasing pressure on margins

— are not likely to improve this year

In response, ICS's share price has shed almost 26% to R30 in four months The retail sector's vulnerability to a floundering economy is clearly cause for concern ICS is not the only food company affected But the drop seems an over-correction in the light of longer-term prospects — the balance sheet is strong and the risk profile has been reduced

Sales dropped slightly in the interim to March and operating margin narrowed to 6,1% from 6,4% in the comparative year-ago period But earnings increased by 10% to R61,7m Lower interest-bearing debt and a growing cash pile resulted in net interest earned Assessed tax losses, lower STC and lower profits in taxpaying entities such as Sea Harvest reduced the effective tax rate to 32% (37,8%) and will

TOUGH CONDITIONS

Six months to	Mar 31 1995	Sep 30 1995	Mar 31 1996
Turnover (Rm)	1 505,7	1 406,5	1 435,3
Operating income (Rm)	96,2	86,9	87,2
Attributable (Rm)	56,2	7,8	61,7
Earnings (c)†	148	20	161
Dividends (c)	27	59	30

† Net profit per ordinary share

keep the tax rate low for a while The group seems in a position to expand through acquisition or organically

Investments now include fishing interests (a 72% stake in Sea Harvest), poultry (Earlybird), dairy and fresh meat operations There are also investments in Fedics caterers and DairyMaid-Nestlé, and stakes in Enterprise Foods and Cold Chain distribution facilities through joint ventures with Foodcorp

MD Roy Smither says Fedics, Enterprise and the dairy subsidiary did reasonably well But fresh meat operations performed worse than last year, mainly because of lower meat prices

Sea Harvest was hit by poor summer fishing conditions and lost R1,7m on recently acquired Namibian operations These have since been turned around and financial director Tom Pritchard notes that the season picks up in the winter months Results from Earlybird, the broiler joint venture, were hit by lower retail prices and high feed costs

ICS's historic p e ratio of 9,9 is well below the sector average of 18,9 At this price, there is probably medium-term growth in the counter *Michelle Joubert*

LANGEBERG NPRTNAN

Making up for lost Geis (186)

FM 10/6/96

Headline interim EPS, up 20%, are on track for the 28% increase for financial 1996 the *FM* suggested (*Leading Articles* February 16) But it has clearly been no easy road for MD Andries van Rensburg and his managers

The headline earnings reconciliation statement shows that the rationalisation programme put in place by Van Rensburg's predecessor continues It cost R1,3m in the first half and there's little to suggest a similar cost won't be incurred in the second six months as the company fights to reduce costs in the face of diminishing Geis proceeds (there will be none in 1997)

Commendably, margin rose to 11,5% compared with 9,4% a year ago Paring costs and increasing volumes to achieve higher margin is the only way to survive the end of subsidisation

As Van Rensburg predicted, local markets improved Volumes grew as the strong brands gained market share The large crop usefully increased capacity utilisation But that's only half of it

At least 40% of products are exported, mostly to Europe but also to the Far East And a contraction in the international supply of deciduous fruits meant better times for the canned product in these markets and margin improved from firmer prices abroad as well as the rand's weakness

Langeberg's rand hedge aspect should not be overlooked In particular, its alliance with brand leader Dole Foods in Europe should ensure good export volume growth

CANNED PROFITS

Six months to	Mar 31 1995	Sep 30 1995	Mar 1 1996
Turnover (Rm)	429,8	432,2	449,1
Pre-int earnings (Rm)	40,2	62,8	51,8
Pre-tax profit (Rm)	42,8	41,4	54,1
Attributable (Rm)	27,3	27,0	37,3
Headline earnings (c)	17,1	21,8	22,0
Dividends (c)	4,5	8,0	5,5

The balance sheet shows some interesting developments At R477m, stock is 38% higher than at the same time last year and almost double that at end-September Accordingly, interest-bearing borrowings have risen from zero six months ago to R57m and September's R64m cash balance has disappeared Hopefully, the stockpile is strategic and will soon disappear, or interest receipts, which have helped shore up pre-tax profits, could turn negative

Not surprisingly, due to the unexpected slackness in the economy, Van Rensburg says the outlook for demand at home is uncertain But international markets should remain favourable and full-year earnings growth should be "reasonable "

With the fall in the rand, the stockpile could prove a much needed export bonanza And continued rationalisation should help to diminish costs, in the short term as well as for the long haul With sound management in place, there are good reasons to believe headline EPS for the year will reach the 48c proposed by the *FM*

At 560c, the share is on a prospective p e of 11,7 Given all the uncertainties, that seems fair for the moment But I can't help wondering about the effect of rand depreciation on earnings In six months' time, hindsight may make the share underpriced now *Gerald Hirshon*

Union to challenge Ayob

(186)

CP 2/6/96

By THEMBA HLENGANI

PRESIDENT Mandela's lawyers Ismail Ayob and Partners, are to enter a round of legal battles in the Labour Court after an application for the establishment of a Conciliation Board by Saccawu on behalf of six employees who were retrenched last month

According to documents in possession of City Press, Saccawu had declared a dispute with Ismail Ayob and Partners after the "unfair" retrenchment of six of their members It lodged its application with the Gauteng department of labour this week

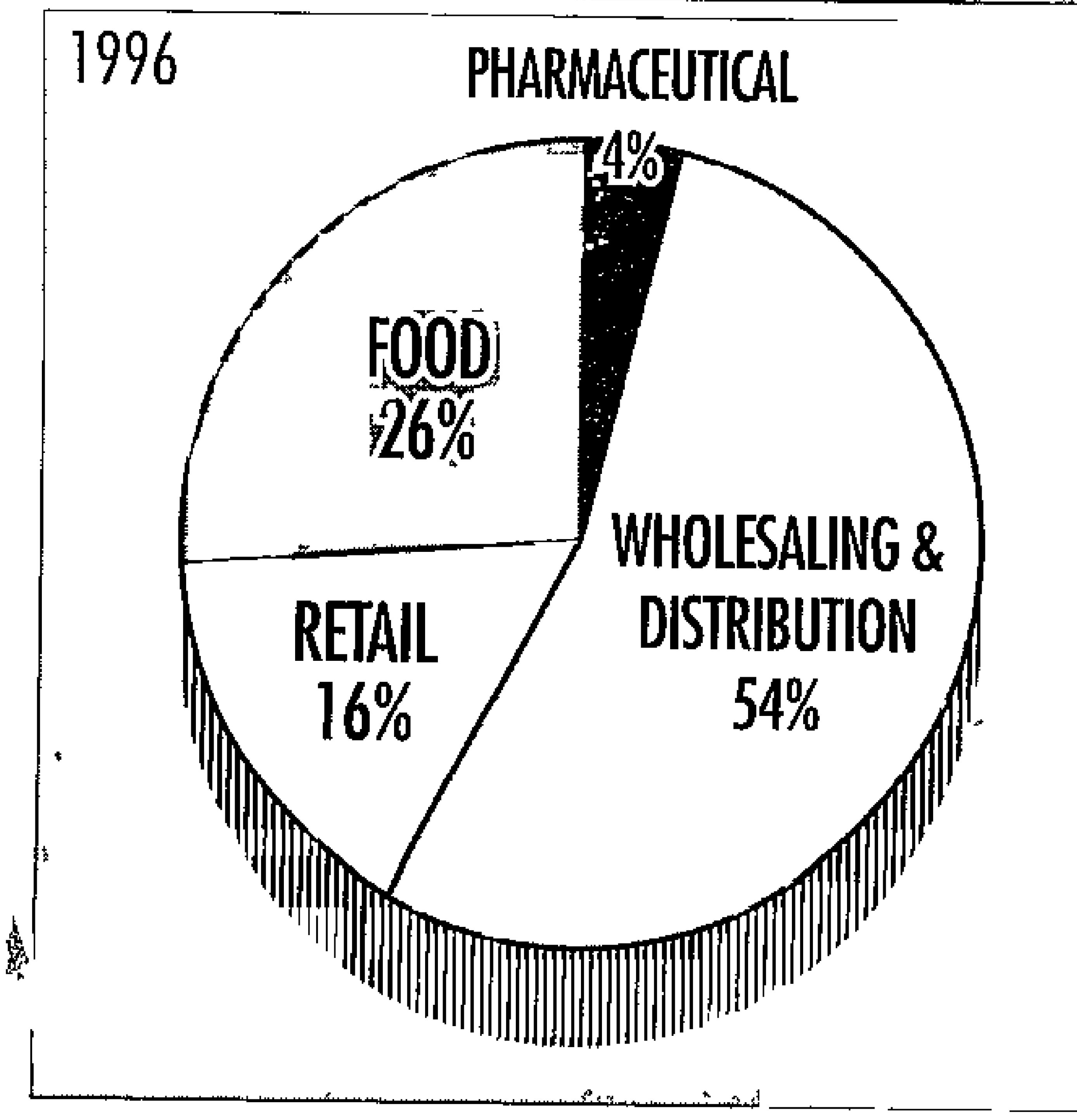
Muku Macozoma and the other five were retrenched at the beginning of last month

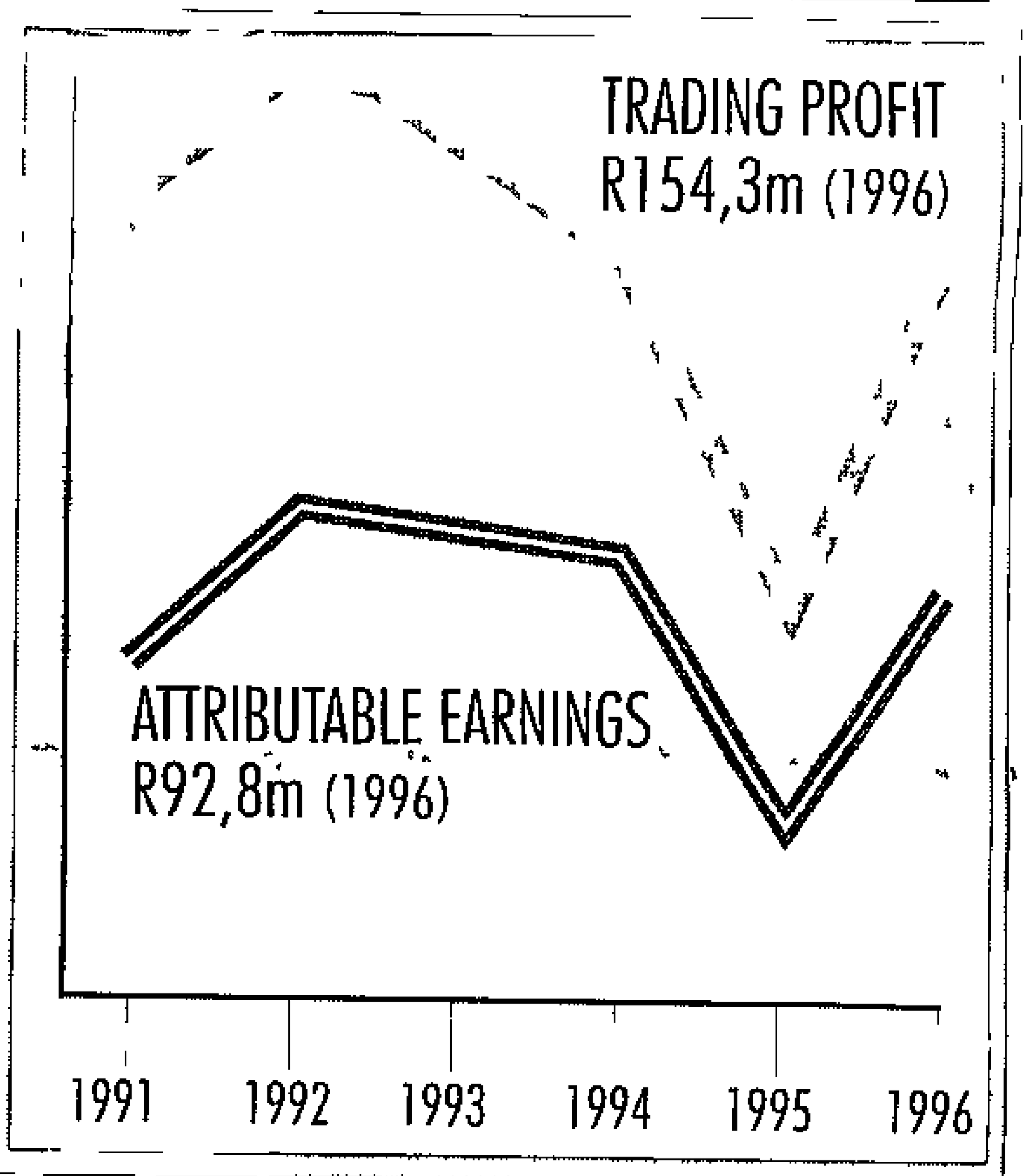
Elias Mothoa, a Saccawu official, said that they had tried to arrange a meeting with Ayob's office with a view to reaching an agreement but unfortunately Ayob did not respond

"Our legal department is busy preparing an application for interim relief on this matter and it will be submitted next Tuesday to the department," Mothoa said Mothoa said that the relief would seek that Ayob reinstate the retrenched workers while talks to resolve the dispute continue with the union

According to Saccawu, the six workers were unfairly retrenched as they were not given enough notification time before retrenchment and they should be reinstated

Ayob could not be reached for comment on the Saccawu Conciliation Board application





Food for thought

CT (BR) 3/7/96 (186)

Ann Crotty

There are two reasons for buying Premier Group shares — to get exposure to its wholly owned Premier Food and to get exposure to its wholly owned United Pharmaceutical Holdings

According to analysts, neither is a good reason

By buying Premier, investors are also getting exposure to Bonnita, Premier Pharmaceutical, Metro, CNA Gallo and Teltron — all of which are good to excellent investments But each of them is listed separately, so investors can pursue the more efficient strategy of buying them direct and giving poorly performing United Pharmaceutical and Premier Food a miss

Doug Band, the Premier Group chairman, gave an impressive presentation last week of this financial year's results, but analysts are not persuaded The most enthusiastic recommendation they appear to be making is "neutral" Working through broker's sensitive terminology, this tends to be interpreted as a sell order

There is little doubt that the management made significant progress during the year, but brokers feel that the progress related to organisational and administrative issues more than operational and market factors The food division did report modest gains in market share, but certainly not enough to excite the analyst community

"I do not believe in the long-term potential of the food division because of its heavy reliance on staple foods," said one analyst

That sector of the industry covers maize, wheat, milling and baking, and is now highlighted by intense competition and low margins The food company could struggle to move into value-added goods as the other large food groups have already tied up the more obvious and attractive opportunities

During this financial year trading margins at Premier Foods increased from 3,7 percent to 4,7 percent, largely because of a substantial improvement in the milling and baking operations Milling and baking improved its trading profit from R51,5 million to R94,7 million

But analysts are not impressed They point out that in financial 1992 the division reported trading profit of R189 million Competition in the market is much fiercer and is compounded by the deregulation that has led to the setting up of hundreds of small-scale mills, which can open and close depending on the attractiveness of the market There is an estimated 40 percent overcapacity in the South African maize and milling industry, which means there is little scope for margins to recover significantly in the short to medium term

Making things even tougher for Premier Food is the deregulation of the maize and wheat sectors, which has made pricing a competitive factor Previously the maize and wheat boards set the price, which meant millers and manufacturers had no scope to get the edge on the competition Maize pricing has been opened up this season and wheat will be from next season This means that by clever use of the futures markets, one or other of the food groups can establish a large advantage

Market sources say that last year's depletion of Premier Food's experienced senior management team has left it at a significant disadvantage

Adding to the woes of the milling and baking division, analysts believe that much of Premier Food's R336 million debt is attributable to it That means a hefty interest bill has to be paid out of its stretched trading profit

The balance sheet for the food company after the rights issue will include a gearing of about 40 percent, which is regarded by analysts as hefty given the operational circumstances Analysts feel that the interest bill is likely to mount at a more reliable pace than trading profit, which does not point to an exciting long-term earnings prospect

Epic Foods, which reported a R14 million trading loss this fiscal year, recorded a small profit for the first two months of next year and is expected to break even for the full fiscal year

Analysts are generally bullish about the fishing operations and the cotton division, but regard these as too small to have an effect on the larger negative trend

Ian Heron, the food division's newly appointed chief executive is, understandably, much more upbeat about prospects He challenges analysts' tendency to write off the maize and milling interests as commodities or low margin staples

"When properly run, staples can make a lot of money We have the market leaders in a number of flour and maize products, which means that we are protected from the effects of overcapacity"

Part of properly running the industry, says Heron, involves ensuring product mixes are in tune with market demand Poor management has meant that the Iwisa brand, which is one of the group's most important, has been frequently out of stock in the past Heron believes margins can be improved by tightening up on this sort of controllable factor

On the issue of the competitiveness of the pricing of maize supplies, he points out that the executive team has been beefed up "Over the past few months our procurement has been the best we've had in a long time"

On the value-added front, Heron believes there are plenty of opportunities in the grocery division as well as in pet food And he notes that the company is looking at joint ventures

As for United Pharmaceutical, analysts believe that the most attractive aspect of this operation is its assessed tax loss But accessing this will require the injection of a profitable asset Though the company has recovered from the really dismal days, industry sources believe that significant changes in the industry — including the all-important role of government — means there is little room for an independent distributor

Overall, analysts are far from convinced of the need to buy Premier However, given the promised support from the major shareholders, the upcoming rights issue is guaranteed to be what some might call a success

Investors are edgy after a year of acquisitions sends debt soaring

Cadbury's new boss chews on tough task

(186) CT(BR) 3/7/96

By Peter Robison

London — Cadbury Schweppes turned to a steady hand to manage what could be one of the most critical periods in its history

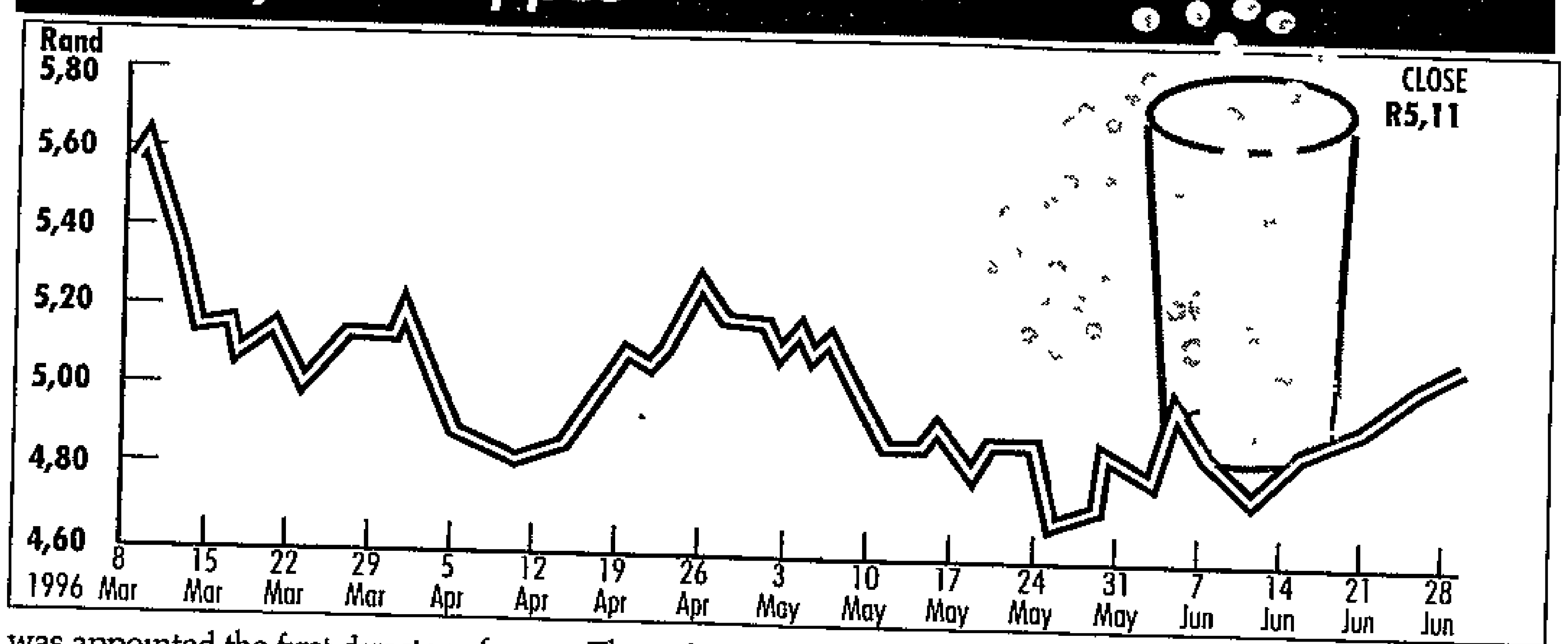
The British sweet and soft-drink maker named John Sunderland, a 28-year company veteran, to become its chief executive on September 1 He replaces David Wellings, who announced his retirement four months ago

Sunderland's appointment caps a year of unprecedented corporate activity at Cadbury, which is trying to shake its second-division status in the global food and beverages industry through a series of takeovers

The acquisitions, combined with record investment spending, have given it hope of drawing even with Coca-Cola and PepsiCo for the first time But they have also ballooned its debt and made investors edgy

Sunderland is "a Cadbury Schweppes man, a very safe pair of hands", said David Lang, an analyst with Henderson Crosthwaite Securities

Sunderland joined what was then Cadbury in 1968 In 1987 he was appointed the first director of what became one of Cadbury's main moneymakers, a British bottling joint venture with Coke



Profit at the joint venture soared sevenfold to £111 million last year from £15 million in its first year Last year it alone accounted for almost 20 percent of Cadbury's £3,06 billion in sales

Once Sunderland takes over, though, the bottler will not be in Cadbury's control Last month the company agreed to sell its 51 percent stake to Coca-Cola Enterprises, the publicly listed bottling company with close ties to Coke

The sale was a turning point for Cadbury and highlights the challenges Sunderland will face as he tries to develop brands that can succeed in the world market

The relationship with Coke became untenable after Cadbury's £1,63 billion purchase of Dr Pepper Seven-Up last March, placing it third in the £29,5 billion United States softdrink market

The purchase boosted Cadbury's market share from 5 percent to 18 percent

It hopes to use Dr Pepper as a worldwide brand to open markets such as China and Russia, where it spent part of its £153 million in capital investment last year But Cadbury may have to do so under unaccustomed pressure on its distribution network

Dr Pepper, for example, is distributed in the US by Coca-Cola Enterprises, a partnership that does not promise enough long-term security to make most investors happy

Cadbury's shares dipped several months ago after Coca-Cola stopped bottling minor Cadbury drinks in the US market

"They've never had and are never going to have a comfortable position," Lang said "It's a challenge they've been managing for 30 or 40 years and it's one where, since they've bought the Pepper business, the stakes have risen as they've become a credible force in the industry"

Investors have not decided what to make of Cadbury's new strategy, waiting to see what it does with the cash it raised from the sale of the bottling company

After first rising 3,5 percent to £4,98, the company's stock fell back to £4,79 It rose 2p yesterday to £5,11 Profit rose 10 percent last year, but Cadbury's stock lagged the FTSE-350 actuaries index by 2,2 percent

Analysts say that they expect Sunderland to focus on restoring a sense of stability to the company's strategy after a year of turmoil Most importantly, they want him to boost the bottom line

He is considered well suited to the task, a sound, efficient manager who has done it before

In the late 1980s he managed the integration of the sweet-makers Trebor and Bassett Profit margins rose to 12,2 percent last year from 5 percent when they were acquired — Bloomberg

(186)

Chillers Group applies for listing in food sector

CT(PM) 5/6/96

By Marc Hasenfuss
CAPE EDITOR

Cape Town — The Chillers Group, a R33 million-a-year food seller and distributor, is the latest contender for a JSE listing

The company has applied for a listing in the food sector on June 19, after a private placement of 5 million shares at R1 a share The share offer closes next Wednesday

The prospectus showed that 21,5 million shares would be issued, the bulk of which are held by Shaun Curran, the company's chairman, and his fellow directors

Chillers, which has been operating since 1985, conducts a warehousing operation in Turffontein and operates a fleet of refrigerated and insulated trucks

The Turffontein cold storage depot has the capacity to store about 1 200 tons of frozen food, 500 tons of chilled food and 600 tons of dried food

The company's Western Cape facilities also boast a storage capacity of 200 tons of frozen and 100 tons of dried food

Chillers distributes food to chain stores, one a large national chain

The prospectus showed that the company posted net profit of R1,2 million from turnover of R33 million in the year to February Profit forecasts for the year ahead were R2,3 million from turnover of R56 million A dividend of 3c a share was also envisaged

Directors believed increased demand would result in Chillers' distribution services growing by about 20 percent They said enquiries had been received from another large national chain store

The company had also identified the potential to distribute poultry to the informal sector, with Chillers' Turffontein depot being ideally located for the supply of frozen products to Soweto

The opening of distribution centres in KwaZulu Natal and the Eastern Cape were also on the cards, as well as an expansion of the facilities in Johannesburg and the Western Cape

Funds raised through the private placement would be mobilised to repay certain borrowings a short-term loan of R500 000, R1 million for trade finance and a R1,9 million overdraft

Funds from the private placement would strengthen the balance sheet considerably with R6,5 million in shareholders' funds comfortably covering long-term liabilities of R2,4 million

Expected price rises drive

Small bakers get a helping hand in city

(186) ARG 12/6/96

Staff Reporter

A NEW organısatıon has been establıshed ın Cape Town to address the busıness needs of South Afrıca's growıng number of small bakers

The Bakers' Guıld ıs the first of ıts kınd and aıms to provıde small bakers wıth technıcal ınformatıon and assıstance to meet the challenges of thıs rapıdly expandıng sector of the food ındustry

Sponsored by Sasko, a natıonal food group wıth headquarters ın Paarl, the Guıld aıms to serve the more than 4 000 small bakers

Sasko trade dırector Kenné Louw saıd there was a great need for small bakers to exchange knowledge and expertıse

"Deregulatıon and consumer demand for fresh bread and confectıonery has led to a dramatıc upsurge ın small enterprıses ın the past 10 years These, factors, as well as the entry of ınternatıonal players, have prompted bakers to upgrade theır technıcal skılls"

Sasko moves into Zambian market

Edward West (186) BD 21/6/96

MILLING group Sasko is to provide technical and marketing support for a R45m wheat milling operation at Kitwe on the Zambian copper belt. It is to be financed by the Commonwealth Development Corporation (CDC).

Apart from the construction of the mill — a R17m contract was been awarded to LTA — the project also includes buying the Kitwe distribution centre of the Zambia National Wholesale and Marketing Corporation.

Sasko said the CDC is providing finance through equity and loans. Sasko had an option to buy up to 25% of the equity. Wheat would be supplied to the mill from CDC-owned farms near Luanshya.

From the mill the new company will market and sell flour and bran to the 2-million people on the copper belt, as well as bakery products from the Sasko range," southern Africa director David Morley said.

Provision has been made to double the capacity of the mill at a further cost of R20m by the year 2 000.

The R2bn-a-year Sasko produces about 500 000 tons of flour and wheat products a year.

Del Monte earnings expected to improve

CT (BR) 25/6/96 (186)

By Ann Crotty

CONSUMER INDUSTRIES EDITOR

Johannesburg — Analysts are forecasting an improvement in Del Monte's financial earnings for the six months to May 31 when they are published at the weekend

But investors who have held on to the share during the past two years of disappointing performances will have to wait until the second half of this financial year to reap the full extent of this year's improvement

The 12 months to November 30 this year are expected to produce an earnings improvement of about 30 percent, equivalent to earnings a share of 55c Some analysts are seeking an increase of as much as a 48 percent, or earnings of 63c a share

This higher forecast would result in management picking up much of the ground lost since financial 1993 when it recorded earnings of 61c a share The following two years were a nightmare for the group as a variety of factors, such as crop availability, market conditions and exchange rates, battered the bottom line

This year things are looking up on a number of fronts Europe's food market is firmer, the pineapple market is stronger, which will help Del Monte's Phillipine-based operation in which it recently exercised a preemptive right to increase its stake, and cushioning it will be the expected benefits from the rand's slump

Whatever happens between now and the end of November, it seems certain that the company's fortunes will hinge heavily on the average exchange rate for the rand this financial year

Delfood's half-year figures well on way to meeting predicted 30% rise

CT (BR) 1/7/96 (186)

By Ann Crotty
CONSUMER INDUSTRIES EDITOR

Johannesburg — Del Monte Royal Foods (Delfood) reported a 25 percent rise in earnings to 22,1c a share from 17,7c for the six months to the end of May An interim dividend of 7,5c a share has been declared

On the basis of the half-year figures the group is well on course to meeting analysts' expectations of at least a 30 percent rise in full year earnings to 55c a share from the 42,6c earned last financial year

Vivian Imerman, the group's chairman, said that the group traditionally achieved about 40 percent of its year's earnings in the first half and 60 percent in the second half However, there is likely to be a stronger second-half kick-in from the weaker rand, stronger pineapple prices and improved operational efficiencies

Comparison between the interim income statements of last year and this year was complicated by a number of factors, including the first-time consolidation of Del Monte Pacific Resources (DMPRL) and the first time inclusion of Italy-based Confruit in Delfood's interim results Turnover was up 90 percent to R1,4 billion from R762 million of which DMPRL accounted for R370 million Confruit also accounted for a hefty chunk of the increase

In addition the weakening rand increased reported turnover by about 7 percent According to Imerman, the benefits of the weaker rand only affected the last six weeks of the reporting period

If the impact of DMPRL is excluded, overall group sales volumes are up 32 percent Management said that virtually all key categories were ahead in volume and value terms compared with the first half of last year

The 75 percent rise in operating income to R155,2 million from R87 million again reflected the benefit of the inclusion of DMPRL and Confruit, as well as the depreciating rand

Encouraging news for shareholders was that an improvement in the pineapple price helped to underpin a stronger profit performance Weak pineapple prices had held back performance last year

Imerman seemed confident that the stronger prices evident in the first half would continue for the second half and way beyond The benefits of this were considerably compounded by Delfood's acquisition of a controlling stake in DMPRL, in which it previously had a 35 percent stake and a pre-emptive right

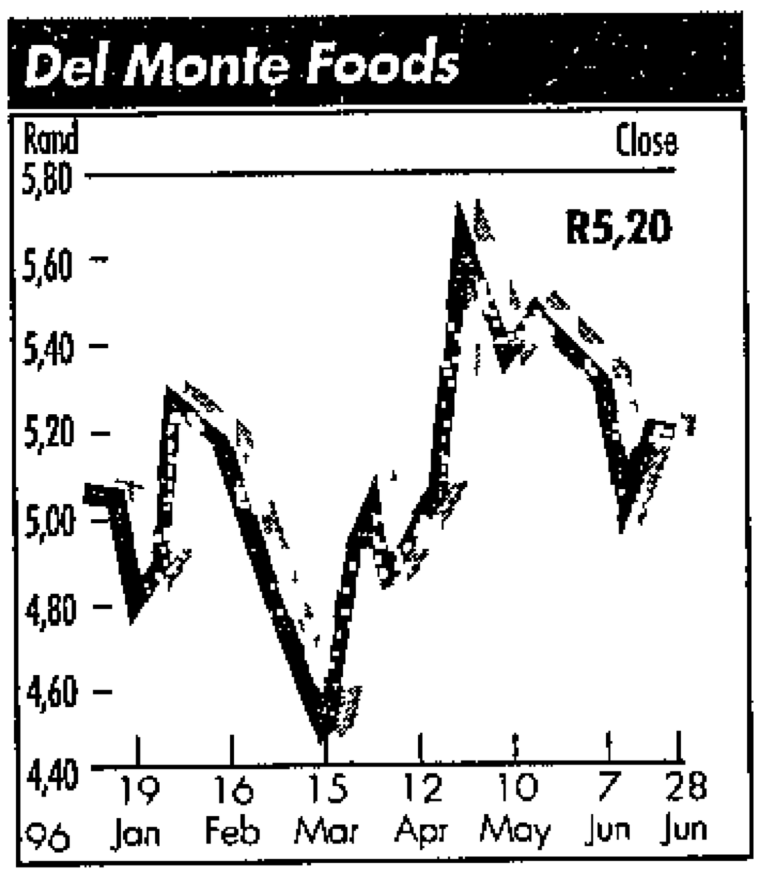
The previous controlling shareholder was the US Del Monte operation, which is completely independent from Delfood, and was keen to sell off non-core assets Imerman would not be specific but indicated that the purchase consideration was the low side of "reasonable"

Western Europe remained the group's most important single market, but management was enthusiastic about prospects in a number of emerging world markets, such as Eastern Europe and parts of the Far East

One of the additional benefits of the acquisition of control of DMPRL was that Delfood was able to extend rights for use of its brandname to parts of the Far East

The two acquisitions also had significant effect on the group's balance sheet where there was a substantial increase in the asset base and the level of borrowings

On the home front Imerman was cautious about the group's South African deciduous fruit operations "The combination of lower Geis and the current punitive rates of duty on imports into the European Union are bound to have an adverse impact on the competitiveness of our fruit operations"



Premier's results dump p-e rating at bottom of food sector

CT(BR) 1/7/96 (186)

By Ann Crotty

Johannesburg — Premier Food's price-to-earnings rating slumped to nine times after the release of last week's mixed bag of results for this financial year

The share price was on a rating of just more than 20 times ahead of the release of this year's results, at nine times it is close to the bottom end of the ratings in the food sector

Investors who rely on the JSE figures that are published in the media might be tempted by this sudden slump in the rating to take one or two courses of action sell the share ahead of those left holding it or, buy it in expectation of an equally dramatic rerating back to a rating of 20 times

The slump in the price-earnings rating reflects that the JSE's listing committee uses a company's published attributable earnings figure as the base for its calculation

Premier reported attributable earnings of 66,1c a share for the 12 months to the end of April this year, up from 3,4c in the previous financial year

It also reported headline earnings of 30c a share, up from 25,2c This year's headline earnings excluded profit on the disposal of Clicks, Epol and the head office property

It also excluded losses on write-offs relating to debtors of a year ago

Investors may be tempted to buy the share on expectation of a rerating

In a recent report on the confused situation, John Moses, a Frankel Pollak analyst, referred to the JSE's unsuccessful efforts to reduce the degree of confusion.

"The inescapable conclusion to be drawn is that earnings-per-share figures, whether headline, attributable or other must be treated with great circumspection Comparisons are often, perhaps usually, invalid due to differing accounting policies or differing applications of the same policies," he said

"It would appear obvious that a reliable standard is required and that the need for sensible definition is urgent," Moses said

"The JSE is not doing the investing public any favours by opting to settle for an attributable earnings number, however, they make the point that headline earnings has not yet become a South African Institute of Chartered Accountants standard

"The JSE maintains that it therefore is in no position to enforce a requirement which the majority of quoted companies has not accepted," Moses said

Acquisitions boost Del Monte earnings

(186) BD 1/7/96

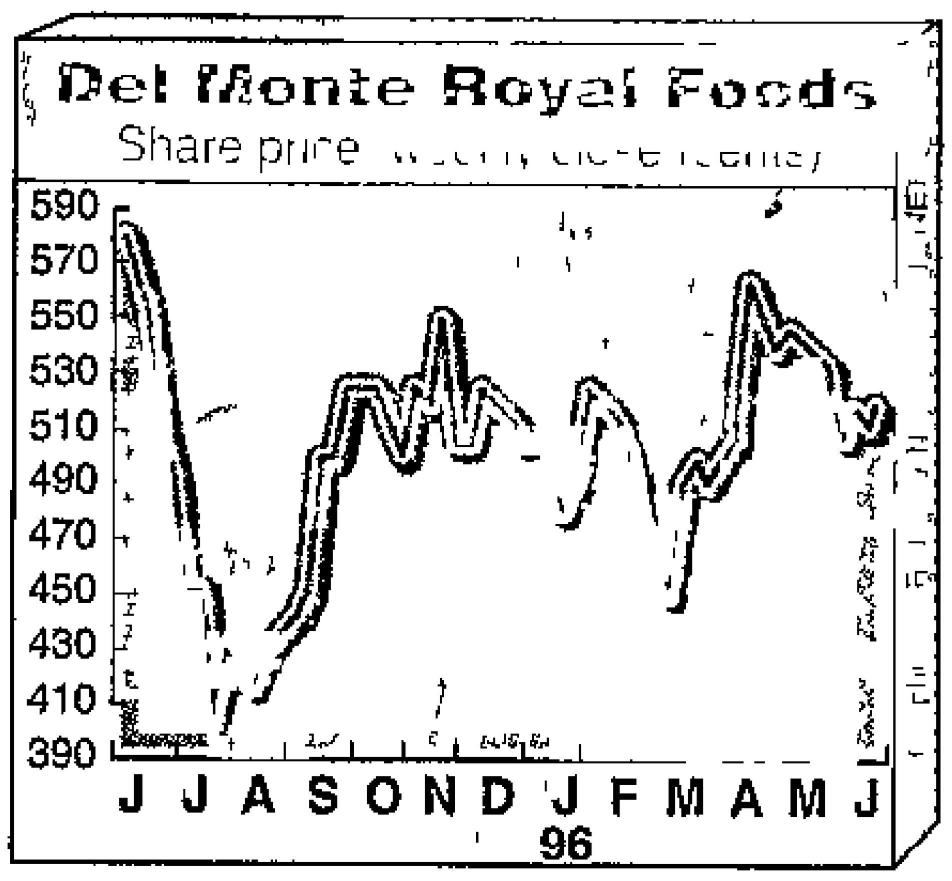
Amanda Vermeulen

DEL Monte Royal Foods lifted earnings to R75,6m (R60,1m) in the six months to May

Trading was boosted by the inclusion of Del Monte Pacific Resources, Confruit and the Philippines operation for the first time Share earnings rose to 22,1c (17,7c) and a dividend of 7,5c (6c) was declared Turnover improved to R1,5bn (R762,4m), partially assisted by the weakening rand

Operating income rose more than 75% to R155,2m due to the acquisitions of Pacific Resources and Confruit, and improved pineapple prices, but this was offset by higher spending on advertising, promotion, and increased interest costs of R53,3m (R31,9m)

Delfood chairman and CEO Vivian Immerman said borrowings had risen sharply to R833m (R272m) due to the inclusion of the two new acquisitions and taking account of the depreciating rand, "The depreciation of the rand had a positive impact, following a 7% decline in the average exchange rate at which the group's overseas profits were translated in the period Some of



the benefit of this was eroded by lower GEIS rates "

Immerman welcomed the return to better trading conditions, improved pineapple prices and gains from production efficiencies

The integration of Confruit was proceeding, and the transfer of manufacturing from Liscate to San Felice was largely complete and should be finalised by October

Continued on Page 2

Del Monte (186)

Continued from Page 1

BD 1/7/96

The acquisition of a controlling interest in Del Monte Pacific Resources in March was a major step forward for the group "The growth prospects in the Philippines market, combined with improvements in the pineapple prices and the trading terms with Del Monte Corporation in the US, should ensure that the business will continue to grow "

Immerman said the outlook for the deciduous operations in SA was cautious, "The combination of lower GEIS rates with the current punitive rates of duty on imports in the EU will have an adverse impact on the competitiveness of our fruit operations

"The duty is damaging consumers' interests in Europe, and it is anti-competitive and prejudicial to SA fruit growers and canners "

The group expected medium-term growth to be achieved from new markets, including Eastern Europe and the Indian subcontinent

A small operation had been established in Moscow and imports of beverage and canned products into Russia had started Other areas of interest would be Poland and Turkey

The group's improvement in underlying performance should be reflected in the year end results

New Age well on right track

(186)

Sowetan 8/7/96

By Mzimkulu Malunga

Beverage company survives turbulent 18 months even after retrenching staff

GROWTH IS NOT ALWAYS rosy This is what Pepsi's producers in South Africa, New Age, says it has learnt

After his company started like a whirlwind 18 months ago, New Age chairman Khehla Mthembu says early this year the company went through "a painful but necessary process"

Three months ago the company retrenched 20 of its staff, eight of whom were from managerial and supervisory positions

"When we launched we had to produce particular volumes for three years," says Mthembu, adding that once operations commenced the demand exceeded projections

"That resulted in our having a company different from what we had planned"

As a result, he argues, management had to go back to the drawing board to assess whether it had the right people and strategies to manage the growth

'Unfortunately some of the people were found to be inappropriate and were asked to leave

"It was a painful process and it affected staff morale when it happened"

However, some time has passed since the turbulence brought by the restructuring process and Mthembu believes New Age has "now outgrown that in the past three months"

He dismisses allegations that the company's problems could be more serious than they appear "Some people have been looking for skeletons in the company and I wish them well"

"There is no manufacturing company that invests heavily in machinery, property and other things that can show a profit in its first year We are well ahead of our projections and our shareholders are extremely happy"

Mthembu is cagey about Pepsi's market share since re-entering the South African soft drink market choosing only to echo his competitors' claim that the market has grown since Pepsi returned

Just over a week ago, New Age made its first appearance in Durban and the official launch is scheduled for this week

More than R80 million has been invested in the Durban plant and Mthembu believes New Age is on course to reach its target of becoming a national company by the end of next year

Initially, when the company was launched one and half years ago, New Age was capitalised for R400 million covering a period of three years and it received a major boost last year when the investment arms of the National Union of Mineworkers and the South Africa Clothing and Textile Workers Union invested R50 million in it

Mthembu says there are also talks with investment groups throughout the country to join Kuyasa, a local consortium which is in partnership with African American investors and jointly controls 75 percent of New Age

Kuyasa increased its stake in New Age last year by an undisclosed percentage and talks are also in progress with Pepsi Cola International to sell part of its stake to the consortium as part of the process of transferring the company's ownership to local black business people

Confectionery strength lifts Cadbury's income

BD 25/7/96 (186)

Edward West

CADBURY Schweppes lifted attributable income to R53,7m for the six months to June, 22,4% higher than the same period last year, as a strong performance from its confectionery interests offset marginal growth from soft drinks associate Amalgamated Beverage Industries

Share earnings rose 21,1% to 146,6c and the interim dividend was lifted to 29c (24c)

CE Peter Bester said the factors driving the performance had continued into the second half, and he expected further "satisfactory" earnings growth

Turnover increased 17,8% to R544,5m, with sales volumes increasing just less than 10% over the interim period

Bester said the company was experiencing good market share gains against its competitors, due in part to the launch of new products

Operating profit rose 26,9% to R53,7m and finance costs were slightly lower at R2,6m (R3m).

Tax increased to R13,4m from R11m leaving taxed profit 32,9% higher at R37,7m

Equity accounted earnings and dividends from ABI increased only 3,1% to R16m, which had the effect of limiting Cadbury's attributable profit growth

ABI, a main bottler and marketer for Coca-Cola, had a "difficult" period in the six months to March due the rainy season and competition

Capital expenditure approved by directors increased sharply to R113,8m (R3,5m), mainly due to the construction of a confectionery factory in Port Elizabeth which was expected to double capacity in three to four years time

Capital expenditure was expected to continue at a relatively high level in the next two to three years, but this would be funded by internal cash resources and was not expected to add significantly to debt levels

Interest bearing debt as a net percentage of total shareholders funds fell to 15,7% from 26,2% at the same time last year and 2,7% at year-end Bester said gearing at the interim stage was artificially high and the group was in fact virtually ungeared Improved cash flows in the interim period had resulted in lower borrowings and finance costs.

In the six months the confectionery and carbonated soft drink businesses continued to perform "particularly well".

Bester said that the feedback from retailers and some other businesses which the group dealt with was that consumer demand was not as buoyant as had been expected

MANUFACTURING — FOOD

1996 — ~~1997~~

CADBURY SCHWEPPES

FM 2/8/96

IF YOU CAN GET IT

~~182~~ (186)

Cadswep has some features in common with everyone's favourite aunt It's reliable and consistent in its delivery of sweets — of the edible variety to consumers and in the financial form to investors An analyst observes that compound earnings growth in the past five years — not the kindest of times to SA companies — has been about 23%

About the harshest comment that can be made of this food-sector blue chip is the illiquidity of its shares UK parent Cadbury Schweppes holds tightly to the feathers of its SA golden goose

The 1996 interims continue to please, with turnover up 18% on the previous period and attributable income up 22% CE Peter Bester believes that "satisfactory growth" can be delivered for the year

Financial director John Buchanan is quick to comment that observers tend to forget inflation is falling That means real earnings growth rose more than 16% "In view of what we hear elsewhere in the retail trade, we're very pleased," he says

The slowdown in consumer spending seems not to have hit confectionery — perhaps because it's a low-cost item in the scheme of things, besides being a comfort food when times are hard Buchanan says that the demand for both chocolate and sugar confectionery is strong, and in the absence of the projected capacity expansion to both chocolate and sugar manufacturing lines, would soon exceed supply

Peter Bester

Cadswep plans to double its chocolate capacity by 2000 It has taken a larger market share of a growing market, due in part to new products such as its hugely successful Astros line Buchanan says that additional consumers are entering the market, though it's difficult to say in what numbers

Costs have been contained this half Raw material and packaging charges jumped last year, but haven't grown to the same extent this year

The big season for income is still ahead Buchanan says much of the annual performance hinges on the last two months of the year, which makes earnings predictions notoriously chancy However, provided that the weather and the economy hold up, the company should make its budget

The share is priced at R65,75 on a p e of 21,7 It offers a neatly diversified range of products which address the four seasons, and its management is "conservative and experienced," says an analyst In her opinion, it's a buy up to R75 — but only if you can lay hands on some of its scarce scrip *Margaret-Anne Halse*

AMBROSIAL INCOME

Six months to	Jun 17 1995	Dec 30 1995	Jun 15 1996
Turnover (Rm)	462,4	666,4	544,5
Operating income (Rm)	42,3	70,3	53,7
Attributable (Rm)	43,9	57,3	53,7
Earnings (c)	121	157	147
Dividends (c)	24	88	29

Mining house will invest R45m in Mozambican operation

Anglo to rehabilitate nut factory

(186) CT(MR) 7/8/96

By James Lamont
INDUSTRIAL EDITOR

Johannesburg — Anglo American is undertaking a R45 million rehabilitation of the Mocita cashew-nut processing factory at Xai-Xai in Mozambique that it recently regained control of

The factory has lain dormant for the last six years It will go into operation in the first quarter of next year with an initial capacity of 8 000 tons of raw nuts a year. The factory will export 1 500 tons of processed cashew nuts a year, worth about R33,5 million, principally to European markets

Capacity can be increased to 11 000 tons without significant further expenditure, depending on crop availability The factory is the largest of the four active cashew plants in the country Mozambique exported 25 000 tons of raw cashew nuts in 1995-96

The South African mining house is the majority shareholder of Mocita It will receive a R13 million loan from the Commonwealth Development Corporation to revive the plant

David Morley, the development corporation's southern Africa director, said that his organisation would not lend money to Anglo American for its operations in South Africa, but was happy to support Anglo's first venture in Mozambique

Anglo regains control of plant that has lain dormant for past six years

"Our issue is not the size of the balance sheet, it is whether we can add value from covering the political risk," he said

Mozambique joined the Commonwealth at the end of last year During Mozambique's civil war the Frelimo government wrested control of Mocita from Anglo But Anglo American resumed management responsibility in 1994 after a decade of state control

All the production from the factory will be exported, at first as a commodity to European markets, but consumer pack sales will later be targeted at the South African retail market A kilogram of unprocessed cashew nuts costs R2,25 A processed kilogram costs $22 It takes 5kg of unprocessed nuts to produce 1kg of processed nuts

Morley said that buyers in export markets were insisting on cashew nuts being traceable to the production source

"The issue is becoming particularly important in the European market as restrictive legislation relating to health and safety is being put in place

"Mozambique will have a distinct competitive export advantage compared with Indian producers, who process nuts taken from a wide range of sources, which are often not identifiable in the final product

"The idea is to use the factory as a name of origin and guarantee consistent quality," Morley said

Board launches a new probe of Kolosus deal

BD 16/8/96 (186)

Jacqueline Zaina

THE Competition Board has launched a formal investigation of food and tanning group Kolosus Holdings' takeover of Silveroak Industries — almost nine months after approving the deal

Group MD Tito Vorster said yesterday it was disconcerting that the board had not requested his response before launching the investigation, particularly as it had approved the deal in January, after a four-month probe

He said that the takeover was now "irreversible" with businesses merged, plants closed, and almost 600 employees retrenched

"The board's decision is surprising considering its initial judgment that the deal did not unduly impede competition," he said

The regulator had given Vorster 30 days to respond, but had failed to forward a copy of the complaint, which had come from a player in the automotive leather industry

The board said it would look into whether Kolosus constituted a monopoly and whether any act or omission on the part of the group subsequent to the takeover — involving actual or potential competitors — could be regarded as restrictive practice in terms of the Competition Act

It invited the public to submit written representation on the matter within 30 days

Vorster said he failed to see how the situation could be remedied if the board now reached a different finding

He said it was odd that the complaint should have emanated from the automotive leather industry, which was one sector to have remained unaffected by the takeover

Vorster suspected, however, that the complaint had been lodged by a disgruntled business partner within the industry

The group was one of six players in the sector, and although it had recently decided to increase its production of car seat leather, could not be said to enjoy an unfair competitive advantage in this area, said Vorster

It expected to earn 60% of income from its leather business in the current financial year, after having divested itself of its fresh carcass business

Kolosus's attributable earnings slipped to R14m (R46,3m) for the year to May, on sales of R1,8bn (R1,4bn)

Kolosus strips and sells Silveroak

BD 21/8/96 (186)

Adrienne Giliomee

FOOD group Kolosus has quietly stripped Silveroak Industries of assets and sold it after the subsidiary was landed with a $100m damages claim from its former US partner.

MD Tito Vorster said yesterday that the R1,8bn-a-year group, currently facing a Competition Board probe of its takeover of Silveroak, had taken most of the leather-making subsidiary's assets and sold what remained to a consortium led by his brother Henry, who chairs Mercantile Bank.

The move — which Vorster dubbed "strategic" — followed the lodging of a claim against Silveroak by US automotive leather group Seton four months ago in the International Court of Arbitration in Paris. Seton claimed that its joint venture with Silveroak's Ladysmith Leathers in 1994 faced competition from Kolosus subsidiary King Tanning. The two groups had agreed, when Silveroak was owned by German investor Claas Daun, not to compete. However, Kolosus bought 89,9% of Silveroak from Daun last August.

The US group, which supplied leather to Chrysler, Mercedes-Benz and General Motors, complained to the Competition Board, prompting the new probe It also lodged a civil suit against Vorster as director of Ladysmith Leathers and MD of Kolosus.

Vorster said stripping Silveroak was not linked to the damages claim. "Silveroak and Kolosus were mirror images of one another. We had to close some plants and move business to others. In most instances the technology was more advanced at Kolosus and this made the move to incorporate the assets with Kolosus an obvious one."

The remnants of Silveroak were thought to be worth about $12,5m. Seton still had an option to buy it.

Nine months after clearing the Silveroak takeover, the Competition Board said last week that it would investigate the deal. "It is not so much the acquisition of Silveroak that is of major concern but certain of the downstream activities affected by it," board chairman Pierre Brooks said.

Vorster said Seton had not yet submitted documentation to back its $100m claim. Silveroak had met its contractual agreements. "Ladysmith had not made a profit before our involvement but moved into the black when we became involved," he said. "It would be unfair of Seton to argue that we inflicted any damage on Ladysmith's performance." Kolosus had proposed merging the joint venture into Kolosus, but Seton had blocked this.

COMPANY

US company accused of trying to stifle international competition

Kolosus-Seton war hots up

(186) (485) CT(BR) 22\8\96

By Stuart Rutherford

Durban — Kolosus Holdings, the South African food group, yesterday claimed that the international row between it and the US automotive leather company Seton was the result of Seton's attempts to keep it out of the international market

Tito Vorster, the managing director of Kolosus, said Seton was not aiming to protect its local business, but to stop Kolosus from competing against it internationally

That claim is the latest blow in an international battle between the two The clash stems from Seton's allegations that Kolosus-owned King Tanning is deliberately destroying co-owned Ladysmith Leathers in order to take its share of the automotive leather industry

Last year, Kolosus took over Silveroak, the company that jointly owned Ladysmith Leathers together with Seton, for R106 million

"South Africa's competitive advantage as a result of the weakening rand and the influx of new car manufacturers has made the country a threat to Seton's international trade," said Vorster

Robert DeMajistre, the vice-president of Seton, yesterday dismissed these claims as nonsense He said Seton was one of the two largest automotive leather suppliers in the world and did not consider Kolosus a threat

He said their primary concern was to protect their state-of-the-art technology from Kolosus because it was substantially better than that used by the local group

Vorster based his claim on Seton's alleged proposal that Kolosus should "donate" a 70 percent interest in Ladysmith Leathers and a 50 percent interest in King Tanning to Seton without compensation and on the understanding that the local company should not compete with Seton internationally

In turn, Seton would withdraw its fierce assault upon Kolosus, according to the alleged proposal

"Seton's attempt is clearly aimed at preventing Kolosus from competing against it internationally and its main aim is not to further its local business, but to protect its American business"

DeMajistre said the proposed settlement was for a 50 percent stake in both Ladysmith Leathers and King Tanning, after which the plan was for two companies to be merged

He said the only reason for this proposal, which was subsequently rejected by Kolosus, was that it made "economic sense"

Seton is one of the two biggest suppliers in the world of automotive leather and its projected turnover for this financial year is $450 million

Concerning Kolosus' claims that it was not aware of the agreement between Silveroak and Seton in terms of which Silveroak would not compete with Ladysmith Leathers at the time of the takeover, DeMajistre said it was incumbent on Kolosus to have found out what agreements existed before they took over Silveroak

Irvin and Johnson's profit gets a battering

(186) CT (BR) 23/8/96

By Audrey d'Angelo

Cape Town — Irvin and Johnson's (I&J), the fishing and frozen foods company, posted yesterday a 31 percent fall in earnings in the year to June 30. The fall comes after disappointing hake catches in Namibian waters, the sale of an under-performing wholesale company in Australia and a shortage of some vegetables and chicken

The directors said that improved supplies and export sales resulted in a stronger performance in the second half of the year

The dividend has remained unchanged 10c a share, but on a reduced cover of 1,8 times earnings. Operating profit fell 9 percent for the year after falling 27 percent in the first half

Earnings were 15 percent lower at 24,3c a share before exceptional items from 28,7c for the same period last year After the exceptional items earnings were 31 percent lower at 18c (26,2c) a share.

The exceptional items included a write-down of R14 million on the investment in the Namibian Kuiseb Fish Products and a loss of R3,6 million on the sale of the Australian subsidiary

The interest bill rose by 4 percent to . R20,3 million (R19,6 million) and income from investments fell by 24 percent to R10,6 million (R14,1 million)

The tax bill eased 8 percent to R20,7 million (R22,5 million) but after-tax profit fell to R51,9 million (R75,4 million).

KOLOSUS IN AUTO LEATHER INDUSTRY FURORE

SKINNED ALIVE?

186

FM 23/8/96

Silveroak, the company acquired last year by meat and leather group Kolosus, faces a US$100m-plus claim for breach of contract in a bitter row for dominance in SA's R900m/year automotive leather industry

The action is being brought by US automotive leather giant Seton at the International Court of Arbitration in Paris The major portion of Seton's annual revenue (projected $450m in financial 1996) comes from the sale of automotive leather One of the two biggest players in the world, the company supplies all global leather requirements for Chrysler Other customers include General Motors, Mercedes-Benz, BMW and Nissan

Pennsylvania-based Seton bought into a 50-50 joint venture in SA in 1994 but found itself in a nightmare situation when the joint venture's parent, Silveroak, was sold to JSE-listed Kolosus last September Kolosus owns 100% of one of Seton's main SA competitors, King Tanning

Seton is also preparing an action against Kolosus in the US courts

Seton came to SA in September 1994 Four months earlier, the company entered the European automotive upholstery business with the acquisition of Lindgens, a German company which is one of the largest upholstery suppliers to Mercedes-Benz Mercedes, hit by 61% duty on vehicles it imports into SA, wanted to reduce this by building up export credits from components made in SA In the 50-50 joint venture, Seton bought into Silveroak's upholstery facility, Ladysmith Leathers, spending $5m in its purchase and upgrading

When the venture was formed, Silveroak and Seton signed reciprocal covenants restraining them from competing with each other

However, in a bombshell development in late August 1995, German investor Claas Daun sold his 89,9% stake in Silveroak to Kolosus for R94,6m

Kolosus Group MD Tito Vorster and King Tanning MD Pieter Brand were appointed to the Ladysmith board Both are also on the board of Ladysmith's rival, King Tanning

At the time, the Competition Board approved the takeover But last week the board announced it was launching a new investigation to establish whether the Kolosus acquisition of Silveroak had created a monopoly

In a separate action, Seton has filed affidavits in the Transvaal Supreme Court, charging Vorster and Brand with being in breach of their fiduciary duties, by sitting on the boards of competing companies

Seton is applying to the court for an order to prevent Kolosus from

- Passing on confidential Ladysmith pricing and cost structure information to King Tanning,
- Operating a secret two-tier price structure whereby hides supplied by a Silveroak subsidiary were sold to King Tanning cheaper than to Ladysmith

Tito Vorster won't be bullied

Seton vice-president and Ladysmith director Robert DeMajistre says "Despite assurances by Vorster that he would never compete with the joint venture, King Tanning started engaging in various restrictive practices which amount to unlawful competition These intensified, involving the main customers and prospective customers of Ladysmith such as Mercedes-Benz, BMW, Opel and Rover "

Papers filed by Seton with the Supreme Court recount how Ladysmith's marketing director was instructed by Vorster to share confidential price information relating to its major customer, Mercedes-Benz, with King Tanning This, claims Seton, enabled King Tanning to put in a lower quote for Mercedes business

In Germany, Claas Daun, who chairs furniture group Morkels, reveals that he has had a "bit of a struggle" getting the R94,6m payment for his Silveroak shares from Kolosus "We tried to settle this fight outside the courts and only a small amount is still outstanding "

In a final twist, it appears that Kolosus has quietly disposed of Silveroak When they met in Paris at the start of the arbitration case on July 30, Vorster told DeMajistre that Silveroak, whose only asset is the Ladysmith joint venture, had been sold to an unidentified group of investors that includes Tito Vorster's brother, Henry, who apart from chairing Mercantile Bank, is attorney to Kolosus

Though much was made of the Silveroak takeover by Kolosus when it announced disappointing results on August 5, news of its apparent disposal was not imparted to shareholders

As the *FM* went to press, Tito Vorster maintained that Kolosus sold Silveroak to an investment group in May "Silveroak is not a subsidiary company of Kolosus and Kolosus is not affected by this $100m claim," he says

Why was the sale not disclosed to shareholders or mentioned in the Kolosus results? "It was a small transaction We had stripped all the businesses out of Silveroak, apart from the joint venture, and incorporated them into our own businesses "

Vorster declares that Seton's allegations filed in the Supreme Court are "patently untrue" and of "no substance " He adds "They want to take a controlling interest in our business in the automotive industry in SA and they're trying to prevent the joint venture from competing against them worldwide I'm not going to be bullied by these people "

Seton responds "As far as we are concerned, Silveroak was and remains a subsidiary of Kolosus " *Jack Lundin*

NE

Competition Board to consider laying charges of price collusion

Nampo accused of price fixing

(18b) CT(BR) 18/9/96

By Nancy Myburgh
MARKETS EDITOR

Johannesburg — The Competition Board and officials from the Animal Feed Manufacturers' Association (AFMA), which includes the Tiger Oats group, will meet next week to discuss the possibility of laying charges of price collusion against the National Maize Producers' Organisation (Nampo)

Pierre Brooks, the board's chairman, said yesterday that he would have a "preliminary, exploratory" meeting with AFMA

Allegations of collusion made by the association will be a crucial test for the board

Recent charges of collusion against banks, which were later unsuccessful, have led to criticism of the competition legislation

New allegations of collusion raised with the board could influence any contribution it may make to the new competition legislation This is expected to be tabled in parliament next year, according to Brooks

Feed producers have been angered by what they saw as Nampo's efforts to drive up prices of maize

"We have copies of speeches and press releases by Nampo stating that farmers must deliver all their maize to the Maize Board export pools (rather than sell it on the domestic market), so the market can be in short supply and domestic prices can be kept higher," said Graham Ebedes, the chairman of AFMA

The government allowed private exports of maize for the first time this year, in addition to exports by the Maize Board from its "export pools" Farmers could deliver maize to the pools for export later by the Maize Board itself, and the board guaranteed a floor price that farmers would realise

Though South Africa recorded a bumper maize crop this year, there was a shortage of locally produced maize to be sold to the domestic market, according to John Wixley, the head of the agricultural markets division at the South African Futures Exchange (Safex)

'Nampo is a farmers' advisory body. It does not buy or sell any maize'

"There is definitely a shortage of yellow maize There is also a small shortage of white maize," Wixley said

Nampo officials have denied collusion "Suddenly now there is not enough cheap maize available and (maize buyers) want to complain to someone They are looking to the government to force prices down," said Kit LeClus, the manager of research at Nampo

World maize prices skyrocketed earlier this year as a result of a record-breaking drought in the US and a shortage of maize in that country

Japie Grobler, chairman of Nampo, said there was no case for collusion against the producers' body, as it was a farmers' representative and advisory organisation

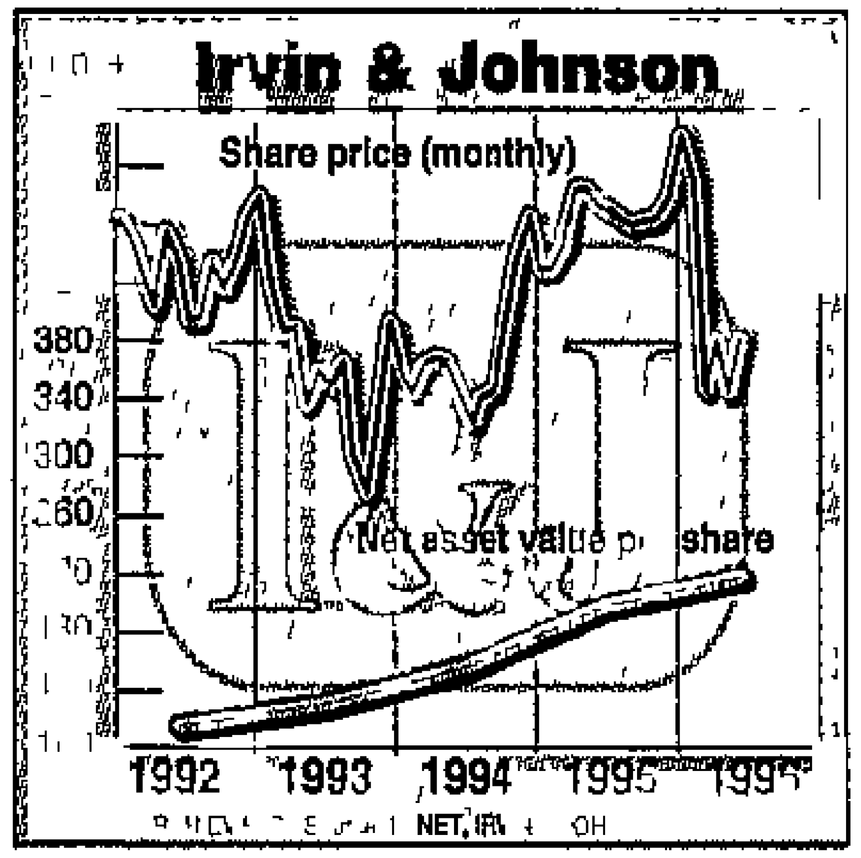
"Nampo doesn't buy or sell anv maize," Grobler said

SA's biggest sugar producer expects substantial profit growth

KLM and SAA do

I&J to give employees 9% stake within 10 years

(186) BD 26/9/96



Jacqueline Zaina

IRVIN & Johnson plans to implement a share incentive scheme which could result in about 9% of its share capital, worth R100m at current market value, being held by employees within 10 years

Financial director John Morrison said yesterday the first tranche of 6,4-million shares to be issued in November would give employees a 2,2% stake in the group worth about R25m

Anglovaal Industries' interest would be reduced 1,5% to 66,3% in the first phase of the offer, but could be cut by up to 6% over the next10 years.

Morrison said the share issue — still subject to shareholder approval — would be repeated at three year intervals and depending on whether the employee profile remained the same, could see employees increasing their stake to 9% over 10 years.

Employees who have been with the company for over two years qualify for shares which are held in trust for five to ten years at which time they can be bought at a 5% discount to the market price on the day of the offer

Morrison said I&J wanted to give its employees an incentive to become involved in adding value to the company and benefit from any increase in the value of the shares. "The main reason for the scheme has been to align shareholder and employee aspirations more closely and to establish a reward system for loyal employees "

The company has increased its authorised share capital 19,3% by issuing 77-million additional shares to accommodate the scheme. Several fishing companies have recently launched similar schemes to raise their black empowerment profiles Premier Group subsidiary Premier Fishing last month transferred 20% of its shares to employees

The industry is waiting for new fishing policy from government which is expected to reduce the quotas of established companies in favour of those previously excluded on racial grounds.

Employee share schemes are seen as a proactive way of safeguarding fishing quotas by incorporating "previously disadvantaged groups" into the shareholder structures

I&J chairman Jan Robbertze said in the group's annual report that it was important that government implemented a policy that would encourage long-term investment in the industry.

I&J reported a 31% drop in attributable earnings to R52m in the year to June on turnover of R2,2bn, 5% higher than the previous year.

Earnings before exceptional items fell 15% to 24,3c a share

Small exporters can food giants for delays

(186) CT (BR) 4/10/96

FRANÇOISE BOTHA

Cape Town — Irregular and obstructive trading practices by South Africa's food giants have cost South Africa billions in exports, the Independent Exporters' Association (IEA) said yesterday

Ebrahim Mallie, the association's spokesman, said that key listed and unlisted fruit and food companies had cost the country dearly through irregular and obstructive trading practices

The IEA, which is calling for free market competition, claims that the companies involved include Langeberg Foods, Unifruco (Cape Fruit Juice), I&J, Ceres, Royal Delmonte, Flavo Foods and Bonnita

Mallie said the companies had inflated prices to such an extent that South African produce could, in some cases, be bought 44 percent cheaper from wholesalers overseas than from the local producer

Export deals which have been scotched include an order for 1,7 million tons of frozen vegetables worth more than R8 billion, a more than R40 million fruit juice order placed by the Malaysian government and orders for fruit juice, canned fruit and vegetables by the ministries of defence of Oman, Saudi Arabia and Jordan, collectively worth more than R70 million

The exporters have also had a potential order, worth more than R2 billion over a five-year period, to supply cooking oil, maize, frozen fish and chicken, milk powder and red meat to Jordan

While the IEA had offered to deal through the various companies' agents, the names of the foreign agents had been withheld, Mallie said

"Because of the hold-ups by Koo Langeberg, it took us four years and six months to export one container of canned fruit to the Middle East Prior to the container leaving, Koo Langeberg changed the letter of credit four times and then delivered 69 cases short.

"They did not have the decency to call us and tell us this Instead, we had to hear it from the importer," said Mallie

Andries van Rensberg, the managing director of Langeberg, said the company, which exports about R400 million of fruit a year, had borne the costs of the changes to the letters of credit, which were required because of mistakes made by the importer

Speaking about the price differentials, Van Rensberg said, "I am not aware that there are any big differences in prices I cannot comment because a dumping charges case is in the process is being reviewed"

IRVIN & JOHNSON

DECLINING PROFIT MARGINS CHALLENGE MANAGEMENT

(18b) FM 11/10/96

Major decision looms on Namibia

Irvin & Johnson (I&J)'s disappointing results over the past four years has dispelled the blue-chip image it earned for itself until 1990

At about that time, I&J's management realised the company had to change its fundamental strategic direction Whereas fishing had been seen as the core activity, the emphasis had to move towards becoming an added-value food supplier

Since then, I&J management has made much progress in creating this strategic change Earnings are again poised for sustainable growth

For I&J to create investor confidence that it is on the road to recovery, it has to surmount four major challenges

The first involves its stake in the Namibian fishing industry I&J absorbed a R24m loss from this source in 1996

Next, because I&J's sales and distribution division is its largest turnover division, it is vital that Rainbow Chicken, its most important customer, recovers the market share that it lost in the past four troubled years

Volumes of chickens delivered by I&J on behalf of Rainbow have dropped significantly I&J needs to reduce its reliance on Rainbow

Third, I&J's drive to become an internationally accepted, value-added supplier needs to be strengthened

The fourth challenge embraces the first three Since the beginning of the decade, profitability has been falling Return on equity is down to 8% from 30% in 1989, return on capital to 10% from 22,6% in 1989 Pre-interest margin fell from 9,4% in 1989 to 3,7% Management has to arrest these declines and improve margin and overall returns

Until the end of the Eighties, I&J caught fish, processed the catch and traded locally and internationally During the Eighties, the company had to develop innovative approaches to build up international trade The then group MD Jim Williams proved resourceful his efforts paved the way for I&J to make the strategic changes he helped conceive with current MD Roy Gordon

Roy Gordon

In the early Nineties, a prepared food division was producing value-added products but it was in its infancy These products were considered to be good but much progress was needed before economically significant volumes of quality could be produced to compete on international markets

Implementing the value-added strategy involved having the foresight necessary to plan the changes and courage — huge capital expenditure over a protracted period was necessary Holding company Anglovaal Industries supported the proposals

Upgrading the group's fleet and its shore-based fish processing factories started in 1994, along with new developments (the R40m French fry initiative started in 1993) and the upgrade and expansion of its vegetable processing plants From then until the end of the 1996 financial year, capital expenditure absorbed R441m

During the difficult years of the mid- to late-Eighties, I&J established a European marketing office in Monte Carlo, bought, through a pyramid company, a controlling interest in a fish and food marketing organisation in Australia, increased the company's stake in the white fish industry in Namibia and reorganised I&J's farming and vegetable processing in SA

Williams retired and MD Roy Gordon took over in early 1995

Problems at Rainbow Chicken continued to bruise I&J's revenues Cheap chicken imports captured market share when gross domestic product growth was low and consumer disposable income even lower

Hake prices in Europe fell sharply and export revenue from European sales dropped as margin was squeezed In SA, hake prices fell because of plentiful supplies from Namibia

I&J's margin — and operating profit — deteriorated In 1992 operating profit was R107m, almost the same as 1989's R103m The following year, operating profit fell 22% to R84,2m, only marginally higher than in 1988 (R82,2m) One difficulty after another has since curbed profits

This was reflected in the falling share price From 1978, for 15 years, I&J's price had risen at a compound growth rate of 37% a year It went from the equivalent of 4c at the start of 1978 to 470c at the end of 1992 It reflected a solid earnings growth record and the enthusiastic support of JSE investors

In February 1993, that trendline was broken and the price fell to a low of 280c by the year-end By early 1996, it had re-

- **ACTIVITIES** *Procurement, processing and marketing of fresh and frozen foods*
- **CONTROL** *Anglovaal Industries 67,8%*
- **CHAIRMAN** *J C Robbertze MD R C Gordon*
- **CAPITAL STRUCTURE** *289m ords Market capitalisation R1bn*
- **SHARE MARKET** *Price 360c Yields 2,8% on dividend, 5,0% on earnings, p e ratio, 20, cover, 1,8 12-month high, 530c, low, 284c Trading volume last quarter, 4,9m shares*

Year to June 30	'93	'94	'95	*'96
ST debt (Rm)	19,5	6,2	22,0	7,6
LT debt (Rm)	76,2	70,2	61,8	91,7
Shareholders' interest	0,61	0,64	0,65	0,64
Int & leasing cover	5,5	5,1	6,4	8,3
Return on cap (%)	11,3	11,1	12,1	7,1
Turnover (Rbn)	1,65	1,77	2,12	2,23
Pre-int profit (Rm)	92,4	97,1	125,0	82,6
Pre-int margin (%)	5,1	5,5	5,9	3,7
Earnings (c)	196	217	287	†18
Dividends (c)	86	86	100	10
Tangible NAV (c)	1 388	1 604	2 042	†226

* Share split 10 1 in 1996, historical figures have not been adjusted † After exceptional items

covered and peaked at a new high of 530c. But since then it has slowly declined to the current 360c — zero growth for four-and-a-half years.

In this period, investor uncertainty about the company's prospects is aptly demonstrated by the share price's volatility between 530c and 280c. EPS were also capricious. They fell from 25,8c in 1992 to 18,7c the next year, advanced to 21,7c in 1994, 26,2c in 1995 and then collapsed to 18c in 1996.

The latest earnings slide is attributable in part to an abysmal fishing season in Namibia and to a loss on disposal of a wholesale business in Australia.

I&J's seafood division is supplied almost entirely by the group's large fleet of trawlers. In Namibia, it is involved in a joint venture with Kuiseb Fish Products which lost R24m in 1996. As a provision, I&J accounted for 100% of the loss while holding 49% of the equity.

Kuiseb is the only Namibian hake fishing company with a major factory that does not have a freezer quota. Catch rates for wet fish trawlers out of Walvis Bay were poor and because the company was not permitted to freeze its catch, it was unable to fish farther afield — hence the large loss. In spite of multiple assurances from the authorities that a freezer quota will be granted, nothing has yet been forthcoming.

I&J is now faced with the option either of selling its fishing interests there and getting out of Namibia or getting even deeper into the industry by way of expansion or acquisition. Remaining in seems the sensible option particularly if, as they must do, the authorities value the returns from the industry's participants.

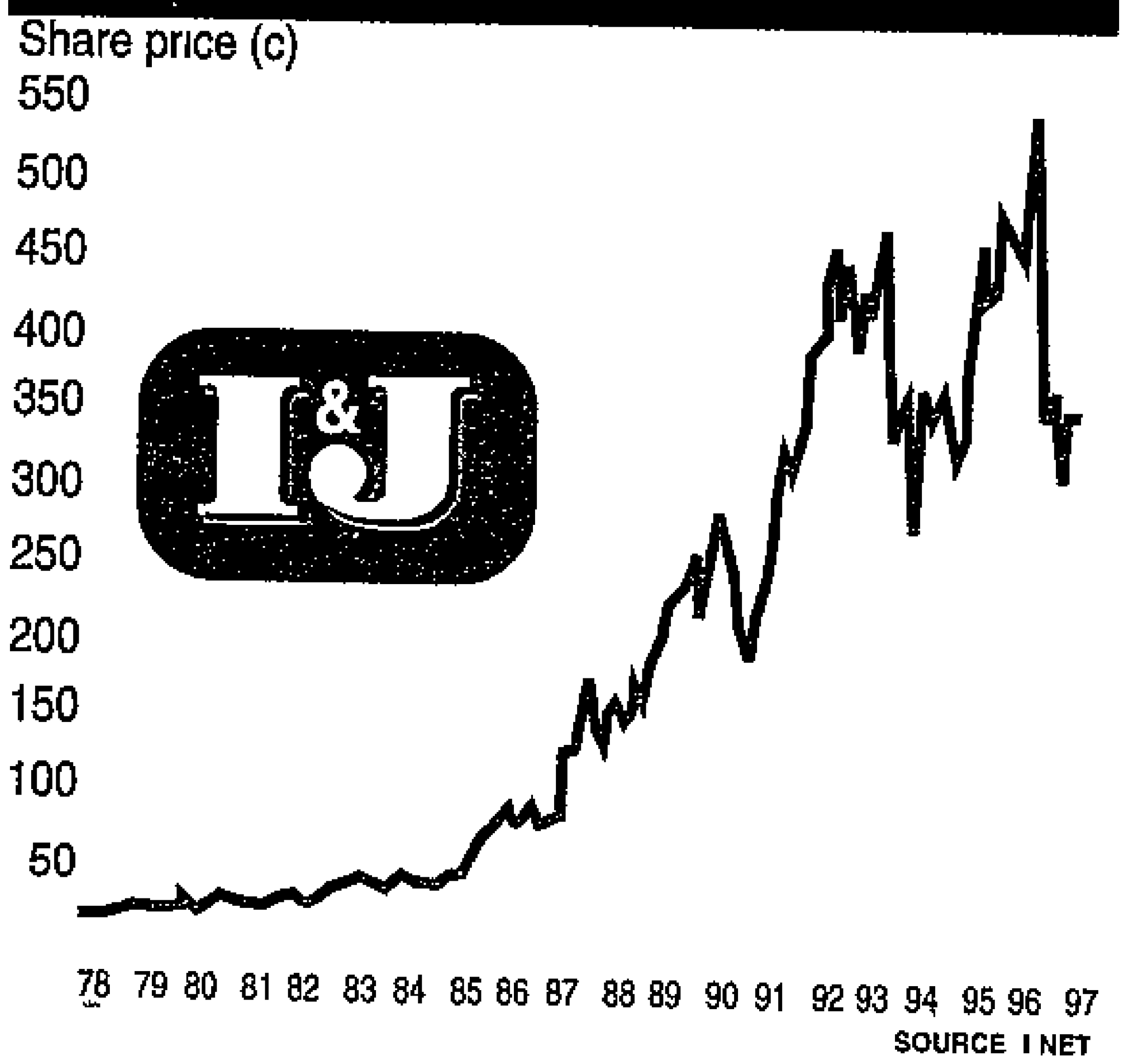
The 1996 Namibian hake season was a disaster. On the whole, though, the state of the hake biomass in Namibia is good and thought to be improving. Larger quotas are a possibility in the future. In SA, though, the hake resource is not expected to grow much, nor are future quota sizes.

At face value, because of its large, continuing capital expenditure on its fishing fleet, I&J's motivation to change its strategic emphasis may seem like lip service. But it still needs the raw material to process and produce its main added-value food — fish.

Instead of catching fish for trading, it is now catching it to supply its conversion process. And because management believes I&J can catch fish efficiently, control its supply and obtain the commodity more cheaply than it could buy it on the open market, it makes economic sense to pursue fish catching rather than exit from it.

Aside from other good reasons to do so

GROWTH FROZEN



(Namibia is a member of the Lomé Convention), this is a powerful motivation for extending rather than curtailing its Namibian interests.

Other products (like meat) could reduce the company's reliance on fish but it would be an evolutionary process.

In 1996 capital investment was a record R116m. The focus remains on upgrading production facilities and technology and attaining the objective of producing products to world-class standards in order to compete internationally. Benchmarking has now become common practice.

Fish processing and vegetable operations absorbed additional investment. The Delmas French fry factory is being expanded four years earlier than planned.

At a cost of R40m, four fishing vessels from former Soviet states were bought and refurbished for use in the horse mackerel fishing business off Namibia and Mauritania. Horse mackerel is consumed extensively in Africa as a source of cheap protein.

Offsetting a serious decline in traded volumes of horse mackerel, the company made good progress in penetrating additional hake markets in Europe. Its Australian investment failed to attain budgeted profits due to a tough retail environment and diminished availability of hake from SA. However, I&J's international sales were R486m and constituted 22% of group turnover.

Undaunted by difficult trading in Australia, I&J bought the entire share capital of the company that owns I&J Foods there. Until now, I&J Foods (Australia) has been a little known quantity in SA. It is a branded, value-added marketing company that offers exciting expansion opportunities in the Pacific Rim.

I&J Foods has been an important export client for hake from I&J in SA and has become a major participant in the Australian prepared foods market. It holds about 26% of the frozen seafood market and about 40% of the frozen hamburger market at retail level. Turnover was A$112m.

I&J's Foods' range of frozen products, packaged with the same logo used in SA and including many prepared dishes not yet available here, is familiar throughout Australia.

In SA I&J also increased its holding in I&J Zimbabwe to 77,5% with a view to increasing its activities in that country.

The sales and distribution division (1996 turnover R1,15bn) substantially improved performance on the supply side in the last quarter of 1996.

I&J has repositioned its productive assets. New product ranges made possible by the latest technology will enhance earnings potential. Its strategies are more focused. Its overseas trade, particularly in branded, added-value goods, offers exciting international opportunities with hard currency earnings.

As chairman Jan Robbertze says: "Subject to fishing quota stability, a recovery in Namibian operations and improvement in chicken supplies recently evident, the company is well positioned to grow its profits in the current year."

Because I&J's EPS base is now so low, its immediate recovery potential is high. EPS (after exceptional items) in 1997 should be at least 20% better — probably more. Also, strenuous efforts are being made to achieve a 20% return on shareholders' funds. Margin must then rise to about 8%.

That is unlikely to be attained in one year. But management's enthusiastic pursuit of the goal suggests results could improve for some time. *Gerald Hirshon*

I&J introduce limited share incentive scheme

~~FISHING~~

MAGGIE ROWLEY (186)

Cape Town — Shareholders of Irvin & Johnson, a fishing and food group, have approved a share incentive scheme

Employees will be given a 9 percent stake in the group over the next 10 years At current market value this stake will be worth around R100 million

The first tranche of 6,5 million shares to be issued next month will put 2,2 percent of the share capital in the hands of employees This is worth about R23,2 million

The scheme is less generous than similar schemes that have been introduced

Shareholders at the annual meeting on Friday approved an increase in the authorised ordinary share capital from 323 million to 400 million shares This would facilitate the implementation of the scheme

The scheme, which follows the 10 for 1 share split in June, is open to all employees with more than two years' service

Roy Gordon, the managing director, said conditions had improved in the first quarter on both the supply side and international markets

Exports and the value added sector on the food side were growing, he added This puts the group on track to show real earnings growth for the year

Kuiseb Fish Products, a joint venture, posted a R24 million loss last year Negotiations were under way with the Namibian government to convert its wetfish quotas to more profitable freezer quotas

"A lot will however depend on timing," said Gordon

CT (BE) 14/10/96

SA chocolate sold to Saudi Arabia (186)

SALES of Kit Kat chocolate bars soared dramatically yesterday when 2-million bars were flown from Johannesburg International Airport to Saudi Arabia.

A Saudi Airlines jet, with a constant internal temperature of 12°C to 15°C, was specially chartered for the trip.

Saudis are among the world's leaders in per capita consumption of chocolate. The consignment was described as a major breakthrough for trade relations between SA and Saudi Arabia

REPORTS: Business Day Reporter, Reuter, Sapa

BD 17/10/96

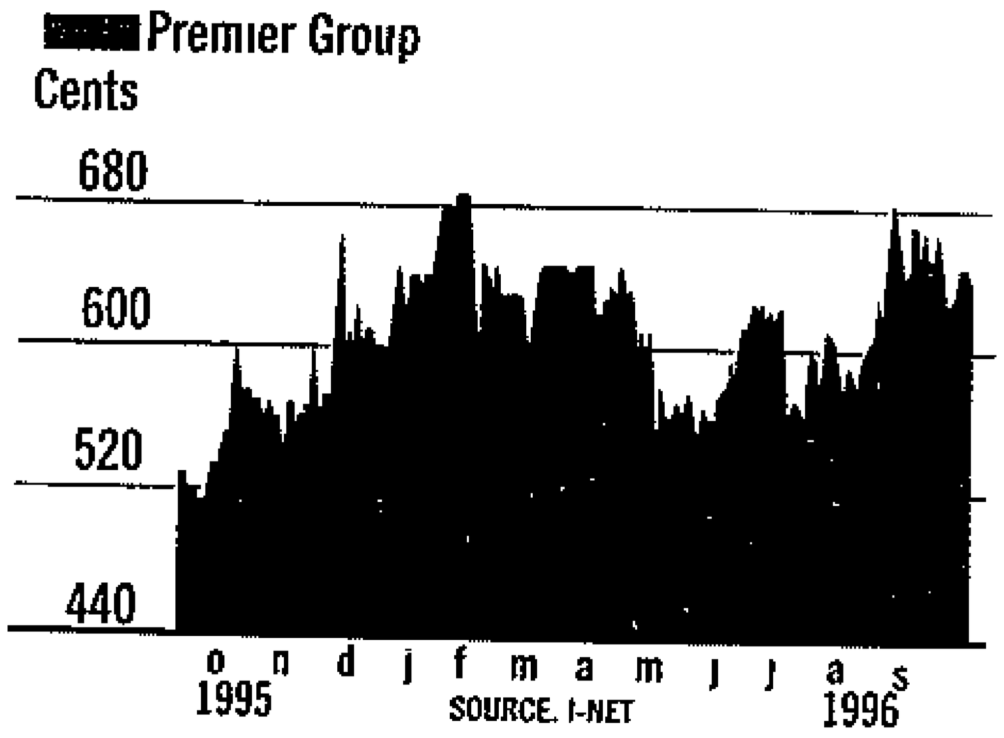
PREMIER GROUP (186)
FM 18/10/96

FOCUSING ON TRADING

Much progress has been made since chairman Doug Band released the bleak results of 1995 about 15 months ago

These revealed severe deterioration in the trading performance of unlisted subsidiaries Premier Foods and United Pharmaceutical Holdings (UPH) as well as the huge rise in borrowings at the centre

In the 1996 year, Premfoods' trading profit recovered — off a low base — by 70% or R63,8m and UPH made a R9,4m profit after losing R15,6m the previous



FINANCIAL MAIL · OCTOBER 18 · 1996

- **ACTIVITIES** *Food, pharmaceuticals, wholesaling and distribution, retail, entertainment and leisure*
- **CONTROL:** *Liberty Life and Johnnic*
- **CHAIRMAN.** *D Band*
- **CAPITAL STRUCTURE·** *843,8m ords * Market capitalisation R6,15bn*
- **SHARE MARKET.** *Price 654c Yields 1,9% on dividend, 4,6% on earnings, p e ratio, 21,8, cover, 2,4 12-month high, 722c, low, 510c Trading volume last quarter, 15,8m shares*

Year to April 30	'93	'94	'95	'96
ST debt (Rm)	283	543	1 562	877
LT debt (Rm)	125	257	146	90
Debt equity ratio	0,14	0,25	0,19	n/a
Shareholders' interest	0,47	0,36	0,42	0,53
Int & leasing cover	12,4	7,0	3,4	7,5
Return on cap (%)	11,7	13,1	5,4	14,5
Turnover (Rbn)	10,15	14,43	15,1	16,0
Pre-int profit (Rm)	439	653	421	1 114
Pre-int margin (%)	4,3	4,5	4,2	^ 4,9
Earnings (c)	28,3	31,4	25,2	30,0
Dividends (c)	9,4	10,5	10,5	12,5
Tangible NAV (c)	159	110	139	222

* Before R451m rights issue held after year-end

year The group balance sheet has been strengthened through assets sales which brought in more than R400m and the R451m rights issue held after the financial year-end

Though the consolidated balance sheet shows large cash balances (R1,2bn at the latest year-end), a radical reduction in debt was essential because most of the cash was in the listed subsidiaries such as 62%-held Metcash and Prempharm (57%)

The latest step in the restructure was this week's announcement that Prempharm is to be merged with Tiger Oats subsidiary Adcock Ingram That leaves Premier with a 27% stake in the merged entity which would have a combined market capitalisation of about R5,6bn (see *Leading Articles*)

With borrowings slashed, management is able to concentrate more on trading If the group is to produce sustainable and attractive earnings growth, there will have to be continuing improvement in returns from Premfoods

This company accounts for roughly 27% of Premier's total assets but after interest payments made no contribution to headline earnings — though its trading profit was 20% of the group total

After its rebound in the 1996 year Premfoods achieved a trading margin of 4,7%, giving an operating profit of R154,3m on sales of R3,25bn That was still well below the 5,3% achieved only two years ago, when the profit was R182,9m

On the group's own figures, Premfoods' return on capital employed last year was a thin 12,1%, less than the targeted 14,1% and far below the figures attained in all other divisions While this continues it weakens any argument for investing in Premier Group rather than in its listed subsidiaries It also lends support to those who contend that now the group has been recapitalised it should be unbundled — as happened at the end of the Eighties when the 36% interest in SA Breweries was removed

Numerous steps have been taken in Premfoods Policy differences with Rainbow Chickens resulted in the investment in Epol being sold for R102,4m through the exercise of a put option

Edible oils division Epic Foods, which has long been losing money, saw the closure of the Isando oil refinery and the Western Cape crushing plant, the dissolution of the National Margarine joint venture, elimination of loss-making or unacceptable margin products, and introduction of new, higher-margin branded products

Premfoods CE Ian Heron says Epic Foods is now breaking even after a trading loss of R15m in 1996 and he expects its profitability will continue to rise


Doug Band

Two other areas of management focus at Premfoods are new products and distribution costs and efficiencies "The company has been slow to introduce new products in the past," says Heron "We are being more innovative and paying more attention to niching our products and adding value to our existing ranges"

Premier Milling has reduced its business regions from 11 to four and Heron says its "whole distribution structure is in the process of rationalisation" He adds that "challenging targets have been set and are being continually reviewed"

There is overcapacity in some markets such as baking That is partly why management is concentrating heavily on costs as a route towards improving margins Heron says Premfoods is now "well on the way" towards an improving trend in its overall margin

Most of the other group companies performed well Listed food company Bonnita provided R37,9m or 15% of group headline earnings The largest contributor was Prempharm with R81,8m (33%), followed by Metcash with R76m (30%), CNA Gallo R29,1m (12%), UPH R15,3m (6%) and Teltron R11,5m (6%)

Aside from the work being done at trading level, the retirement of group debt will mean a huge boost to attributable earnings Thanks to the high liquidity in the listed companies, the group net interest cover is a comfortable 5,8 times — but gross interest paid was R217m Against this, EPS will be calculated on greatly enlarged share capital

The market has already recognised the favourable developments Last month the share price reached 722c, well above the 450c seen in July last year

However, at the current 654c, the earnings multiple is above 21, which makes the stock look fully priced for now *Andrew McNulty*

Foodcorp results 'should be in line with forecasts'

Edward West (186) BD 21\10\96

MALBAK-controlled Foodcorp would report earnings growth of 12%-14% in the year to end-August, in line with earlier forecasts and in spite of weakening consumer demand, analysts speculated at the weekend

The branded food and commodity group's share ended at R37 on Friday, having gained 430c or 13,2% so far this month. It peaked at a 12-month high of R40 in February, and has recovered from a low of R25,40 reached on May 5.

Foodcorp reports its year-end results this week Analysts attributed the higher share price this month to expectations of good results, which, one commented, were relative to market conditions. At the interim stage earnings rose only 4% to R60,3m compared with the corresponding period the previous financial year

Analysts expected the milling businesses, including the Ruto flour and maize mill in Pretoria and Sunbake bakeries, to have performed well over the 12 months Results from the Cold Chain division and Enterprise, both partnered with ICS Group, were also expected to be good

Foodcorp's meat operations had been scaled down "dramatically", while Simba was expected to show good growth despite the sale of Simba in a joint venture with Pepsico Foods International Comment could not be obtained on speculation that Pepsi could be vying for a bigger stake in the group

Malbak acting CE Peter Benningfield said a number of "interests" had registered to buy stakes in the unbundling of Malbak, particularly in the unlisted companies, but shareholdings of more than 35% would probably be offloaded to Sanlam

Food distributor sold to CIC Holdings

Restructuring gets going at Tongaat Hulett

(186) (3) SUGAR

SHIRLEY JONES
KWAZULU NATAL EDITOR

ST (BR) 28/10/96

Durban — The sale of Tongaat Foods Distributors for R16 million to CIC Holdings', the investment holding company which was listed on the Namibian stock exchange in May, was part of a much wider restructuring strategy at Tongaat Hulett, at its former parent

Tongaat Hulett, the consumer and industrial holding company, said on Friday that the sale was part of a strategy which would allow the group to focus more closely on its core operations, concentrate on transforming certain key businesses into core businesses and dispose of "bits and pieces" which did not fit in with the company's plans

At an investment presentation in July after the release of the group's results for the year to March 31, Cedric Savage, the group managing director, said the group's sugar, aluminium, starch and glucose and property interests had been defined as core businesses boasting strong market positions and with the potential for sustained profit growth

Key businesses which had the potential to become core businesses, but still lacked one or more crucial ingredients were Corobrik, Tongaat Hulett's textile arm David Whitehead, and CPC Tongaat Foods of which Tongaat Foods Distributors was the warehousing and distribution arm

A company spokesman said non-core businesses were those where Tongaat Hulett had decided not to invest any further as they did not fit into an envisaged future portfolio, as well as activities which could be competitively outsourced

The investment presentation identified Tongaat Hulett's cotton ginning operation, Tongaat Food Distributors and non-strategic cane farms as non-core operations

The sale of Tongaat Foods Distributors was initiated by CPC-Tongaat Foods with the group's blessing The spokesman said that the sale would enable CPC Tongaat Foods to become more focused on the local branded products and the international brands which it exported into sub-Saharan Africa

The division's turnover and its contribution to group profit slumped during the past financial year, but were expected to pick up this year with the launch of new products and as international marketing and research and development expertise took effect

The rationale behind the sale was that neither Tongaat Foods, nor its 50 percent joint venture partner CPC International, was able to provide specialised input to improve Tongaat Foods Distributors's competitiveness or grow the business

Langeberg's bottom line shows healthy growth

(186) CT(BR) 1/11/96

MARC HASENFUSS

Cape Town — Stronger margins helped Langeberg Holdings, the Tiger Oats fruit and vegetable canning subsidiary, to notch up strong bottom-line growth in the year to September 30

Headline earnings a share came in 32 percent higher at 49,7c, while a final dividend of 10,5c pushed the annual payout up 28 percent to 16c

Turnover rose a modest 11 percent to R960 million, but operating profit increased 23 percent to R110 million following improved trading margins of 11,45 percent (10,4 percent)

Nick Dennis, the chairman of Langeberg, said the company saw good growth in local sales volumes with the Koo and All Gold brands achieving further market share gains

He said the depreciation in the value of the rand and lower cost structures had also had a positive effect on profit

Dennis noted that Langeberg had experienced higher working capital requirements during the past year, but the company managed to stay in a net cash position at the year end

Seasonal funding requirements, however, saw the company move from an interest receiving to an interest paying position

He said Langeberg continued to rationalise operations in an effort to achieve low-cost production and global competitiveness

KOLOSUS (186)

HEMMED IN

FM 1/11/96

Group MD Tito Vorster describes financial 1996 as a watershed for Kolosus as it completed its transformation from a co-op into what he calls "a leading diversified industrial group that will satisfy the demands of not only the local, but also the international markets."

- **ACTIVITIES:** *Processes, markets and distributes meat products, produces leather and hide products*
- **CONTROL** *Vleissentraal Holdings 39,3%*
- **CHAIRMAN:** *J F Besselaar MD A T Vorster*
- **CAPITAL STRUCTURE:** *60m ords Market capitalisation R219m*
- **SHARE MARKET:** *Price 365c Yields 6,3% on dividend, 6,4% on earnings, p e ratio, 15,6, cover, 1,0 12-month high, 670c, low, 360c Trading volume last quarter, 856 949 shares*

Year to May 31	'95	'96
ST debt (Rm)	48,6	114 7
LT debt (Rm)	159,2	176,3
Debt-equity ratio	0,70	0,98
Shareholders' interest	0,47	0,38
Int & leasing cover	2,9	2,0
Return on cap (%)	9,8	10,7
Turnover (Rbn)	1,43	1,81
Pre-int profit (Rm)	61,9	82,5
Pre-int margin (Rm)	4,3	4,6
Earnings (c)	77,2	23,3
Dividends (c)	13,0	23,0
Tangible NAV (c)	491	492

It involved radical curtailment of operations in the highly cyclical wholesale fresh meat market and a redirection of resources into manufacturing activities

Equally important was the additional R186m investment in the leather industry through controversial acquisition of Silveroak Industries This, says chairman Hannes Besselaar, further enhanced the group's position as SA's leading leather producer, which in turn has promoted prospects for increased involvement in foreign markets

Vorster concedes that, short-term, the Silveroak deal has impaired both profitability and balance sheet structure Finance director Ronnie van Rensburg quantifies this with the view that Kolosus without Silveroak would have increased attributable EPS by about 20% instead of the marginal 3% improvement reported before exceptional items (mainly restructuring costs)

In the case of the balance sheet he notes that the group immediately after the takeover had borrowings of R380m, with debt equity ratio of 1,27, up from 0,70 at the previous balance sheet date

By year-end, and by the *FM*'s calculation, borrowings had fallen to R290m (net of cash) and the debt ratio was under 1 — still excessive, but materially better

Management are obviously confident the initial costs of acquiring Silveroak had largely been absorbed by year-end, and that from now on the benefits should flow as duplication of management and marketing structures are eliminated and production facilities rationalised This view presumably influenced the decision to pay out almost all 1996's net earnings (after exceptional items) in dividends

It is as well that Vorster and Van Rensburg have gone to considerable lengths to fill shareholders in on the effects of the Silveroak deal as the financial statements without this background are, at best, a mixed bag

Turnover and operating profit were up 27% and 33% respectively, but the benefits here were largely absorbed by higher interest charges which left pre-tax profit only R1m higher than in 1995 Headline earnings, as indicated earlier, reflected an improvement of only 3%

Profitability ratios were up across the board Apart from the improvement in trading margin, gross returns on total assets and capital employed were both higher though, at 10,7% and 14,1%, still leave something to be desired The same applies to ROE of 14,2% based on headline earnings from 13,8% previously

Negatives mostly relate to the balance sheet The unsatisfactory gearing position is acknowledged by Van Rensburg who notes that a rights issue is being considered — "but only at a stage when the share price of the group justifies it" The need is underscored by an interest cover which has dipped to a precarious two times, as well as the narrow debt cover (the ratio of cash flow to borrowings) of only 0,2

In both cases these ratios are well down on 1995 levels though, if the benefits of Silveroak flow though as expected, the next financial statements could look better even without a capital injection

Kolosus may well have found itself in a Catch 22 situation The financial position has clearly reinforced the downtrend in the share price which started around the beginning of this calendar year At 365c, the price is only 5c off its 12-month low which, in turn, reflected a 46% slump from the year's high It is also 26% below net worth which, by itself, makes a rights issue unviable unless one is desperate

The best action would probably be for the group to concentrate on consolidating its position to maximise performance of its existing assets — with luck it could find that in a year's time the need for fresh capital will largely have fallen away It could then look at fresh expansion opportunities free of the present financial constraints *Brian Thompson*

Langeberg to increase its market share abroad

BD 11/11/96

IT (186)

Jacqueline Zaina

LANGEBERG Holdings would look beyond SA's borders for volume and margin growth in its 1997 financial year, financial director Johann Cilliers said at the weekend.

Although the domestic market was expected to grow in the next year, the group stood to benefit from increasing market share in southern African and Europe.

In line with the group's objectives of global competitiveness, local operations had been rationalised during the past year to optimise production capacity Plant rationalisation and the closure of the Mossel Bay facility had resulted in the retrenchment of 600 workers, he said

Although European demand was expected to weaken slightly next year because of good fruit crops in the main EU countries, there was significant potential to grow by increasing Langeberg's presence in the retail sector

Cilliers said Langeberg intended to grow its 8% share of the international canned deciduous fruit market by marketing its product in Europe under the Dole brand through its recent alliance with multinational food group The Dole Food Company

Cilliers said higher rand realisations owing to the current exchange rate had the potential to make the group's international business more profitable However, it still faced 20%-24% duties on exports to Europe, from which EU countries remained exempt Duties on exports to the US and Far East were also high

The group's expansion into Africa was looking promising, with some of its southern African operations having yielded high volume growth in the year to September. Cilliers said the Koo and All Gold brands had been well received in these markets

The group intended to expand into western and central Africa next year

COMPANY NEW

The group's debt has declined from R131 million to R71 million

ICS lifts headline earnings

CT(BE) 14/11/96 (186)

JOHN SPIRA
DEPUTY EDITOR

Johannesburg — Food group ICS lifted headline earnings 28 percent to 326,5c a share in the year to September 30 in the face of zero growth in turnover of R2,9 billion

Roy Smither, the managing director, said yesterday that the earnings advance had been achieved as a result of productivity improvements flowing through at the operating level

Operating profit at the half year had been down 9 percent but had recovered to a 1 percent improvement to R180,8 million for the full year

A final dividend of 73c a share has been declared, raising the year's total to 103c a share for a 20 percent increase

Smither said Sea Harvest, ICS's listed subsidiary, had raised headline earnings by 13 percent after a recovery in catches off the South African coast Catches in Namibia, however, had been poor and had contributed to the losses incurred by Sea Harvest of Namibia Exports had benefited from the weaker rand

He said that the Earlybird Farm poultry division had remained profitable but did not match its previous year's performance

The meat division had shown improved profit, the dairying division's results were in line with last year's and the ice cream division had struggled in the wake of an unusually wet summer

Enterprise Foods had performed exceptionally well, Cold Chain's results were much improved and Fedics had again produced sound results

He drew attention to the group's strong balance sheet, where borrowings declined from R131 million to R71 million

Looking ahead, he believed that in the year to September 30 next year, the food market would be more stable than the larger economy He did not foresee a further big increase in feed prices and expected the poultry market in particular to be more settled

Smither said the weaker rand would enhance export opportunities and, with the group's continuing focus on productivity improvements, he anticipated "a satisfactory increase" in the coming year

□ Business Watch

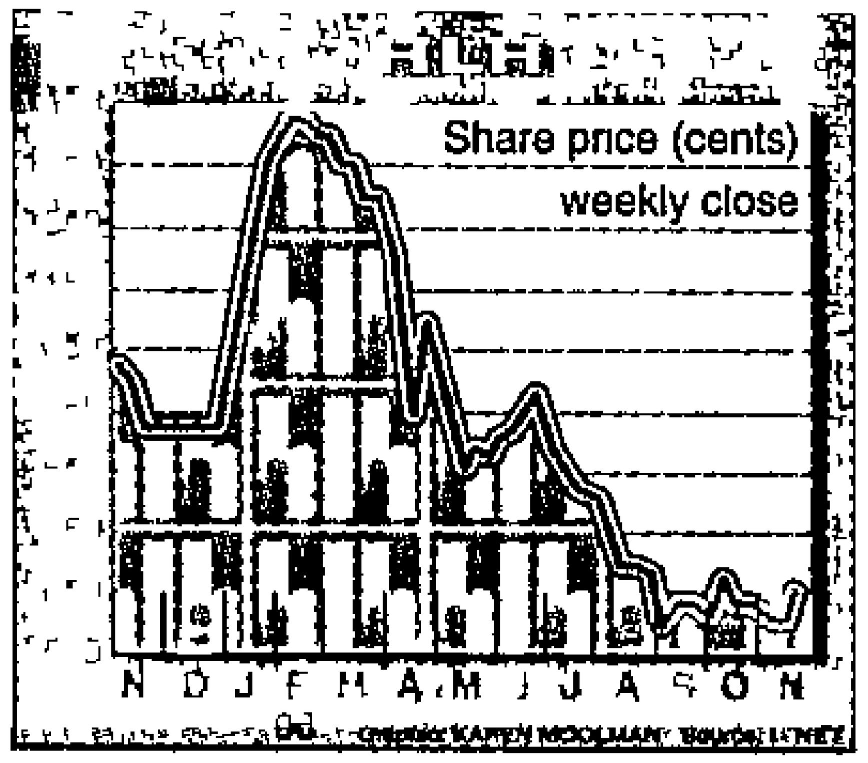
HL&H posts attributable loss of nearly R12m

(18) (PPP) BD 15/11/96

Jacqueline Zaina

FOOD and timber group Hunt Leuchars & Hepburn (HL&H) reported an attributable loss of R11,7m in the six months to September, after profit on the sale of its hardwood timber interests helped offset its R67,4m share of losses in associate company Rainbow Chicken

Headline share losses amounted to 33,3c (26,7c) and the interim dividend was waived However, results were not comparable with the previous year owing to the disposal of the group's timber operations Turnover fell 14% to



R660m after retail sales were generally below expectations owing to a decline in economic growth. Higher interest rates and inflation depressed consumer demand, directors said.

Operating income increased by 26% to R57,2m after an improved performance from the group's sugar interests HL&H's share of losses in its sugar operations amounted to R3m against R41m in the same period the year before. This helped lift the group's margins to 8,7% from 5,9% the previous year.

The group made an exceptional R38,3m profit on the R363m sale of its hardwood timber interests to Mondi effective from April The proceeds helped reduce finance costs, which fell 36% to R37,3m by cutting interest bearing debt to R299m from R872,2m in the first six months the year before.

Pre-tax income was R58,2m against a R13m loss the year before and a tax bill of R306 000 (R5m) left taxed income at R58m against a R17m loss the previous year However, the group's share of losses from associated companies jumped to R70m from R23m in the same period the year before

HL&H's share of the R164,4m loss (R57,2m) incurred by associate Rainbow Chicken amounted to R67,4m. The loss was larger than that incurred for the entire financial year to March Rainbow's revenue rose 12% to R988m, but it sustained an R81m operating loss before depreciation following depressed selling prices in the broiler industry as a result of over supply and spiralling feed costs

Directors said feed costs had escalated owing to significant increases in imported raw material costs following the weakening of the rand and worldwide shortages Maize prices were also high with large quantities of the local crop being committed to export.

Robertsons' contribution to group earnings declined to R21m from R23,1m the previous year after its investment in a new spice factory in Durban knocked profits

The group had a cash surplus of R194m resulting from the HL&H rights issue which raised R755m before costs This had been used in October to acquire the remaining Rainbow preference shares in terms of its agreement to underwrite Rainbow's corresponding rights offer Due to the significant impact of Rainbow's losses on its results, the group expected to report a loss for the full year.

Huntcor whose only investment is its holding in HL&H reported a R9m (R31m) attributable loss for the review period and no dividend was declared.

CT (BR) 19/11/96

Food groups benefit from good rains

(186)

SHIRLEY JONES

KWAZULU NATAL EDITOR

Durban — Core sugar interests were likely to be behind an expected increase in profit at Tongaat Hulett and Crookes Brothers for the six months to September.

The two diversified food groups, due to report later this week, took significant knocks from the crippling drought which began in 1993, with sucrose production falling 7 percent at Tongaat Hulett and 14 percent at Crookes Brothers in the financial year to March

This year, after good rainfall, the opposite is likely Their rival sugar producer, Illovo, reported a 60 percent leap in attributable profit in the year to September

Tongaat Hulett, which had concentrated on rationalising its mills, boosting productivity and implementing structural cost reductions, was looking to a 63 percent improvement in sugar production and a more meaningful utilisation of milling capacity, it said at its annual general meeting in July

Earnings for the previous financial year were up 30,4 percent, boosted by Tongaat's property, starch and glucose divisions and despite a poor showing by the sugar division

Cedric Savage, the group managing director, said there was sufficient capacity in existing operations to provide real growth in earnings a share

Analysts have settled on a 25 percent overall earnings increase forecast However, while it is not unrealistic to expect core businesses such as sugar, aluminium, property, starch and glucose to deliver, a turnaround by Corobrick, which has up until now lagged expectations in a lacklustre building market, may be a little too optimistic.

Similarly, it is doubtful whether David Whitehead, the group's textile operation, will realise its planned 7 percent growth in activity for this financial year in a troubled textile sector. Its contribution to group profit during the financial year to March 31 was disappointing

The outlook for Crookes, which is more closely focused on agriculture, is even more positive than Tongaat's expectations

The company's 22 percent increase in operating income during the financial year to March 31 was based on a drop in cane earnings compensated for by the company's banana, grain and citrus operations

COMPANIES *Restructuring programme starts to pay off*

A smile on the face of Tiger

(786) CT (BR) 20/11/96

Ann Crotty
CONSUMER INDUSTRIES EDITOR

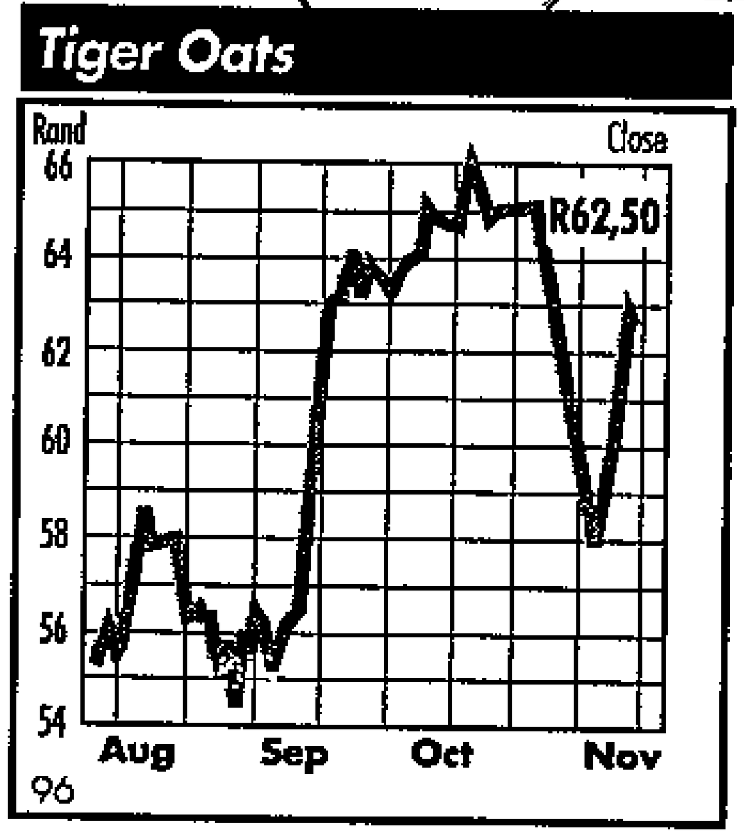
Johannesburg — After a sluggish first-half performance, Tiger Oats, the food and pharmaceutical group, reported a 25 percent increase in headline earnings to 372,2c a share for the 12 months to September 30

A final dividend of 87,5c a share has been declared bringing the total payout for the year to 132c a share, an increase of 22 percent on the previous year's payout of 108c a share

Yesterday, the share price eased back slightly to R62,50 from R62,75, which puts it on a historic price-earnings ratio of almost 17 times, one of the highest ratings in the JSE's food sector.

The share price moved ahead strongly in recent months and reached a high of R66 in the middle of the month before easing back

In the year under review turnover rose 14 percent to R13,6 billion and operating income increased 22 percent to R995,3 million from R815,1 million This reflects a significant increase in margins to 7,3 percent from 6,8 percent, which is a level the group has not achieved since the early 1990s



Nick Dennis, the group managing director, attributed much of the performance to the group's strong brands and its high market share In addition, he said "Our restructuring programme is beginning to deliver real benefits. This initiative, along with the launch of a world-class manufacturing and services programme, is fundamental to the group staying competitive both at home and internationally"

Pretax income was enhanced by an increase in income from investments and a sharp turnaround in the interest situation from an interest payment of R15,1 million to interest income of R24,9 million The group had net cash of R617 million at the year-end

Abnormal items of R230,6 million also helped to boost pretax income Much of this was derived from profit on the change of interest in subsidiaries, associates and other investments The tax charge dropped to 29 percent from 32 percent

Net income, including the abnormal profit, was up 60 percent to R792,8 million, from R494,7 million

The merger between Adcock Ingram, which is a subsidiary of Tiger, and Premier Pharmaceuticals had no material effect on these results

Four months' trading from US-based ConAgra Malt, in which Tiger bought a 50 percent stake in the period, also had little material effect. Dennis said he was looking to real growth in earnings in financial 1997 "provided consumer demand does not weaken significantly"

Seton wants delay for Silveroak claim fee

(186) Nov.'96

STUART RUTHERFORD

Durban — Kolosus, the South African food group, said yesterday that Seton, the US motor leather company, had asked for an extension of the deadline to pay US$515 000 to the International Chamber of Commerce for the arbitration action against Silveroak Industries

Tito Vorster, the managing director of Kolosus, said he believed the extension would not be granted since Seton had only paid US$257 500 by the October 31 deadline, and the claim would be chucked out

Seton refused to comment on these claims yesterday, other than to voice "general disagreement" with the statements made by Kolosus

Vorster said Kolosus had refused to pay half the costs of the action and had been under no obligation to do so, thus leaving Seton with the total bill

Seton had initiated the proceedings earlier this year, claiming Silveroak had breached a competition agreement with it, because its majority shareholder had sold its shares to competitor Kolosus The sale effectively gave Kolosus and Seton joint control of Ladysmith Leathers, a leather tanner and manufacturer in competition with Kolosus-owned King Tanning

Seton was then requested to submit briefs on this alleged breach and damages incurred thereby and to pay the necessary advance on costs

A spokesman for the Secretariat of the International Court of Arbitration refused to comment on the state of the action yesterday, saying this was a confidential matter

A recent letter addressed to Seton from Fernando Mantilla-Serrano, counsel for the Secretariat of the International Court of Arbitration, said that if Seton did not pay the remaining portion of the advance on costs it should withdraw the claims

Vorster said he was confident that if the action did go ahead and Kolosus was given an opportunity to respond, then the dispute would be dismissed

He maintained the action was part of Seton's game plan to force Kolosus into accepting an unfavourable compromise and sign an international non-competing agreement with Seton

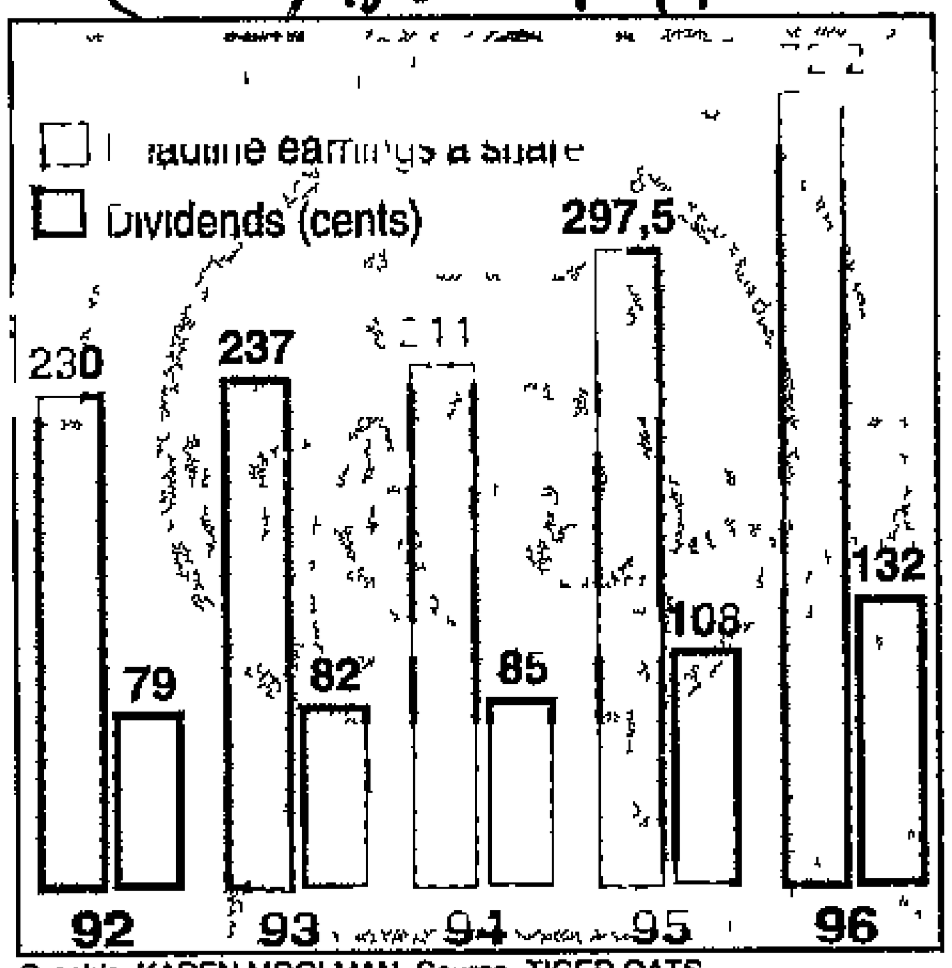
"Since we took over Silveroak, our throughput at the two automotive tanneries (King Tanning and Ladysmith Leathers) has grown by 40 percent And it is all exported so we are directly competing with one of Kolosus's subsidiaries in Germany," said Vorster

Seton is one of the two biggest suppliers in the world of car leather Its projected turnover for this financial year is $450 million

Tiger Oats burning bright after revamp

(186) BD 20/11/96

Amanda Vermeulen



Graphic KAREN MOOLMAN Source TIGER OATS

THE benefits of Tiger Oats' restructuring programme helped the food and pharmaceutical group lift headline earnings 25,4% to R561,6m in the year to September

Headline share earnings increased a quarter to 372,2c and the total dividend was 132c (108c) after a final dividend of 87,5c was declared

Turnover grew 14% to R13,6bn while operating efficiencies pushed operating income before interest 22% higher to R995,3m Income from investments increased to R31,6m (R22,8m) while the group reported net interest income of R24,9m against interest paid of R15,1m last year

Income before tax and abnormal items was 28% higher at R1,1bn An abnormal item of R230,6m (R13,7m) reflected profit on the change of interest in subsidiaries, associates and other investments, as well as profit on the sale of land and buildings This was offset by a small charge relating to the cost of discontinued operations

The tax bill jumped to R374,6m from R267,7m, leaving taxed income at R907,8m (R568,8m) Net income increased 60% to R792,8m

MD Nick Dennis said although there had been little growth in the

Continued on Page 2

Tiger Oats

(186) BD 20/11/96

Continued from Page 1

market, Tiger Oats' brands and market shares had played a crucial role in its performance "Our restructuring programme is beginning to deliver real new benefits and the launch of a world-class manufacturing and services programme is essential for the group's competitiveness," he said

Tiger Foods lifted headline earnings 28% despite pressure on margins due to depressed conditions in some areas, the previous year's drought — which led to imports of cereal and grain at higher prices — and the weaker rand

The County Fair and Golden Lay poultry operations reported a sharp slump in results compared with last year's strong performances, but Dennis said they did well to achieve profit in an overtraded market

Tastic and Langeberg turned in strong contributions, with the staple foods division benefiting from restructuring introduced the previous year.

The results of four months' trading from ConAgra Malt, in which Tiger acquired a 50% stake, had little material effect Dennis said this deal had provided the group with "a meaningful investment in the food ingredients sector in Australia, Canada, US, Denmark, Argentina, Uruguay and China". A 19% stake bought in US branded frozen seafood products company Van der Kamp's would also not have a meaningful short-term effect on group earnings, but offered growth potential in the medium and long term as well as a rand hedge opportunity

The Adcock Ingram merger with Premier Pharmaceuticals in the second half did not affect results Dennis said trading conditions were likely to remain challenging in the year ahead Provided consumer demand did not weaken significantly, further real growth in earnings should be achieved

Little volume growth in year marked by restructuring of subsidiaries

Good start pulls CG Smith through

(186) CT(OR) 21/11/96

OPTIMISTIC *Derek Cooper, CG Smith's chairman, forecasts meaningful growth*

ANN CROTTY
CONSUMER INDUSTRIES EDITOR

Johannesburg — CG Smith, the food, pharmaceutical and packaging group, sustained its first-half performance in the full year with an 18 percent increase in headline earnings to 156,5c a share for the 12 months to September 30 from 132,9c a share in the previous period, the company said yesterday

A final dividend of 37,8c a share has been declared for a total payout for the year of 56c a share compared with 48c in financial 1995

It was a busy year of restructuring for many of the group's subsidiaries, which include Tiger Oats, Adcock Ingram, Illovo Sugar, Nampak, Romatex and Island View Holdings

Group turnover had increased by 11 percent to R26,2 billion from R23,6 billion, and these figures reflected little volume growth

Derek Cooper, CG Smith's chairman, said after a strong start to the financial year consumer spending fell sharply and remained depressed until the final quarter, when there was a modest improvement

Operating profit rose 12 percent to R2,3 billion from R2 billion This meant that margins were sustained in spite of an increase in the price of imported raw materials following the decline of the rand

Cooper said that the weaker currency lifted rand revenues from exports and the group's offshore interests

US-based Monitor Sugar, which is a wholly owned subsidiary, reported a slight decline in dollar profit

For financial 1997, Cooper said that economic growth was expected to be about the same level as it was in financial 1996 He is forecasting "meaningful real growth" in earnings

Tiger Oats made progress with the group's globalisation strategy through the acquisition of a 50 percent interest in US food company ConAgra

There was a significant improvement in the financing position with a swing from interest payments of R35,3 million to investment income of R20,8 million, and this was attributable to the group's food division Pretax profits were boosted by R195 million of abnormal items

The tax charge was down to 30 percent from 36 percent

Attributable income rose 34 percent to R799,8 million from R597,3 million

Food interests spice up CG Smith results

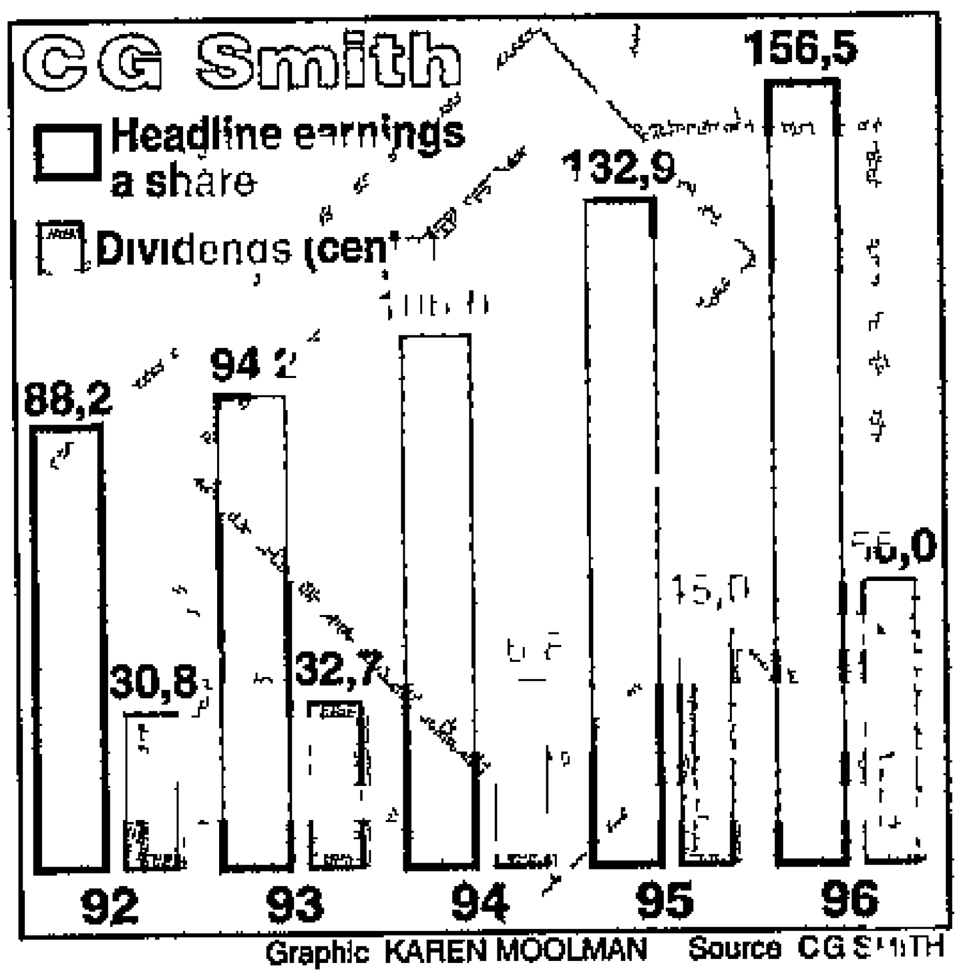
(186) BD 21/11/96

Amanda Vermeulen

A STRONG contribution from food interests helped food, packaging and drugs group CG Smith lift headline earnings 18% to R738,4m or 156,5c a share in the year to September

A total dividend of 56c (48c) was declared Turnover grew 11% to R26,2bn with operating profit up 12% at R2,3bn An abnormal item of R195m (R68,4m loss) reflected profit from disposal of land and buildings, and profit arising from a change of interest in subsidiaries, associates and other investments The 34% increase in net attributable income to R799,8m included the abnormal profit but was somewhat reduced by the R58m write-down of an investment in Romatex.

Group chairman Derek Cooper said the results had been achieved in a difficult year with limited volume growth, depressed consumer spending and higher imported raw materials costs putting pressure on margins. However, the weaker rand boosted export revenues and profit from offshore operations "Earnings from non-SA sources are becoming an increasingly important factor in the group's results and by



Graphic KAREN MOOLMAN Source CG SMITH

Continued on Page 2

CG Smith

Continued from Page 1

2000 we hope to have about 30% of earnings generated offshore "

During the year the group bought a 50% stake in the international barley malting operations of US food group ConAgra through subsidiary Tiger Oats Van der Kamp, of which Tiger owns 19%, broadened its product base

CG Smith cut its stake in Romatex to 28,9%, selling control of the firm to Consolidated Frame Group

Another high-profile deal was the merger between CG Smith subsidiary Adcock Ingram and Premier Pharmaceuticals, creating the largest listed pharmaceuticals firm in SA, with market capitalisation of more than R5bn Cooper said the benefits of the deal would begin to flow through soon.

Tiger Foods lifted headline earnings 28% on the back of good results from its rice, canned fruit and vegetable, and staple foods operations, offsetting a decline in poultry profits Beacon's results were below expectations, Spar, Island View Shipping and Meadow Feeds showed improved performances

Oceana Fishing, controlled jointly with Real Africa Investments, turned in a strong performance Imperial Cold Storage benefited from good results turned in by Sea Harvest, The Cold Chain, Enterprise Foods and its meat division Illovo Sugar continued its strong recovery with a 41% increase in headline earnings, but profit at Monitor Sugar declined slightly

Nampak reported a 16% rise in headline earnings despite a competitive market Bevcan saw some volume growth despite the cool summer, but margins were squeezed Volume growth and better productivity boosted the glass division, but Foodcan earnings were flat and BlowMocan reported a loss Listed CG Smith Foods lifted headline share earnings 27% to 525,1c in the wake of good rains

Cooper said the group would continue to focus on becoming globally competitive and was confident of achieving real earnings growth during the year ahead

CURE FOR INDIGESTION

(186) FM 22/11/96

Since people have to eat every day, the food industry might be expected to be stable and profitable But this is not always so — ask ICS MD Roy Smither, who says trading conditions "fluctuated widely" throughout the year

Turnover was static at R2,9bn but the effect of abnormal items stemming from the sale of fixed assets and closure of operations (mainly meat), which knocked R33m off net income in 1995 and added R7,4m this year, boosted EPS 106% Headline EPS, excluding abnormal items, grew 28%

Smither says that "focus on productivity improvements" showed up in second-half operating profit It had fallen by 9% in the first half, to end the year up 1%

ICS is a holding company for a diversified selection of food businesses, spanning the fish, red meat, poultry, dairy and frozen food distribution sectors Though margins have generally been under pressure in the food industry, particularly in areas where maize is a key ingredient, most ICS subsidiaries performed solidly

Listed subsidiary Sea Harvest grew earnings nicely after good winter catches in SA waters, though fishing conditions in Namibia fell below expectations and the associate lost R5,5m The weaker rand helped exports, about 40% of turnover

Despite industry oversupply early in the year, chicken prices firmed in recent months, Early Bird made a profit, even after "substantial increases" in feed costs Stronger prices in the fourth quarter boosted earnings in the meat division

Strong cash flow helped cut borrowings to R70,6m at year-end, down 46%

from 1995

The short-term outlook is cautiously optimistic Higher chicken prices and cost containment may outweigh the impact of a weakening economy to produce real earnings growth — up to 15% — again in 1997 Trading at R34 on a p e of 9,8, the share offers value *Margaret-Anne Halse*

Fishmeal hurt as anchovy catches plunge

(186) ~~3 FISHING~~

ANDI SPICER

MINING AND RESOURCES EDITOR

CT (BR) 22/11/96

Johannesburg — The fish-meal and oil industry is suffering from a crash in anchovy numbers off the coast of South Africa, which will cause a rapid contraction in the industry, said a report released yesterday.

"The South African pelagic fishing industry faces an uncertain future. Although there is promising growth in the pilchard resource, the anchovy resource is at its lowest ever," Steve Malherbe, the managing director of the South African Inshore Fisheries Association, said at an international conference in Cape Town yesterday.

Anchovies are used for fish meal and oil, mainly as animal feed, particularly for chickens. But most pilchards find their way into cans for human consumption, though some of the heads and tails are used for animal feeds.

Only 42 000 tons of anchovies were caught this year compared with a normal catch of about 150 000 tons to 200 000 tons a year.

South Africa used to be one of the largest exporters of fish meal and oil in the world but rapid growth in the chicken broiler industry resulted in a need for imports and now the South African industry only supplies about 20 percent of domestic demand.

The local industry operates seven canning plants and nine fish-meal plants and runs 66 purse sein vessels.

Even more worrying is a change in government fishery policy that will lead to large numbers of small fishermen moving into commercial fishing.

"If this is allowed, even on a fairly limited scale, it will lead to increased raw material cost and possibly further investment in an over-capitalised industry. .. Coupled with a declining resource, it can only spell disaster."

An impromptu demonstration met Coca-Cola Canning southern Africa technical director Fred Robinson outside the new factory yesterday. Picture ROBERT BOTHA

Coca-Cola invests R86m in plant

BD 22/11/96 (186)

Patrick Wadula

COCA-Cola Canners of Southern Africa, formerly Amalgamated Beverage Canners, yesterday launched an R86m investment in a 2 000 can-a-minute production line in Wadeville outside Johannesburg

Technical director Fred Robinson said the projected cost of the plant included the erection of a R1,2m case warehouse adjoining the existing factory

He said the newly opened production line of 2 000 cans a minute was the largest and most technically advanced beverage production facility in the southern hemisphere

"We believe in the future of SA and this expansion is just one of the many steps Coca-Cola will be taking to significantly enhance our ability to serve customers," said Robinson

Robinson said the plant would produce up to 1,6-billion soft drinks a year, with the capacity for additional volume

He also announced the name change for the canning company to Coca-Cola Canners of Southern Africa

The company was created as a joint venture in 1985 between Coca-Cola, with 51%, and SA's eight independent Coca-Cola bottlers holding 49%

The venture's aim was to supply SA's network of independent bottling partners

The company also operates canning plants in Pinetown, KwaZulu-Natal and Epping, Western Cape

Greater Germiston Council mayor Keifer Sambo has called on Coca-Cola and other companies operating in the Germiston area to meet with the council to discuss ways of combating crime in the area

"Government alone cannot do away with crime Business people will have to work together with government," he said diplomatic mission, Chang

SA set to copy EU on food labels

BD 11/12/96 (186)

Louise Cook

SA WAS likely to follow new European Union (EU) rules for labelling genetically modified food when legislation on the issue was drafted next year, agriculture department sources said recently

A continuing debate in the EU ended recently with controversial rules for the sale of genetically engineered food, effectively allowing its sale without special labelling

SA, however, did not yet produce or import genetically modified food or products other than plant material, agriculture department quality control deputy director Walter Laubscher said

Research on soya beans, strawberries, maize, sugar and cotton had, though, reached various stages of completion in SA

European companies were now required to label all "live" genetically modified products "Live" products were ones that could theoretically grow if placed in soil, such as tomatoes, potatoes and strawberries Products with genetically modified ingredients deemed either "chemically identical" to conventional food after processing or "substantially equivalent" would not need labelling

The agriculture department's plant and quality control director Eben Rademeyer backed the view that SA was likely to follow EU labelling practices and rules "It is in our interest that our export products provide the information required by consumers," he said.

The Financial Times reports the European food industry welcomed the labelling arrangements, saying there would be uniformity across the EU

Environmentalists were, however, angered by the decision and swore to continue campaigning against imports of soya beans produced by US-based Monsanto.

Potchefstroom-based Grain Research Institute biotechnologist Michael Smit said that compared to Europeans, SA's consumers were relatively unaware of genetically modified organisms

"The problem of large-scale hunger can be significantly contained if we can make a research breakthrough The US cut production costs of soya beans by cultivating a herbicide-resistant bean," he said

SA Sugar Association biotechnologist Frikkie Botha said the sugar industry would save R250m a year if it could cultivate an insect-resistant type of sugar cane

Work on a draft bill on genetically modified organisms would start in earnest next year, Laubscher said

Once it was law — probably next year — implementation would be controlled by an executive council with representation from environmentalists, agriculturalists and health experts

FOODCORP (186)

LIMITING THE RISK

FM 13/12/96

The fortunes of Foodcorp seem to be withstanding the changes in the food industry Chairman Peter Joubert says that deregulation in the various agricultural sectors has "placed a heavy burden" on the industry as farmers and producers struggle to adapt

Most recently, the maize industry opened to market forces Wheat may be next on the list of grains, and the pelagic fishing industry's marketing body — Federal Marine — is about to be disbanded All these moves affect Foodcorp, which in the 1996 year generated 64% of its sales and 73% of operating income from grain-based foods and edible oils and protein operations

A 5% increase in sales produced attributable earnings growth of 17%, helped by lower finance costs (down 45% to R10m) and tax (the effective rate dropped to 25% from 32% last year) A change in accounting policy, from the partial to the comprehensive deferred tax method, means that the figures for previous years have been restated

The dividend of 112c triggered the preference share and debenture conversion mechanism and the issued share capital will rise to R54,7m from April 1 next year, diluting the current shareholding by about 10%

CE Dave Kennealy says that the loss of Simba's contribution to operating income after it became a joint venture lowered the margin from 6,5% to 6,3%, but earnings from the current 50% holding are expected to outstrip those from the full holding in the previous operation in two years (three years was the original goal)

Joubert says joint owner PepsiCo Foods is unlikely to acquire the whole operation unless Foodcorp Operations, which holds Foodcorp's Simba shares, is taken over The Malbak unbundling should have no effect on the joint venture, though it's expected to improve the currently thin liquidity in Foodcorp shares

Foodcorp has worked hard to reduce its exposure to the red meat industry, where prices have fallen steadily because of abundant chicken supplies and slowing consumer demand Kanhym is now a more focused value-added supplier of processed meats, the beef feedlot number have been slashed to 13 000 from 24 000 a year ago, while the auctioneering business has been sold Analysts feel that these actions have cut significant risk out of the group

The grains and oils division performed well, as did the fishing operations Sunbake suffered from "heavy discounting," but Kennealy says that the division has been rationalised — "with major positive cost implications" Enterprise is now producing returns after the restructuring of the past few years

The balance sheet is strong, with net cash available to explore new avenues Kennealy says that Africa has been "targeted as a medium- to long-term strategic opportunity" Tanzania, Zimbabwe and Ghana are being investigated and a "world-class" fruit processing operation was recently acquired in Zambia

The share price is trading at R32, which is about midway between its 12-month limits of R40-R25,40 Fundamentals are sound, management seems able to get the best out of its resources even in difficult circumstances and earnings growth of about 15% is predicted for 1997

Margaret-Anne Halse

ACTIVITIES *Holding company with interests in the production, marketing and distribution of food*

CONTROL· *Malbak 76%*

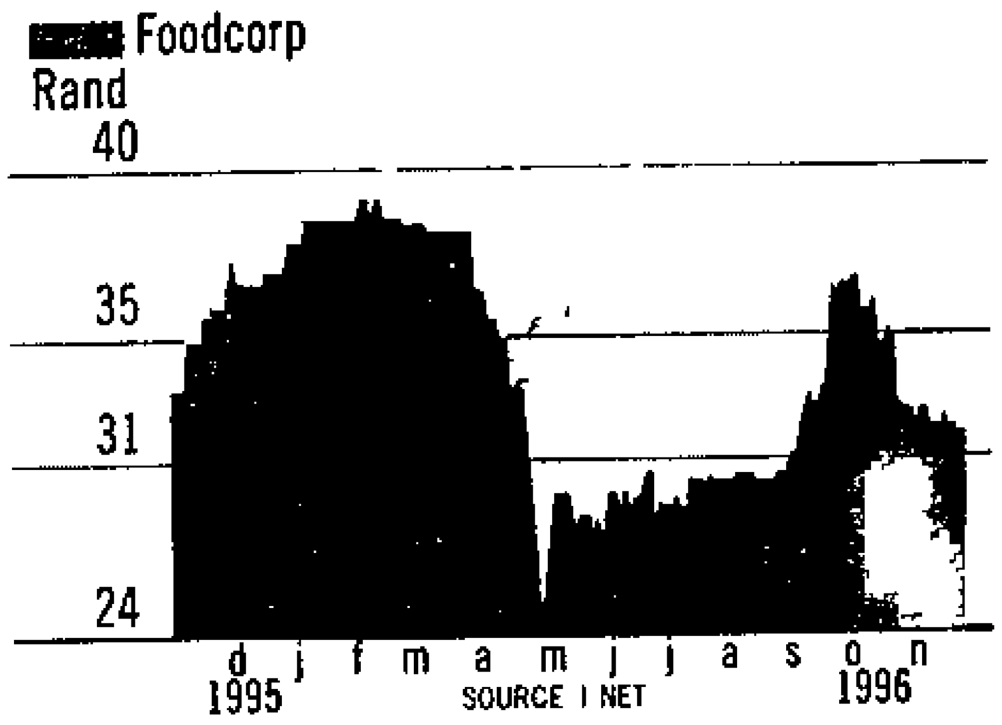
CHAIRMAN· *P G Joubert CE D Kennealy*

CAPITAL STRUCTURE *48,3m ords* Market capitalisation R1,54bn*

SHARE MARKET *Price 3 200c Yields 3,5% on dividend, 9,3% on earnings, p e ratio, 10,7, cover, 2,7 12-month high, 4 000c, low, 2 540c Trading volume last quarter, 773 503 shares*

Year to August 31	'93	'94	'95	'96
ST debt (Rm)	87	112	99	76
LT debt (Rm)	54	106	67	43
Debt equity ratio	0,21	0,29	0,01	n/a
Shareholders' interest	0,49	0,47	0,55	0,57
Int & leasing cover	6,7	8,9	11,2	20,4
Return on cap (%)	13,3	11,8	11,7	11,2
Turnover (Rm)	2 657	2 755	3 088	3 238
Pre-int profit (Rm)	181	188	202	204
Pre-int margin (%)	6,8	6,8	6,5	6,3
Earnings (c)	199	240	255	298
Dividends (c)	60	60	27	112
Tangible NAV (c)	1 311	1 458	1 863	2 066

* Includes 238 912 prefs




Dave Kennealy

FINANCIAL MAIL · DECEMBER 13 1996

Kolosus sees big rise in net income

BD 19/12/96 (186) ([redacted])

Nicola Jenvey

DURBAN — Food and leather group Kolosus Holdings lifted net income to R23,9m from a R5,1m loss for the six months to last month after absorbing the R27,4m restructuring costs associated with the Silveroak Industries purchase last year, chairman Hannes Besselaar said yesterday

The Kolosus group consists of three wholly owned divisions, — namely brand investments, food technologies, and leather resources — which are engaged in processing natural protein and related products

Earnings a share on net income rose dramatically to 39,9c from an 8,6c loss, but remained virtually static at 39,9c (1995 37,1c) when the effects of an exceptional item were discounted

Shareholders were not given any explanation for the decrease to 3c (11c) of group's declared interim dividend

Turnover exceeded the R1bn mark for the first time (R936,1m) as the group benefited from higher export prices associated with the depreciating rand

The Silveroak integration, completed by the end of the previous financial year, also improved productivity and lowered cost and management structures, Besselaar said

"The benefit of this rationalisation and restructuring has been the group's positioning as a major player within the leather industry, not only in SA but internationally," he said

Operating income rose 20,1% to R50,9m, but a 44,5% hike in finance charges to R28,6m left the group's income before taxation at R22,2m (R22,5m)

Kolosus again deferred taxation owing to its assessed losses and expected the group would become liable for tax during the 1998/99 tax year

Besselaar said gearing had been affected negatively by the last payment of R40m plus interest for the Silveroak purchase, as well as increases in local and imported raw material stock prices and higher debtor values due to the weaker rand

Strict working capital management had resulted in a reduction of stock levels and a net positive cash inflow would lower gearing by year-end in comparison with the last financial year

Besselaar said in terms of the shareholders' agreement, Silveroak would acquire the remaining shares in Ladysmith Lingens Leathers, subject to certain suspensive conditions

He said the group would provide shareholders with full details in a circular

Kolosus offers share options to employees

CT(BR) 4/12/96 (186)

STUART RUTHERFORD

Durban — Kolosus, the listed food group, has decided to allocate share options for 5 percent of its equity to staff it directly employed, Ronnie van Rensburg, the group's financial director, said yesterday

In terms of the offer, 5 000 staff can choose to take options to purchase 100 shares or more depending on their employment level, and exercise the option in three years if they stand to benefit financially

A total of 3 million shares can be allocated in this way

"We wanted to be one of the first companies to give share options to every employee because it is a good way of making people feel part of the company and redistributing wealth," he said

The offer was implemented on September 1 this year, at R3,35 a share, which at the time was 15 percent lower than the market value

Since then the share price has fallen to the R3 level, as the group struggled with weighty debt and its dispute with Seton, the US motor vehicle leather company

Yesterday the share closed at R2,80, down 20c

However, Van Rensburg said he was confident that when the Seton dispute was sorted out early next year, the share price would recover

The share incentive scheme will be managed by three non-executive directors of Kolosus who are not participating in the scheme and therefore have no vested interest

Van Rensburg said there had been a lot of interest from staff in the scheme and that he expected the offer to be fully subscribed when it closed early next year

SA set to copy EU on food labels

BD 11/12/96 (186)

Louise Cook

SA WAS likely to follow new European Union (EU) rules for labelling genetically modified food when legislation on the issue was drafted next year, agriculture department sources said recently

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The Financial Times reports the European food industry welcomed the labelling arrangements, saying there would be uniformity across the EU

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ICS keeps its strategy on proven path

(186) BD 12/12/96

Reinie Booysen

DIVERSIFIED food company ICS would continue its core strategy of investing in the perishable food protein industry, MD Roy Smither said in the latest annual report

"The group remains focused on moving the business away from commodity-type products towards higher-margin branded products," said Smither "In addition, under-performing operations and non-core businesses are constantly being addressed and appropriate acquisition opportunities pursued "

In accordance with these objectives, certain unprofitable operations in the meat division were sold or closed, said Smither

Future capital expenditure requirements were carefully assessed in order to sustain profitability "In this regard substantial funds will be invested from internal resources in the dairy division, Earlybird Farm, Ross Poultry Breeders and Sea Harvest over the next few years "

Chairman Robbie Williams said ICS had "a well-spread portfolio of perishable food products and businesses, and the quest for increased efficiencies, product innovation and the rationalisation of underperforming assets should result in a satisfactory increase in earnings next year "

He said SA's economic growth rate was expected to be between 2% and 3% next year, while private consumption expenditure on non-durables was forecast to decline from a growth of 4% this year to about 2% next year

As to the programme of reducing tariffs to increase SA's competitiveness, Williams said it was vital for consultation by government "in those areas where there is local production in order to maintain employment levels in SA, whilst businesses adjust to world competitive standards"

Williams also appealed for the high level of agricultural subsidies in the European Union to be taken into account in SA's impending trade negotiations with that trading bloc

Kolosus raises earnings by 7,8% as gearing increases

CT(BR) 19/12/96 (186)

JOHN SPIRA

Johannesburg — Kolosus Holdings, the food and leather processing group, lifted earnings by 7,8 percent to 39,96c a share in the six months to November 30

The comparison excludes R27,4 million of restructuring costs written off in last year's interim period

The interim dividend has been slashed from 11c to 3c a share, evidently with a view to easing the group's cash-strapped position.

On turnover which grew 10 percent to R1,03 billion, operating income rose 20 percent to R50,9 million, but a steep 44,5 percent increase in finance charges to R28,6 million sharply reduced the bottom line advance

The directors said yesterday that gearing had been negatively affected by the final payment of R40 million plus interest for the purchase of Silveroak Industries, increases in local and imported raw material stock prices and higher debtor values because of the decline in the value of the rand

In the past two years, the Kolosus share price has slumped from R7 to yesterday's R2,82 close

MANUF – FOOD

1997

KOLOSUS (181)

BESET BY DEMONS

FM 3/1/97

A year ago Kolosus' share price was 600c It has since plunged 52% to 286c despite the ostensibly sensible Silveroak acquisition Why? In essence, it has been plagued by controversy

On the face of it, the takeover meant the group could rationalise its old main business of meat processing and distribution and, in vertical diversification, shift focus to the leather industry

That was MD Tito Vorster's master plan He has stuck to it and it seems to be working But a number of issues, some self-inflicted others apparently unforeseen, have hindered progress

First there was hysteria about the effect "mad cow" disease would have on beef sales Last March the scare helped to depress the share price, which had then just tipped below R6 Kolosus dismissed the fears by confirming that 60% of sales came from leather and 40% from meat, only half of which involved beef

FINANCIAL DRAG

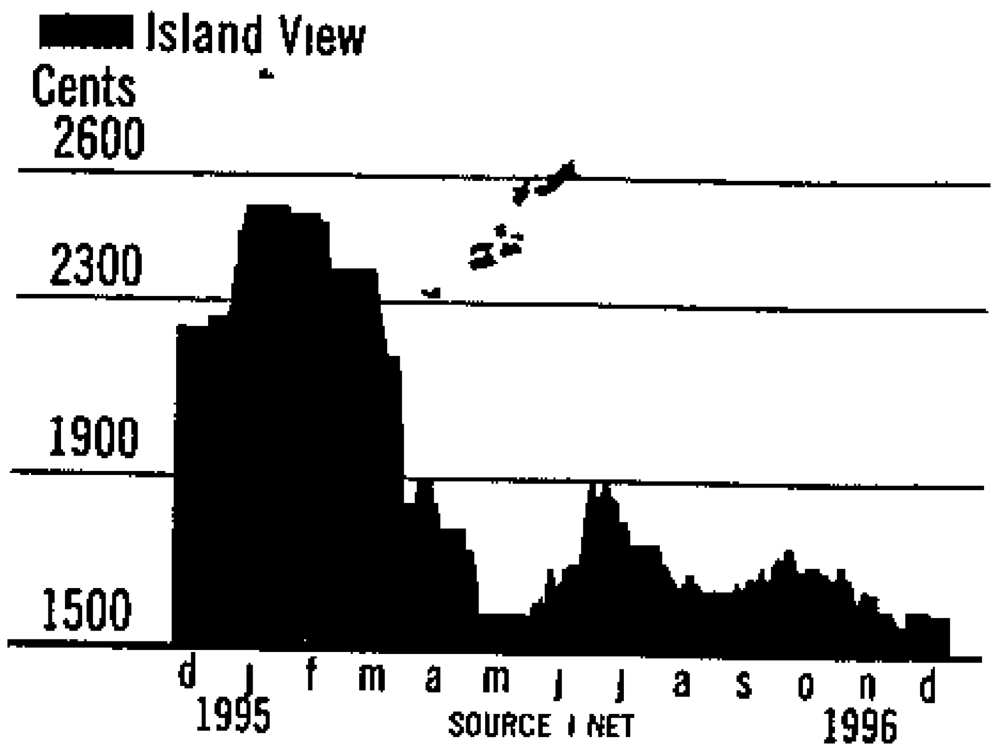
Six months to	[illegible]	May 31 [illegible]	Nov 30 1996
Turnover (Rm)	[illegible]	[illegible]	[illegible]
Pre-interest profit (Rm)	[illegible]	[illegible]	50,0
Pre-tax profit (Rm)	22,5	[illegible]	22,2
Attributable (Rm)	[illegible]	[illegible]	[illegible]
Earnings (c)	[illegible]	[illegible]	40,0
Dividends (c)	11,0	12,0	3,0

In August, results for the year ended May 31 1996 not only showed a major, once-off, reconstruction cost of R28,2m, they also highlighted a 92% increase in finance charges These cut net income from R46,3m in 1995 to R14m Gearing rose to an excessive 1 1

Within days came news that the Competition Board had begun a formal investigation of the Silveroak deal — after approving it nine months earlier

Another bombshell arrived last August One of the world's biggest automotive leather processors, Pennsylvania-based Seton, was to bring a US$100m action against Silveroak in the International Court of Arbitration in Paris

In 1994, before Kolosus entered the picture, Seton bought into a joint venture in a Silveroak subsidiary — Ladysmith Leathers (LL) It created covenants to prevent LL from competing with itself



The second-half performance was helped by the weak rand providing protection against imports and extra income from substantial new bulk liquid storage capacity commissioned in the closing months of the year

Improved demand later in the year reflected in turnover growing to 10%, more than double the first half's 4% This probably understates the underlying position as a seven-week strike took its toll in the second half

In the circumstances, the buoyant operating results of the April-September period are noteworthy as they underline how much cost-cutting and improved efficiencies contributed to recovery

Overall, IVH appears to have emerged from a traumatic year in much better shape

Chairman Brian Connellan views economic prospects for the new year as not "greatly encouraging" So success achieved in improving global competitiveness is crucial to any assessment of future results

He is nevertheless optimistic that sound real earnings growth will be attained in 1997 based on the outlook for Island View Storage, which will benefit from a full year's contribution from its reconstruction of a tank farm

The annual report does not disclose the group's planned capex bill for 1997 but, with a strong cash flow and net cash resources of R13,5m (1995 R21,7m) at the financial year-end, the balance sheet is likely to remain ungeared

There is little doubt IVH has come to terms with the problems that hit the 1996 interim profits but investors have been unforgiving The dumping of the share, which drove the price down from R25,50 last January to R16 in May may have been justified given the disappointing results for that period but the lack of recognition for what has been achieved since then is puzzling

An unconvincing rally soon fizzled and by December (after release of the full year's results), the price had slumped to a new low of R15,60

The rating might improve if reporting standards are broadened to include a divisional breakdown of results, still, one would expect some upward potential for a share which has a forward p e probably not much above 10 in a market where the average p e is 14,5 *Brian Thompson*

CT 20/1/97 (BR)

Silveroak exercises its option

(186)

STUART RUTHERFORD

Durban — Silveroak, the delisted subsidiary of Kolosus, exercised its option on Friday to purchase US conglomerate Seton's 50 percent stake in Ladysmith Leathers for R12,5 million, Ronnie van Rensburg, Kolosus' executive director of finance, said at the weekend.

Van Rensburg said further announcements regarding the purchase by Kolosus, the food and tanning group, of 100 percent of Ladysmith Leathers from Silveroak, were likely to be made early this week

However Kolosus' share price closed unchanged on Friday at R2,94 One analyst said he did not expect the sale to have an immediate effect on the share price because there were many questions concerning the company and the deal

Robert Appelbaum, Seton's local attorney, said that the sale by Seton of its interests in Ladysmith Leathers did not mean that it would be leaving South Africa, and it would continue to supply its local customers Seton is one of the two biggest suppliers of automotive leather, with an annual turnover of $450 million

"Kolosus has alleged that Seton has bought control of a competing company That may or may not be true," he said

Market speculation is that Seton is looking at Hanni Leathers, part of Foodcorp, which has a turnover of R200 million Dave Kennealy, the chief executive of Foodcorp, refused to comment on speculation of its involvement with Seton Asked whether the company was for sale, he said "Everything is for sale at a price."

Appelbaum said Seton would also be continuing with its legal action against Silveroak at the International Chamber of Commerce in Paris for breach of a non-competition agreement The claim for $112 million is expected to be resolved by mid-year

Tastic teams up with US company

(186) BD 29/1/97

Samantha Sharpe

CAPE TOWN — Tiger Oats subsidiary Tastic Rice Corporation and US-based food group Riviana Foods have entered into a joint venture arrangement to market value-added rice products in southern Africa, a move which could help boost Tastic's turnover, Tastic Rice Corporation said

SA consumes about 400 000 tons of rice a year — most of which is imported from the US — creating a R1bn industry in which Tastic is already recognised as a major market player

Tastic Rice chairman Stan Kaplan said the transaction was expected to give the company access to Riviana's worldwide experience in the development and marketing of value added products, while offering the US company a door to the SA market place

"For years Tastic Rice Corporation has maintained a close relationship with Riviana Foods and the new company venture represents an opportunity for Tastic rice to associate with an international partner in a similar business and to develop its local market opportunities," Kaplan said

Tastic Rice Corporation would have management control of the new business, which in turn would be integrated into the company's present structures, he said.

Increased focus on the development and extension of value-added brands, including Tastic Savoury Classics, Tastic Rice-O-Mix, Tastic with Wild and Old Mill Stream with Wild was expected to flow from the deal, which would start to produce benefits this year, Kaplan said

I&J leaves bad results behind

(186) CT (BR) 14/2/97

MARC HASENFUSS

CAPE EDITOR

Cape Town — Irvin & Johnson, the diversified food group in the Anglovaal stable, recovered strongly in the six months to December 31 to report a 48 percent increase in earnings to R45,9 million

This followed the disappointing earnings slump of 31 percent in the year to June 30 last year

Jan Robbertze, the chairman of Irvin & Johnson, said net export gains, cost containment and improved efficiencies saw turnover growth of 19 percent to R1,29 billion transformed into a 56 percent increase in operating profit of R68 million

He said the high level of capital expenditure (R82 million in the interim period) and increased working capital saw interest costs up 32 percent to R13,6 million This, coupled with a higher tax bill of nearly R13 million, curtailed the growth at bottom line to 48 percent

Robbertze said the company would continue to invest heavily in all divisions "This will ensure that world-class competitive standards are achieved throughout the group."

In his divisional review, Robbertze said the Seafoods division achieved improved catch rates and plant efficiencies, with firm international markets and the weak rand bolstering margins

The Namibian fishery continued to perform poorly and Kuiseb Fish Products sustained a further loss in the period under review

FOOD INDUSTRY

By ZILLA EFRAT

Del Monte Royal not so sweet

ST (BT) 16/2/97 (186)

CONFECTIONERY and food manufacturer Del Monte Royal Holdings has turned in a slightly lower than expected 19% rise in headline earnings to R171 4-million — or 50 1c a share — for the year to November

After exceptional charges of R19 1-million, attributable earnings are up only 5% to R152 3-million A final dividend of 11 5c a share brings the total for the year to 19c

Turnover jumped 80% to R3 3-billion, largely reflecting the consolidation of Philippines-based Del Monte Pacific Resources' results and the devaluation of the rand

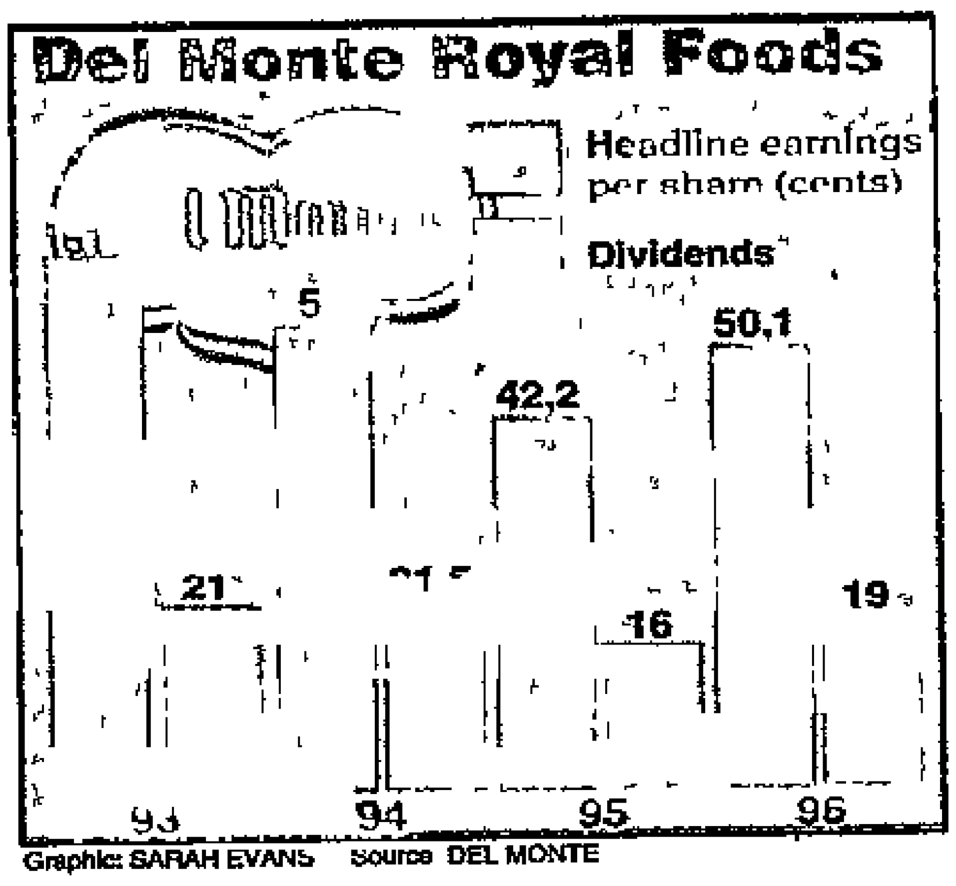
In a statement released late Friday afternoon, directors say that although the group performed well in the first half, this was not carried though satisfactorily into the second half

A number of problems in Italy detracted from excellent results in the Philippines and a satisfactory performance from other European operations

Italy was hurt by increased competition in the fruit drinks business, costs associated with the integration of Confruit and a breakdown in managerial and administrative controls Management has since been through a shake-up

Trading conditions at Nabisco SA — previously Royal Beech Nut — remained tough, in line with market trends Overall, the Group is budgeting to at least maintain earnings in the coming year It is reviewing its European operations in order to optimise profitability with increased efficiencies, re-evaluate market strategy and improve operational and management structure

Delfood chairman Vivian Imerman says the strategic review should provide a sound footing for growth



Del Monte plots fresh path to boost structures

(186)

BD 17/2/97

Nicola Jenvey

DURBAN — Confectionery and food manufacturer Del Monte Royal Foods had launched a review of its European operations to boost profitability and increase efficiencies through improving operational and management structure, chairman and CEO Vivian Imerman said at the weekend

This follows lower-than-expected results for the year ended November After R19,1m in exceptional charges, attributable income edged up only 5% to R152,3m Problems in Italy detracted from solid results in the Philippines and a satisfactory performance from other European operations.

Headline earnings a share rose 19% to 50,1c and an 11,5c (1995· 10c) final dividend brought the annual total to 19c (16c). Turnover jumped 80% to R3,3bn (53% in hard currency terms), largely reflecting the consolidation of Philippines-based Del Monte Pacific Resources' results and the devaluation of the rand

The group said the review of its European operations aimed to optimise profitability with increased efficiencies, re-evaluating market strategy and improving operational and management structures.

Imerman said that although the group had performed well during the first six months, this had not been carried forward. Italy had suffered from higher competition in the fruit drinks

Continued on Page 2

Del Monte

(186)

Continued from Page 1

BD 17/2/97

market, costs associated with the integration of Confruit and a breakdown in managerial and administrative controls. Management had been subsequently reorganised and replaced where appropriate "The difficulties we encountered in Italy prevented us from achieving the profit growth we had expected," said Imerman

Trading conditions at Nabisco SA — previously Royal Beech Nut — had remained tough in line with market trends However, the action taken by its joint venture partners, Nabisco Inc, was expected to drive positive earnings growth in the future

The group was budgeting to at least maintain earnings during the current year "The strategy should provide a sound footing for growth," he said

Highly competitive conditions in Europe were expected to continue to have a negative impact on prospects for earnings growth in 1997

However, the Philippines business was performing well and trading in certain European market segments was sound, although the process of returning to a satisfactory level of profitability in Italy was likely to continue well into 1997

DEL MONTE ROYAL FOODS (186)

Let down by Italy

km 21/2/97

Del Monte Royal Foods should be an almost perfect rand hedge. More than 60% of its sales are in Europe — with a further 15% in the fast-growing Philippines.

Yet Delfood's results continue to disappoint. In the year to November, EPS, after exceptional items, rose 4% to 44,5c, still well below 1993's peak of 61c soon after Anglo American and the consortium led by Vivian Imerman took over.

Headline earnings were up a more respectable 19% to 50,1c, way below market expectations of at least 58c.

The disclosure by this group is so patchy it is difficult to tell what went wrong in what markets. There was probably no contribution above the line from Italy, which accounts for 25% of sales, as well as an exceptional R21m charge for the restructuring of the Italian operations. The integration of Confruit, a producer of downmarket fruit juices, proved difficult and there was a "breakdown of managerial and administrative controls in some areas."

Delfood has brought in new management right from the top — the former president of Schweppes Europe Francois de Lavalette was appointed group chief operating officer, replacing Enrico Sola, who also ran the Italian operations with too much autonomy. A new Italian management team was installed in September.

Vivian Imerman

Sales in Italy and the rest of Europe, particularly in beverages, suffered from poor summer weather but there were moderate improvements in deciduous fruit and pineapple sales in the UK, Germany and northern Europe.

De Lavalette is undertaking a strategic review of the European operations to improve efficiency, re-evaluate market strategies and strengthen operational and management structures.

European consumers are moving from canned to fresh fruit, private-label products continue to make inroads against brands. Group finance director Andrew Hawkins says the canned fruit market in Western Europe is static to declining. New entrants are not coming into the market. Del Monte, as market leader, could increase market share.

The most promising side of the group is its non-European sales. It increased its interest in Del Monte Pacific Resources (DMPRL) in the Philippines to 50% and now consolidates it. This is a major pineapple producer with rights to the full range of Del Monte products in the Philippines and in the Indian subcontinent. DMPRL's net income rose to US$30m (R130m) from the year-ago $7m (R26m).

Delfood has a credibility problem because it has so often failed to deliver to shareholders. Delhold chairman Graham Boustred admits the group has a poor record in forecasting.

Analysts find it difficult to get a handle on the company as it is difficult to forecast where problems will come from and there are complicated exchange rate factors, not only between the rand and the pound but also between production prices in Kenyan shillings and Philippine pesos and selling prices in a basket of currencies.

Delfood trades at 375c, less than half the 880c at which Anglo and Imerman took control. Holding companies Delcorp and Delhold are even lower (350c and 370c).

On the face of it, Delfood must present a recovery opportunity — especially with new operating management. The slow growth prospects for its European markets are offset by blue sky from the Indian subcontinent and, to a lesser extent, in eastern Europe.

Market sentiment is still against the share, so don't expect much recovery in the short term. But there are speculative attractions. *Stephen Cranston*

PATCHY PROGRESS

Year to November 30	1995	1996
Turnover (Rm)	1 838	3 301
Operating profit (Rm)	197	327
Attributable (Rm)	146	152
Earnings (c)	42,6	44,5
Dividends (c)	16	19

Breweries appoints Ramaphosa as director

(18b)

CT(BR) 20/2/97

Jabulani Sikhakhane

Business Editor

Johannesburg — South African Breweries (SAB), the consumer products group, has appointed Cyril Ramaphosa, the chairman of Johnnic, as a non-executive director and Graham Mackay as the group managing director with immediate effect, Meyer Kahn, the group executive chairman said yesterday

He said Mackay, formerly the chief operating officer, would be responsible for the day-to-day operational activities of the group.

Mackay's appointment sparked speculation that this was a precursor to Kahn becoming a non-executive chairman in line with the recommendations of the King committee on corporate governance

The committee, chaired by Mervyn King, recommended in 1994 that a company chairman should be a non-executive director But it said, given the shortage of skills in South Africa, it would be "impractical" for every company to have a non-executive chairman

Dunbar Bucknall, the SAB group executive for corporate affairs, said such speculation was "unfounded" He said, however, Mackay's appointment could be seen as "gradualist approach" towards complying with the King committee recommendations

Meanwhile, Ramaphosa replaces Pat Retief who retired from the SAB board Retief is the former chairman of Johnnic, the black-controlled industrial holdings group, whose main asset is a 13,7 percent stake in SAB, South Africa's largest listed industrial group in terms of sales revenue

Kahn also said Ron Stringfellow, formerly the managing director of Southern Sun, would become the chairman of the group's hotel and gaming interests, as well as chairman of OK Bazaars

□ Business Watch, Page 16

Simba not allowed to close plant

(186)

SHIRLEY JONES
KWAZULU NATAL EDITOR

CT(BR) 3/3/97

Durban — The high court in KwaZulu Natal on Friday granted an interdict sought by the Food and Allied Workers' Union preventing Simba from shutting its Pietermaritzburg plant

Breaking his silence over the looming closure of the factory the KwaZulu Natal branch secretary of the Food and Allied Workers' Union, JJ Ngcobo, said on Friday the interdict had been granted preventing Simba from taking any action until national negotiations had taken place

Simba is opposed to negotiating nationally and favoured resolving the issue at plant level

Ngcobo said the court had also referred the issue to mediation and had ruled that no employment contracts could be terminated until April 1 Simba and the union had agreed not to comment to the press since Simba employees were told the company intended closing its Pietermaritzburg factory in mid-January Laura Scott, Simba's spokesman, said the company had no comment

Ngcobo said it appeared Simba intended closing a profitable plant so as to more fully utilise spare capacity at its Cape Town and Johannesburg plants He hoped national negotiations would clarify the grounds for closing the Pietermaritzburg plant and retrenching workers

COMPANIES

Cadswep looks sweet

(181) BD 4/3/97

Nicola Jenvey

DURBAN — Industrial food group Cadbury Schweppes (SA) was expected to report an 18-22% increase in share earnings to 327c-340c for the year to December due to strong growth and a relatively small price hike, analysts said yesterday

The group and its subsidiaries manufacture and distribute chocolate and sugar confectioneries, cocoa and beverages, concentrates for the carbonated soft drink market, squashes, cordials, packaged desserts, glace cherries and jams and marmalades

The group also has a 19,02% shareholding in Amalgamated Beverage Industries (ABI) which bottles and distributes Coca-Cola and Schweppes products in Johannesburg, Pretoria and Durban

Analysts said the food group had experienced "a reasonable year" but that the second six months was always dictated by the summer weather Volume growth for cooldrinks and refreshments hinged on a hot or mild summer

There were predictions that Pepsi's entry into SA would affect volume and sales growth, reflected through Cadswep's holding in ABI Returns from ABI would be flat, as the cola wars had forced higher advertising and packaging costs, and lower margins

However, the confectionery division had sustained strong volume growth during the year with several new products — including Holey Moleys and Astros which had snatched about 6% market share

Export profit was expected to be lower than last year, as Cadswep had cancelled a contract with Russia However, analysts said earnings from this venture had been drawn mainly from the general export incentive scheme and the group was not likely to look aggressively for additional export business in the near future

Looking to the current year, analysts said Cadswep had maintained a high rating for several years and constantly offered shareholders good value The group should again report a 20% increase in share earnings

In the year to December 1995, Cadswep lifted share earnings to 277,9c from 231,2c and a 112c (1994. 93c) total dividend was declared Attributable income rose 20% to R101,2m, while turnover topped the R1,1bn (R940m) mark as every division experienced strong volume growth

Cadswep reports its final results today

Chocolate firm faces strike over 'racism'

(186)

ARG 17/3/97

East London – South African chocolate, vinegar, coffee and other foodstuff production could drop this week if a threatened strike at Nestlé SA by Food and Allied Workers' Union (Fawu) members takes off.

Fawu's national negotiator at Nestlé, Lizo Mzendana, said about 4 229 union members at the company's chocolate and confectionery, grocery, milk sector factories, depots and sales sections would strike this week unless certain demands were met

Workers wanted pay disparities between black and white workers to be eliminated and a 9,1 percent increase for union members

"Nestlé SA is a racist, discriminatory and conservative company," said Ms Mzendana "One can see naked racism being practised in most of its sectors "

At the East London Nestlé factory – the country's biggest chocolate producer – more than 1 500 workers were likely to strike

Nestlé SA spokesman Jackie du Plessis said wage negotiations between workers and management started in November last year, with management proposing a minimum wage increase from R2 175 to R2 382 – Ecna

W Cape chocolate factory staff join strike

MARIO WYNGAARD AND NORMAN JOSEPH (186)
STAFF REPORTERS

ARGT 18/3/97

Hundreds of workers at four Nestlé sites in the Western Cape have joined a national strike by the company's workforce, who are demanding higher wages and shorter working hours

The strikers, members of the Food and Allied Workers' Union at the Pinelands sales depot, Bellville distribution department and Mossel Bay and Robertson branches, are demanding a nine percent across-the-board wage increase.

The union's national spokesman, Fred Jarvis, said the strike was in progress throughout South Africa

He said Nestlé management had offered seven percent and had refused to meet strikers in the Western Cape Workers want the 48-hour week reduced to 40 hours, four months paid maternity leave and two months unpaid maternity leave.

Nestlé strike jeopardises Middle East orders

(186)

Business Day Reporters

A NATIONWIDE strike by 6 000 Nestlé SA workers had resulted in Middle East orders worth millions of rands being suspended, Nestlé spokesman Humphrey Khoza said last night

The strike entered its second day yesterday with the company applying to the Grahamstown High Court for an order to evict thousands of striking Food and Allied Workers' Union (Fawu) members from its East London premises

BD 19/3/97

Khoza said the company called off the application after Fawu national negotiator Lizo Mzendana persuaded the strikers to leave the premises

Mzendana said earlier that Nestlé had given notification it would be locking out the strikers from March 20 if the strike continued

A Nestlé SA spokesman said the measures were needed to counter intimidation of nonstriking employees

Management and the union did not plan to meet this week

Workers at 20 Nestlé facilities, including its East London sweet factory, one of the company's largest production units, put down tools on Monday to back demands for a 9,1% across-the-board wage increase

Mzendana said Nestlé had not offered a specific figure but a range of wage offers for various categories of workers The union also wanted an agency shop agreement implemented

Nestlé strikers cry foul play

CT (BR) 19/3/97 (186) (1??)

JONATHAN ROSENTHAL

Johannesburg — Nestlé, the confectionery and beverage company, has spent the past few weeks preparing to sit out a national strike by members of the Food and Allied Workers' Union, striking workers alleged yesterday

The strike, by up to 6 000 workers according to the union or 2 800 workers according to Nestlé, enters its third day today

Striking workers at Nestlé's Isando warehouse said that the company had recruited "scab" labour before the strike

Striking workers said several workers had been "intimidated" by scab workers, who were bussed in early and remained at work until after strikers had dispersed in the afternoon

They said Nestlé had built up stocks in the warehouse over the weeks preceding the strike

Nestlé could not be contacted to respond to the specific allegations, but said in a statement earlier in the day that contingency plans had been implemented to "maintain certain vital parts of the business"

It said that the company's "offers of between 9 percent and 10 percent are fair and favourably compare within the industries in which we operate" It also denied that it had offered 7 percent, as alleged by the union

Premier plant closures threaten 1 100 jobs

CT 25/3/97 (186)

Marc Hasenfuss
Cape Editor

Cape Town — Premier Foods intends to close down several plants in a bid to cut huge overcapacity and improve inefficiency, Ian Heron, a director at the Premier Group, confirmed yesterday.

This decision could result in the shedding of nearly 1 100 jobs at Epic Foods and the milling and baking divisions.

According to documents in Business Report's possession, Epic Foods will close down its Maitland Manufacturing Plant in Cape Town. This should save R6 million a year but will affect more than 300 workers.

It appears that Epic Foods also intends rationalising and restructuring its Isando Petfood plant, where about 130 jobs could be shed. Other operations expected to be affected by job losses include Milling Eastern Cape and sections of the bakery division.

A meeting between the Food and Allied Workers' Union and Premier Foods took place yesterday. A trade union spokesman was not available for comment last night, but Heron said "a frank interchange of views" took place.

A notice from Epic Foods to affected employees last week pointed out that, while the company was breaking even, a sizeable interest bill had pushed it into the red. The Maitland plant, which refines crude fish and vegetable oils, and Petfoods had notched up respective losses of R2,25 million and R4,5 million in the nine months to January 31 this year.

The notice indicated the decision to close the Maitland plant was prompted by the high input cost of imported raw material, a volatile bottled oil market in the Western and Eastern Cape and inherent refining inefficiencies.

The notice read: "Numerous attempts have been made by the company to address the situation.

The net effect is that the plant cannot break even at trading level."

The closure would see the production of industrial margarines and fats transferred to Premier Foods' Aeroton manufacturing plant, enabling Aeroton to fully utilise plant capacity and improve overhead recovery.

Isando Petfood Plant, which was upgraded in 1993/94 to produce an average monthly volume of over 7 000 tons, had achieved production and sales volumes of only 4 782 tons and is notching up losses of R1 million a month.

The situation has been compounded by overhead costs of R1,8 million, a general sales decline and increased waste generation.

Protracted wage talks aim to end Nestlé strike

(186)

Nestlé South Africa and the Food and Allied Workers Union (Fawu) held another round of wage talks in Johannesburg yesterday to try to end the two-week long strike at company factories and other facilities around the country

A Nestlé spokesman said the talks had reached a delicate stage and further details could not be disclosed.

Nestlé was optimistic the issue could be resolved by today

Fawu national negotiator and spokesman Lizo Mzendana could not be reached for comment yesterday

The strike has crippled production at several Nestlé factories, including at its East London confectionery plant, which is producing major export orders for Saudi Arabia. – *Sapa*

Sowetan 2/4/97

The management team is also divided

Union claims Nestlé is still 'intransigent'

CT(BE) 3/4/97 (186)

FRANK NXUMALO

Johannesburg — The Food and Allied Workers' Union (Fawu) accused the management of Nestlé South Africa yesterday of "intransigence" in attempts to settle the three-week-old strike at the food manufacturer

A union official said no agreement with the company's management was imminent

He said there were clearly discernible divisions in the ranks of the management team, with the human resources managers and line managers expressing contradictory opinions

Humphrey Khoza, the Nestlé spokesman, was tightlipped on efforts to end the strike "The talks are at a very delicate stage, and a meeting is planned for Monday," he said

Fawu had demanded a minimum wage increase of 9,1 percent for union members Nestlé's management first offered 8,5 percent for certain sectors, before moving up to 8,75 percent on condition that the union accepted the offer before consulting its members, a Fawu official claimed

The official said there was disagreement in all areas, which led to the nationwide strike that resulted in Nestlé sustaining severe production loses

The union spurned this offer It also insisted on consulting its members before entering into any agreement with the company's management

"This figure is insufficient, below inflation, which is approaching 10 percent, and we want any increase to cover all our members," the official said

Nestlé's management was prepared to move from a 44-hour working week to a 40-hour working for salesmen, promoters, mechanics and technicians

But the unions said that was not acceptable because it went against the principles of the employment standards campaign The campaign envisages uniform working conditions for all employees

The union official said that Nestlé's management was "only committed in principle" to Fawu's demands

The union was demanding the narrowing of gaps between wage grades, the implementation of agency shop agreements and provision of transport and accommodation by the company during union-management meetings, the official said

Nestlé strike threatens deal

(181) ([illegible])
ST(BT) 6/4/97

LABOUR TROUBLE

By MARCIA KLEIN

NESTLÉ and the Food and Allied Workers' Union meet tomorrow in a bid to resolve issues which are almost bringing production to a halt and threatening a multi-million rand export order.

A national strike, now in its third week, has caused major production problems and poses a serious threat to the export deal About 200 to 300 of the company's 5 500 jobs relate directly to its export business

What was originally a wage dispute has turned into accusations of racism and intransigence against Nestlé Humphrey Khoza, human resources divisional manager, says these issues have never come to the table in the negotiations, centred on wages

Negotiations began in November, but turned sour in January when a dispute was declared About 2 800 of Nestlé's employees are FAWU members Nestlé says about 2 500 people are striking but the union has said that up to 6 000 people are on strike

FAWU asked for a flat increase of 9 1% while Nestlé offered 8 75% linked to productivity initiatives. Khoza says if the company's wage proposals are accepted, 80% of the workers would receive more than the 9 1% demanded and the lowest salary would be over R2 300

According to Khoza, affirmative action programmes are advanced Nestlé has done training for many years and the number of black employees exceeds national averages at all levels

'WS

Nestlé close to settling strike

(186) (   ) CTCB 10/4/97

FRANK NXUMALO

Johannesburg — Nestlé said yesterday it was on the brink of settling a crippling four-week strike with the Food and Allied Workers' Union (Fawu)

Humphrey Khoza, a spokesman for Nestlé, said the two parties hit on a "formula" in the early hours of yesterday morning to "enable us to meet the workers' demands", adding that the details of the deal would remain under wraps until the union had approved it, at which point production would be expected to resume

Meanwhile, about 400 Fawu members went ahead with their march on Nestlé's head office in Randburg yesterday

Union sources said the company would now offer between 8,75 percent and 9,1 percent if workers accepted the formula, while Fawu would compromise by dropping its wage demands by 1 percent to 9 percent

"We wanted to force the company to respect the principle of consultation We ultimately achieved that, including agreements on productivity and competitiveness," said Lizo Mzendana, Fawu's national leader

Nestlé said this week the strike cost it a R2 million export order for Saudi Arabia, which would have been the first of many such deals

FORMULA FOR SUCCESS *Members of the Food and Allied Workers' Union (Fawu), seen here on strike, will review the settlement formula worked out between Fawu and Nestlé early yesterday morning* PHOTO JOHN WOODROOF

Nestlé announces proposal to end strike

(186) BD 10/4/97

Bonile Ngqiyaza

STRIKE-bound Nestlé SA announced a formula yesterday for what it termed a "very good" agreement which could benefit both the company and the Food and Allied Workers' Union (Fawu)

The strike, to demand improved wages and working conditions, has entered its fourth week and affects Nestlé facilities around the country

The announcement followed three days of renewed wage negotiations between the two parties

A Nestlé SA spokesman said the proposed agreement, still to be ratified by union members, recognised worker wage aspirations but also accepted the need to improve performance and to introduce flexible work practices The agreement also recognised the need for a joint approach to formulating and effecting the improvements

She said a key issue throughout the negotiations had been acceptance that Nestlé had to be a competitive organ-

Continued on Page 2

Nestlé

(186) BD 10/4/97

Continued from Page 1

isation if it was to retain its place in the market "Also, we must have flexible and efficient work practices to keep competitive and to fund agreements of this nature," she said

Meanwhile, hundreds of Nestlé SA employees marched to the company's Randburg headquarters yesterday to give management a petition calling for better working conditions and wages

Sapa reports that a Nestlé spokesman confirmed management had received the petition

Fawu negotiator Lizo Mzendana could not be reached for comment on the proposal, but another Fawu spokesman, Mike Maloba, said the union had agreed in principle.

However, the negotiators wanted to consult the union's constituency for a mandate and had requested details of how efficiency and improved productivity was going to be achieved

Picture: Page 3

Agreement brokered in Nestlé wage dispute

(185) (186)

Reneé Grawitzky

NESTLÉ workers in the future will not earn less than R2 300 a month following an agreement reached yesterday between the company and the Food and Allied Workers' Union, which effectively ends the four-week wage strike.

The deal, brokered under the auspice of the Independent Mediation Service of SA (IMSSA), provided for a 9% increase and a framework agreement on greater efficiency and flexible work practices, productivity and competitiveness.

Nestlé's human resource divisional manager Humphrey Khoza said: "This agreement recognises the wage aspirations of our people, but also accepts the necessity of improving performance and introducing flexible work processes."

IMSSA said agreement on a productivity framework was essential to finding a breakthrough on the wage issue.

The strike which commenced on March 17, ostensibly on union wage demands for a 9,1% increase as opposed to a company offer of 8,5%, was also related to a long outstanding demand relating to levels of bargaining.

For a number of years the union demanded a move away from plant level to sector level bargaining — the ultimate objective being the establishment of one single forum.

The agreement reached provided that it would cover six different sectors within the company. This issue would be referred to arbitration. A number of other outstanding issues relating to allowances, hours of work and leave entitlements would be dealt with by the parties.

The compromise reached had pleased the workers and about 4 000 workers are expected to return to work this week.

BD 15/4/97

Beer drinkers will pay SAB an extra R10m

BD 16/4/97 (186)

Edward West

BEER drinkers will be paying SA Breweries (SAB) R10m over and above the excise duty increases announced in the last budget because the taxman decided to withhold a refund the group thought it would receive for overpaying last year

SAB said yesterday that it traditionally passed on no more than the customs duty increase to the consumer, but had to write off about R10m last year due to a change in the way the duties were structured

Government increased the duty on clear beer 9% or 8,15c/l — about 3c a 340ml can — in last month's budget Average beer prices also rose about 5% early in February, representing SAB's annual increase

However, the actual post-budget price increases, based on the market shares of SAB's various products locally, show that the group will make R11,1m in additional profit

Continued on Page 2

SAB

Continued from Page 1

Beer division financial director Gary Whitlie denied that SAB had tried to pad its margins, reiterating that it was policy to pass on the cost of excise duties to the consumer as they were applied, "no more and no less".

He said the additional increase was designed to recover the extra cost The actual increase over and above the customs duty was slightly lower than the R11,1m estimate due to brand and alcohol content differences.

Whitlie said a curt letter from the revenue service's customs and excise commissioner before the budget had said the service "has decided not to refund any amount due as a result of a possible overpayment of excise duty on beer as from March 1 1996 due to the new duty structure that was implemented". No reasons were provided.

SAB responded with a letter to the commissioner this month, in which Whitlie said given that "indications to date have been that refund of these monies overpaid was to be expected, we wish to express our extreme disappointment at this decision".

Whitlie said yesterday that the group had even considered legal action to recover the money, but legal advice was that government had acted on its own prerogative and little could be done to remedy the situation. As a result, the additional costs had been passed on to the consumer with the latest duty increases.

Nestlé accord benefits all

(~~182~~)(186) Sowetan 17/4/97

By Abdul Milazi

THE BEST feature of Nestlé South Africa's wage settlement with the Food and Allied Workers Union (Fawu), which ended a three-week strike on Tuesday, is that it will benefit both workers and employers, Nestlé's human resources and corporate affairs divisional manager Humphrey Khoza said yesterday.

Fawu and Nestlé settled on a minimum nine percent wage increase, bringing the current minimum wage to R2 300 a month for union members

The union in turn agreed to cooperate with management in productivity enhancement programmes to improve the company's competitive position

Khoza said the key component of the agreement was the commitment by Fawu to cooperate in increasing efficiency, productivity and competitiveness

"We believe this is a good agreement offering benefits to both sides It recognises the wage aspirations of our people but also accepts the necessity of improving performance and introducing flexible work processes," said Khoza

He said the agreement also recognised the need for a joint approach in making and effecting these improvements

"A key issue throughout the negotiations has been in gaining acceptance of the fact that Nestlé must be a competitive organisation if it is to retain its place in the market"

Khoza said management and workers needed to have flexible and efficient work practices to keep competitive and fund agreements of this nature.

"We believe this has been achieved"

More than 320 lose their jobs

(186) Sowetan 24/4/97

By Shadrack Mashalaba

MORE than 320 workers are out of work as a result of the closure of the Isando plant of Blue Ribbon Bakeries, apparently after the company had sustained losses amounting to thousands of rands

The plant, according to Dan Mngomezulu who served on the company s joint management team – a body responsible for setting employment standards – was shut down on March 14 after management sent them written letters stating that it was making losses of R100 000 a day

Mngomezulu said workers were informed about the pending closure of the plant on March 3 After to the closure, management held meetings with worker representatives at which the representatives put forward a proposal that the company should voluntarily lay off a limited number of workers in order to reduce the losses and continue its operations

However, management dismissed the proposal, saying that the losses were such that the business was no longer viable, and if continued, would affect not only Isando operations but also operations in other parts of Gauteng

Sowetan Business has learnt that two other plants, one in Embalenhle and the other one in Amendo, KwaZulu-Natal, are also experiencing financial problems that might result in retrenchments

In 1993 more than 125 workers in Isando were retrenched because the company was not performing well

Before closing shop, a source alleged that the company embarked on a deliberate strategy to make some workers redundant by outsourcing its distribution service Most of the workers involved in the distribution included drivers and van assistants

This week the management of Blue Ribbon was expected to have a meeting with the Food and Allied Workers Union (Fawu) in Johannesburg

The two parties are expected to appear at the Commission for Conciliation, Mediation and Arbitration (CCMA) tomorrow after a dispute

In a response to *Sowetan Business*'s questions about the closure, Blue Ribbon regional manager Clive Reid confirmed the company's closure on March 14

He said before the closure numerous joint efforts were initiated between management and the workers at the bakery in an effort to avoid closure

'The closure was instituted within the parameters of the recognition agreement between Fawu and the company," he said

The statement said further consultations were continuing between management and the union regarding the redeployment of workers within the division as well as retrenchment packages

S (021) 488 4570

Juicy results for Langeberg as turnover rises by 25pc

~~[illegible]~~T (186)

THABO MABASO
Business Reporter

ARG 2/5/97

Boland-based processed fruit and vegetable canner Langeberg Holdings yesterday reported buoyant interim results for the six-month period to March 31, saying turnover had increased by 24,8 percent to R560,5 million.

Despite the good results, Langeberg Holdings' chairman Nick Dennis said that export prospects for the remainder of the year looked uncertain due to a stable rand and the phasing out of the General Export Incentive Scheme (Geis) on July 11 by the Department of Trade and Industry (DTI).

The DTI this week cited budgetary constraints as the reason for scrapping Geis.

Mr Dennis, however, expressed confidence that the domestic market, which had pushed the company's profit margins upwards during the interim period, would again lead to good results in the second period.

"The international market has become much more competitive due to a generally improved supply of canned fruit, especially in the Northern Hemisphere, which has resulted in lower than expected margins for the group. Despite this the group increased its export sales volume," he said.

Brands, such as Koo and All Gold, also made strong headway into Southern Africa making the products a sought-after delicacy. The trend was the same in the rest of Africa, he said.

The company also reported 10,2 percent growth in attributable income to R41,1 million. Headline earnings per share increased by 10,4 percent to 25,5c per share. The interim dividend remained unchanged from last year at 5,5c per share.

Shareholders funds increased to R493,8 million while net asset value rose by 7,0 percent to 308,6c per share

Langeberg rises above tough market

BD 2/6/97

(186)

Samantha Sharpe

CAPE TOWN — Fruit and vegetable processor Langeberg lifted attributable income 10,2% to R41,1m in the six months to March, despite tough international market conditions and a major reduction in the General Export Incentive Scheme (GEIS)

The growth in income was accompanied by a 10,4% increase in headline earnings to 25,5c a share — stripped of profits on the sale of fixed assets net income a share was 10,2% higher at 25,7c — and an interim dividend declaration of 5,5c, which was unchanged from the same time last year

Langeberg chairman Nick Dennis warned that uncertainty in the export market could offset a continuation of good performances in the domestic market into the second half, with earnings for the full financial year forecast at similar levels to last year

Turnover increased 24,8% to R560,5m in the review period following favourable conditions in the local market and increased market share for the Koo and All Gold brands

However, fruit processing in the Western Cape was hampered by adverse climatic conditions, which affected supply to overseas customers, he said

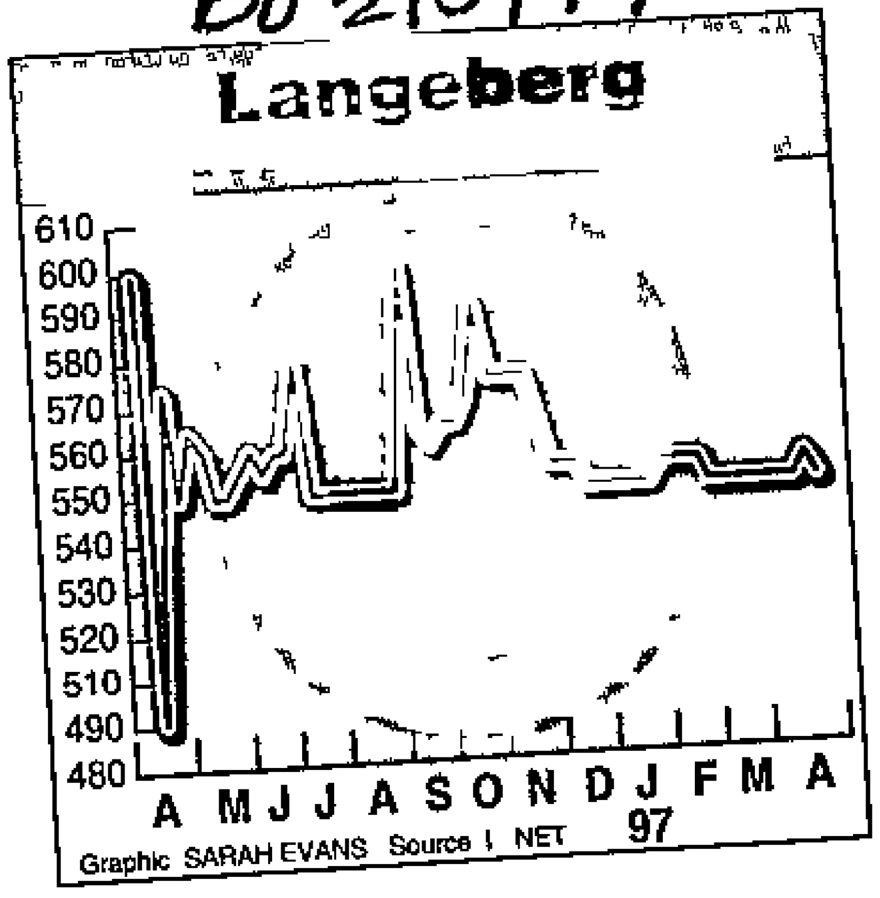
Dennis said this had been exacerbated by increased competitiveness in the international market, which had resulted in lower than expected group selling prices and margins Operating income increased 10,9% to R56,5m

A GEIS reduction from 14% last year to 6% this year also had a big impact on the bottom line

Net interest paid of R1,2m from R3,2m at the same time last year brought net income before tax and abnormal items to R57,7m, 6,7% up on March last year A marginally lower tax charge of R16,6m brought attributable income to R41,1m from R37,3m

A R300 000 profit on the sale of fixed assets was reflected in headline earnings of R40,8m

On the balance sheet, shareholders' funds increased to R493,8m from R461,5m, while net asset value rose 7% to 308,6c a share Borrowings of R2,9m translated to negligible gearing, with the group in a financially strong position, Dennis said



Sasko, Bokomo plan October merger

(186) ARG 10/5/97

ALIDE DASNOIS
BUSINESS EDITOR

Sasko and Bokomo are set to merge, creating a R3,5-billion-a-year food giant with 12 000 employees all over the country and interests in wheat and maize milling, bread and confectionery, breakfast foods, eggs, poultry and frozen food.

At a joint press conference in Cape Town yesterday, Sasko chief executive Stephan Bellingan and Bokomo chief executive Andre Hanekom said the merger could be complete by October, if the plan was approved by shareholders at meetings next month

Talks were also being held with the Food and Allied Workers' Union, Mr Bellingan said and the Competition Board would be consulted

Mr Hanekom said though there could be some rationalisation at head office level, there would be no production job losses as a result of the deal, which could lead to a Johannesburg Stock Exchange listing

Weaknesses in one company would be offset by strengths in the other and Bokomo's wide product range would benefit from Sasko's distribution network and its wheat milling and baking interests

The new company – which has still to be named, said Mr Hanekom, noting that there was much "sentiment" invested in both names – also plans to expand on foreign markets

Listing could follow food group merger

SAMRIZE BD 12/5/97

Samantha Sharpe (186)

CAPE TOWN — Former agricultural co-operatives Bokomo and Sasko have joined forces to create a new player in the food sector with an annual turnover of R3,5bn, significantly enhancing prospects of a stock exchange listing

The merger is subject to shareholder approval — 80% of Sasko's shareholders are also owners of a 40% stake in Bokomo — and acceptance by the Competition Board However, the as yet unnamed new company is expected to be formed by October 1.

Bokomo CEO André Hanekom said Sasko's extensive distribution network, rapidly growing international division and technological strengths fitted perfectly with Bokomo's strongly branded products and food interests. Both suffered inherent weaknesses in their product baskets.

"A merger will create a strongly diversified group with great bargaining power in the market place and will of-

Continued on Page 2

Merger

SAMRIZE (186)

Continued from Page 1

BD 12/5/97

fer an impressive range of competitively priced food products."

While a listing was not likely immediately, a potential acquisition or a need for funds could move this to the top of the agenda

Hanekom said Sasko and Bokomo brands would be managed by separate, competing sales forces. Rationalisation from the merger would affect about 130 staff members at head office level.

Sasko CEO Stephan Bellingan said while the deal was subject to Competition Board approval, he was confident this would not be a stumbling block. "Our businesses really overlap only in the milling and baking area, and there only in the Western Cape, so we are fairly confident we will get the green light"

Formalisation of the new structure would take place on conclusion of the respective shareholders' meetings, with the companies to operate under joint management until their annual general meetings in March, when a new board would be constituted.

Bellingan and Hanekom said the merger was expected to improve respective share values and enhance prospects of a listing. Joint earnings were estimated at R130m and total assets at R1,54bn, effectively placing the new company in the JSE's top 100 should it be listed.

Bokomo, Sasko plan food merger

(186)

Marc Hasenfuss

Cape Editor

CT (BR) 12/5/97

Cape Town — Bokomo and Sasko, two of the country's oldest "agri-businesses", based in the Western Cape, announced plans on Friday to merge in October this year, but executives played down speculation of a possible JSE listing.

In a joint statement, the companies said the merger would create a new company — yet to be named — with assets of over R1,5 billion Turnover would top R3,5 billion and generate earnings of about R130 million

The companies said Bokomo's brands in diversified food interests — especially its strong position in the breakfast food market, the prepared frozen food market and the poultry industry — would be complemented by Sasko's interests in the wheat milling and baking industries, nationwide distribution and a growing international division

Andre Hanekom, the chief executive of Bokomo, said the companies' brands would all stay in the market place Brands included Weetbix, Mama's Pies, Nulaid, Bokomo Corn Flakes, Vita Bread, Sasko Cake Flour, Sasko Bread, Munchmore, Super and Champion Maize Meal

"Rationalisation will probably be only limited to head office and maybe the Western and Eastern Cape milling operations where there is some overlap "

Despite indications the group could head for the JSE, Stephan Bellingan, the chief executive of Sasko, said a listing was not the sole reason for the merger.

"It could happen in the future, but we must have a good reason for wanting to go to the market "

Food industry sources said on Friday that Sasko owned an 88 percent stake in Northern Bakeries, was is listed on the JSE's Food board

BOKOMO/SASKO (186)
FM 16/5/97

Marriage of convenience

Tying the knot will give new group entry to foreign markets

Growing competition from global food companies and the demise of the single channel wheat marketing system are the major forces driving the R3,8bn/year merger of Bokomo and Sasko

Being registered limited companies, the proposed merger will not fall under Agriculture Minister Derek Hanekom, who effectively stayed the transformation of wine co-operative KWV into a public company There are no immediate plans to list the as yet unnamed new group, which will employ about 12 000 people

Other reasons for the merger, says Sasko MD Stephan Bellingan are "Tax changes, the lack of cheap Land Bank finance and the fact that co-operatives are not well received in the international markets, also mean that competitors had a big advantage "

Bokomo's diversified, branded food products, the prepared frozen food market and the poultry industry — will be complemented by Sasko's extensive interests in wheat milling and baking, its nationwide distribution network and rapidly growing international division

Combined assets total about R1,5bn and projected annual earnings R130m While 80% of Sasko shareholders are also shareholders of Bokomo, the deal has yet to be approved by them But shareholders will benefit from a new group that "will become a formidable player in the international business arena," says Andre Hanekom, CEO of Bokomo Besides being a major player in the local baking and milling industries, the group will also establish itself in the export market

Combined exports will amount to about R75m/year Both partners have extensive international ties Sasko with Palsgaard of Denmark, and with SPP of Britain Bokomo's international tie-ups include Sanatarium — an Australian health food company specialising in soya products — Mexican breakfast food company Maizoro, Holland's Presco and Germany's Lohmann

But playing in the first league also means more hazards The new group intends to get fully involved in the futures market Combined annual purchases of commodities wheat, maize and soya will amount to about R2,5bn SA's membership of the 12-nation Southern African Development Community will also open up options of purchasing raw materials from neighbouring countries at more economic rates, and increasing both domestic and export market competitiveness

"At this stage our energies are focused on creating the new company Down the road we envisage a group in which there is intense focus on milling and baking operations, and a separate division which develops diversified products for both the local and foreign markets," says Bellingan

Piet Badenhorst and Arnold van Huyssteen

First Food has strong roots to feed growth

SA emigrants lure US investment

ARG 24/5/97 (186)

LLEWELLYN JONES
BUSINESS REPORTER

Soon-to-be-listed First SA Food Holdings is just one part of a larger group which has some of its roots in the packaging industry in Cape Town.

First Food comprises Piemans Pantry, Astoria Bakery, Seemans Quality Meat Products and Gull Foods, all fast-growing niche food businesses, and will be listed on the Johannesburg Stock Exchange on June 10

First Food is a subsidiary of First South Africa Holdings, which in turn is a subsidiary of First South Africa Corporation – a company registered in Bermuda, listed on Nasdaq with headquarters in Miami and controlled by South Africa emigrants

They are Michael Levy, the chairman of Arpac, a Chicago-based manufacturer of plastic packaging machinery, and Clive Kabatznik, an investment banker based in Miami

Mr Levy was previously the controlling shareholder in Starpak, a manufacturer of packaging machinery, and LS Pressings, a metal stampings business (washers)

Starpak was a Cape Town company bought by Mr Levy's own company, Levy & Smith, in 1980.

The operations were brought together under the Starpak name, and Mr Levy set about creating a company which became South Africa's leading manufacturer of heat sealing and shrink wrap machinery

The company listed on Nasdaq last year and has since bought eight more companies

"It got to the stage where we almost owned the entire market and so we started to export "

That was when Mr Levy became associated with Arpac – first as company president, then as a shareholder

"By 1987 I had had to borrow so much money the banks wouldn't lend me more unless I went over and ran the company "

He took with him a host of South African technology and built Arpac into a leader in its field with turnover in excess of $30 million (R135 million) annually

But by 1993 he was looking for a way of restructuring his South Africa assets when he was approached by his cousin Mr Kabatznik, a Miami-based mergers and acquisitions specialist

"In 1993 I realised that South Africa would come through its transition process peacefully," Mr Kabatznik said

"I wanted to offer investors in the United States the opportunity to acquire small to medium sized companies which had the potential to grow rapidly in the world's newest and most exciting emerging market "

But to interest US underwriters he had to be able to offer them an existing asset base

"Clive (Kabatznik) had the foresight, I had the companies and was ready to take the risk – and so Starpak and LS Pressings formed the nucleus of First South Africa Corporation," Mr Levy said

With the acquisition of Europair, a supplier of various products and parts to the heating, ventilation and air-conditioning industry, a New York underwriter put down $10 million to back further deals

Since then, the company listed on Nasdaq in January last year and has bought eight more companies

First South Africa is still in the hunt for businesses for its three divisions - industrial consumables, consumer goods (food and packaging) and industrial infrastructure

"We also want to start a tourism division," Mr Kabatznik said.

NAB seeks new investors after Pepsico pulls out

BD 26/5/97 (186)

Patrick Wadula and Simon Barber

PEPSI's local bottler, New Age Beverages (NAB), has started holding talks with potential local and foreign investors for funding following Pepsico's announcement at the weekend that it was pulling out of the cool drink business in SA and conceding defeat to locally powerful Coca-Cola

It is fewer than three years since Pepsi's high-profile return to the market through NAB, the black empowerment bottling venture

NAB chairman Khehla Mthembu said at the weekend that there were a lot of well established local companies interested in investing in NAB "We are assessing all the options"

NAB's shareholders — principally Pepsico and Egoli Beverages, a San Francisco-based consortium of prominent African-Americans — voted on Thursday to place the company in voluntary liquidation, Brad Shaw, a spokesman for Pepsi Cola International, said on Friday "NAB was a young, very committed company that was competing against an entrenched monster. It was David versus Goliath, a noble experiment, and we had hoped the market would support it But in the end sales did not justify the cost of the venture "

Mthembu said the company was placed under judicial management upon the request of the directors to the Johannesburg Supreme Court, to protect the creditors who were owed more than R350m.

Standard Corporate Merchant Bank MD Jacko Maree said the bank's exposure in NAB amounted to R230m in loans and debt finance

Mthembu said "We have stopped trading to avoid worsening the creditors' position, until the return date set for July 23 when the position of the company willbe reviewed"

Mthembu said the company had not failed and there was no mismanagement of funds, but it needed more money to compete favourably against Coca Cola

Shaw said under the right circumstances and with the right partner, Pepsico might return However, Pepsi was retaining its investments in Simba snack foods and Kentucky Fried Chicken restaurants

Egoli founder Ian Wilson, SA expatriate and former Coca Cola executive, did not return calls to him on Friday

8 000 out on strike at Premier Foods

(186) CT (BR) 30/5/97

FRANK NXUMALO

Johannesburg — Eight thousand Premier Foods workers belonging to the Food and Allied Workers' Union (Fawu) went on a nationwide strike yesterday, the union said

Their action came after the company allegedly snubbed union efforts to negotiate the fate of 2 000 of their colleagues facing retrenchment, despite a standing agreement to tackle labour restructuring jointly, said Mswazi Ndaba, a union spokesman

Ndaba said company negotiators preferred to discuss labour restructuring at a divisional rather than national level, and had insisted workers return before there could be any further discussions

"The 2 000 are only the first group of (many more) workers facing redundancy at Premier Foods We therefore demand that the company display a sense of social responsibility by working together with the union," Ndaba said

Ndaba said most of the affected workers were from the baking sector He said Premier Foods had applied for a labour court interdict to have the strike declared illegal

Ndaba said the countrywide strike would continue today despite a court hearing scheduled for this morning.

However, Conrad Goddard, a company spokesman, said yesterday the company had kept the doors open for negotiations at every stage. He said matters had now reached "judicial level".

Ndaba responded by saying that if the company had kept its doors open, there would have been no reason for thousands of Fawu workers to picket the group's corporate offices in Johannesburg

"Instead of talking to us, (Goddard) was away the whole of yesterday lodging an application for a court interdict," said Ndaba

FOODS *Earnings growth is on the way, Imerman promises*

Full speed ahead for Del Monte's bull

CT(BR) 10/6/97 (186)

Ann Crotty

Johannesburg — If Vivian Imerman is to be believed, Del Monte Foods is at the beginning of a substantial new phase of its 100-year life The new phase involves an extensive re-basing exercise that is expected to result in a considerable downsizing of the group's operations

It comes with promises of considerably enhanced, longer-term profit performances And, despite four consecutive years in which Imerman's bullish prognoses have not matched reality, it is extremely difficult not to be swayed by his enthusiasm

No doubt it was this same enthusiasm that encouraged Anglo American to back the R2 billion acquisition of Del Monte Foods in 1992 At that stage the tie-up between the comparatively stodgy Anglo and Imerman, the hot-shot deal-maker, raised a number of eyebrows

Feeling in the market was that Anglo was attracted by Imerman's entrepreneurial ways and his excellent skills as a deal-maker Anglo saw the Del Monte transaction as a way of injecting new life into itself

Others remarked, even from the beginning, that the two cultures would not be able to work together After four disappointing years this view has gained increased support, as it seemed earnings performance got lost in the extensive no-man's land between Imerman's and Anglo's management styles

But a large and influential group of JSE analysts argue that this view allows Imerman too much of a cop-out

"Imerman is a great trader and deal-maker," remarked one analyst "But he has no experience in running a large corporation, let alone a corporation with the product and geographic spread of Del Monte"

This camp lays the responsibility for Del Monte's non-delivery of earnings growth during the past four years with Imerman and, to the extent that Anglo seemed to tolerate the situation, with Anglo to a lesser degree

While in the past Imerman has tended to blame all manner of external forces — international currency movements, poor crops, UK retailers' own brands — for the group's disappointing performance, he is now prepared to look closer to home

"I accept the criticism that we should have implemented changes earlier, in line with the changes in the environment"

Imerman added "I made one mistake I came in and left the existing management in place too long It was subsequently obvious that they were not able to change"

For many local investors who forked out 880c a share for some of the hundreds of millions of shares that were issued to fund the acquisition of Del Monte, accepting responsibility is not sufficient

They want to see Imerman out, or at least isolated in a non-operational position where the group would still be able to take advantage of his deal-making skills They look to Anglo to take the necessary action

UNSHAKEABLE *Vivian Imerman, chairman of Del Monte Foods, says re-basing is the key*

However, a senior Anglo source points out Imerman is not an employee, but a partner and a joint shareholder

He adds "The market seems to hold the view that the business would be better off without Imerman We do not think this is correct and Bain agrees with us"

Bain is the consulting firm that has been appointed to "re-base the business", which is the sort of business-school jargon that is unlikely immediately to win over many long-suffering investors

But Imerman makes a persuasive case, which is no doubt why Anglo is a keen supporter of the exercise which it believes will result in Del Monte clawing its way back

Anglo is determined to "make the most of this old and valuable brand which, if properly managed and promoted, is worth a fortune"

According to Imerman, the re-basing exercise involves "evaluating the environment, especially in Europe, to come out with a sustainable earnings growth base"

He talks of strategic alliances and an upgrade of the organisation Factories will be consolidated, non-core assets sold and cash funnelled into developing new products and new markets

Accounting policies are expected to change so that promotional expenses are no longer capitalised Analysts also expect a one-off downward revaluation of the brands

The full benefits are not expected to come through for a few years but, for investors who have held on as the share tumbled to its current levels, this may be tolerable particularly as it seems enticing

Others, who are no longer responsive to Imerman's persuasive skills, may decide it's time to get out

LABOUR RELATIONS CT (BR) 19/6/97 (186)

Food, canning industry declared 'non-essential'

The 1959 ban on strikes in the food and canning industry has been lifted by the Essential Services Committee, which yesterday declared the industry "non-essential" in terms of the new Labour Relations Act. Essential services are not allowed to strike, and disputes are handled by arbitration.

The supply and distribution of petrol or other fuels to local authorities and the transporting of commuters were others declared non-essential. Also on the list were the regulation and control of air traffic and the weather bureau. The reason why certain industries were declared essential, or non essential, would be published in the Government Gazette. The committee would hold hearings to determine the status of the payment of social pensions, the courts, the department of correctional services, nursing, emergency health services, medical and paramedical services and the key point computer services. — *Mpho Mantjiu, Johannesburg*

Food companies will 'feel the pinch' this year

(186) BD 23/6/97

Nicola Jenvey

DURBAN — Despite producing relatively good results in the period to March, food companies would "feel the pinch" for the rest of the year as the economic downswing intensified and consumers altered their eating patterns, industry sources said at the weekend.

Private consumer expenditure, which had risen 4%-6% a year since 1994, was expected to increase only 2% over last year for the current year as high real interest rates and unemployment took their toll.

South Africans were eating "more efficiently", substituting high margin products for cheaper alternatives This included poultry, fish and cheaper cuts for red meat

"The economic downswing has had an effect on the more luxurious food products, but producers and manufacturers must still position themselves to deal with the commodity products," OTK operating company financial director Japie Gouws said.

Another source said the SA food industry was not inefficient, but the agricultural potential of SA soils meant higher production costs and lower yields than could be achieved elsewhere in the world

He said the government must realise that SA was mineral-rich, but not agriculturally rich. "If we want a local food industry, there must be efficient tariffs to protect against international flooding from higher-yielding countries."

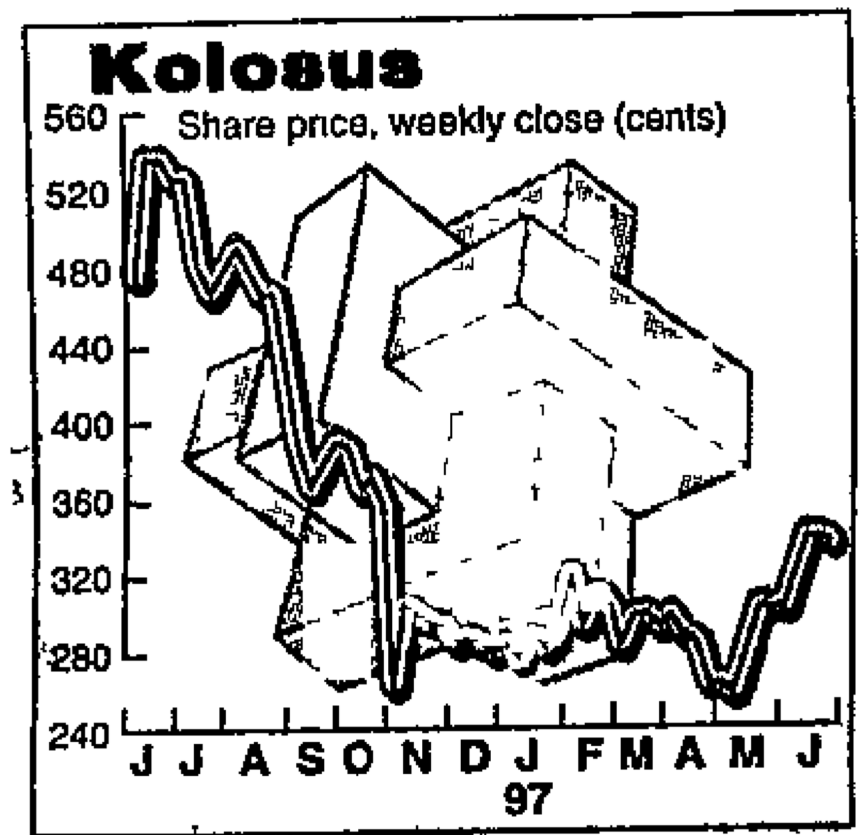
Tiger Oats executive director Hamish McBain said despite signs of an economic slowdown, the food industry had detected no clear pattern. Changing food consumption patterns left the industry "puzzled" by the causes

Analysts agreed that the industrial food companies had produced relatively pleasing results to March, with value-added products adding strength to most groups.

The consensus for the industry was that growth could still be achieved by cutting costs.

Net income at Kolosus falls 46% in 12-month period

BD 26/6/97 (186)



Graphic SARAH EVANS Source I NET

Janet Parker

INTEGRATED leather and food group Kolosus Holdings' net income fell 46% to R7,6m in the interim 12 months to May due to high acquisition-related finance costs, restructuring costs, poor market conditions and losses from associated companies

Earnings a share on net income slumped 46% to 12,61c from 23,33c. Kolosus' year end has been changed to September 30 In view of the present level of gearing the board decided not to declare a further interim dividend.

Despite the unfavourable market conditions, particularly a world oversupply of leather to the fashion industry, Kolosus lifted operating income 22,6% to R101,2m Turnover increased to R2,1bn from R1,8bn in the previous financial period.

However, finance charges rose 92,5% to R78,3m largely due to the final payment for the acquisition of the Silveroak group which was financed by interest-bearing debt The group said plans were under way to recapitalise the group.

The purchase of Ladysmith Lidgens Leathers (LLL) in January, increases in local and imported raw material as well as an increased debtors' book owing to higher international sales values all contributed to the group's finance charges almost doubling. No tax was paid for the 12 months under review.

Group financial director Ronnie van Rensburg said at the time of the LLL purchase that it would boost the group's direct and indirect export earnings from leather to more than R800m annually, and Kolosus would be responsible for about 40% of domestic automotive leather production

Kolosus had bought the entire shareholding in LLL and Lidgens Ladysmith Trimmings for R25,8m from Silveroak Industries Kolosus MD Tito Vorster said at the time the acquisition marked another phase in a strategy to reposition Kolosus as a rand hedge, export-orientated organisation rather than a predominantly red meat company.

The share of associated companies retained loss was R4,6m compared with a retained profit of R3,1m for the previous financial period, leaving net operating income down 56,7% at R18,3m (1996: R42,2m) The group said the loss was largely due to the effect of subdued market conditions on its chicken production facility, in which it has a 33,3% interest

Restructuring costs dropped 61% to R10,7m. The group said its meat processing operations at the Vanderbijlpark plant were discontinued, resulting in the consolidation of the product range in Supreme Belville.

IRVIN & JOHNSON (186)

Australian bridge into Asia

FM 27/6/97

The joint venture hopes to gain from Asia's new eating habits

I&J Food's Sydney-based joint venture with Simplot Australia's seafood, snack and meal division stands to gain from burgeoning demand for food, especially processed food, in southeast Asian markets.

In its initial years, the joint venture company is expected to have sales of almost A$200m, the partners estimate I&J's Australian subsidiary has a 40% stake in the venture, with the remaining equity held by Simplot, one of the Pacific Rim's largest food production groups with gross revenue of A$700m.

It benefits from the consolidation of both companies' distribution networks, as well as efficiencies created in the manufacturing and sourcing of food supplies. I&J SA has an assured vehicle through which to market local hake, Simplot enjoys security of supply for its frozen seafood processing operations.

"I&J Food's expertise in food service marketing and sales, access to key product and raw material sources, combined with Simplot's strong retail positions and food processing expertise together create a formidable partnership," says I&J SA MD Roy Gordon.

That alliance, and its critical size in terms of wholesale and retail outlets, is the key to profiting from exports to Asian countries. Penetrating these markets is important for Australian food companies.

The local market, though considerable with annual average per capita consumption of processed food at about A$2 000, is largely static.

"There are shifts in consumption patterns but the domestic market is not going to provide the returns needed in the future," says Simplot Australia MD Walter Bugno.

Asian markets have also become attractive as their governments have moved away from long-held policies of food self-sufficiency.

Rising incomes as a result of the region's economic growth have profoundly changed people's eating habits — away from secondary staple food towards more fresh and processed fruit, vegetables, meat and fish.

That adds up to annual growth of more than 20% in demand for high value-added food imports, according to a report by the Australian Trade Commission. The report expects food imports to treble by the end of the decade as the population of southeast Asia explodes. The food market is projected at A$77bn early next decade.

About half of Australia's food exports are destined for Asian countries, with a third of that processed. Bugno and Gordon hope to capitalise on this opportunity.

Meanwhile, a major benefit is that transactions such this, which give I&J greater exposure to value-added activities and enhanced presence in international markets, will further reduce the company's sensitivity to the vagaries of deep sea fishing — and uncertainties relating to fishing quotas (see page 80)

Sean Feely

Beacon workers on two-week strike: More than 2 000 workers at Beacon sweets company have embarked on a two-week national strike, the Food and Allied Workers' Union said yesterday. The strike followed a breakdown in negotiations over the union's 12 percent wage demand and over conditions of employment four weeks ago. (186) CT(MR) 11/7/97

Europe operations batter Del Monte

BD 17/7/97 (186)

Hilary Joffe

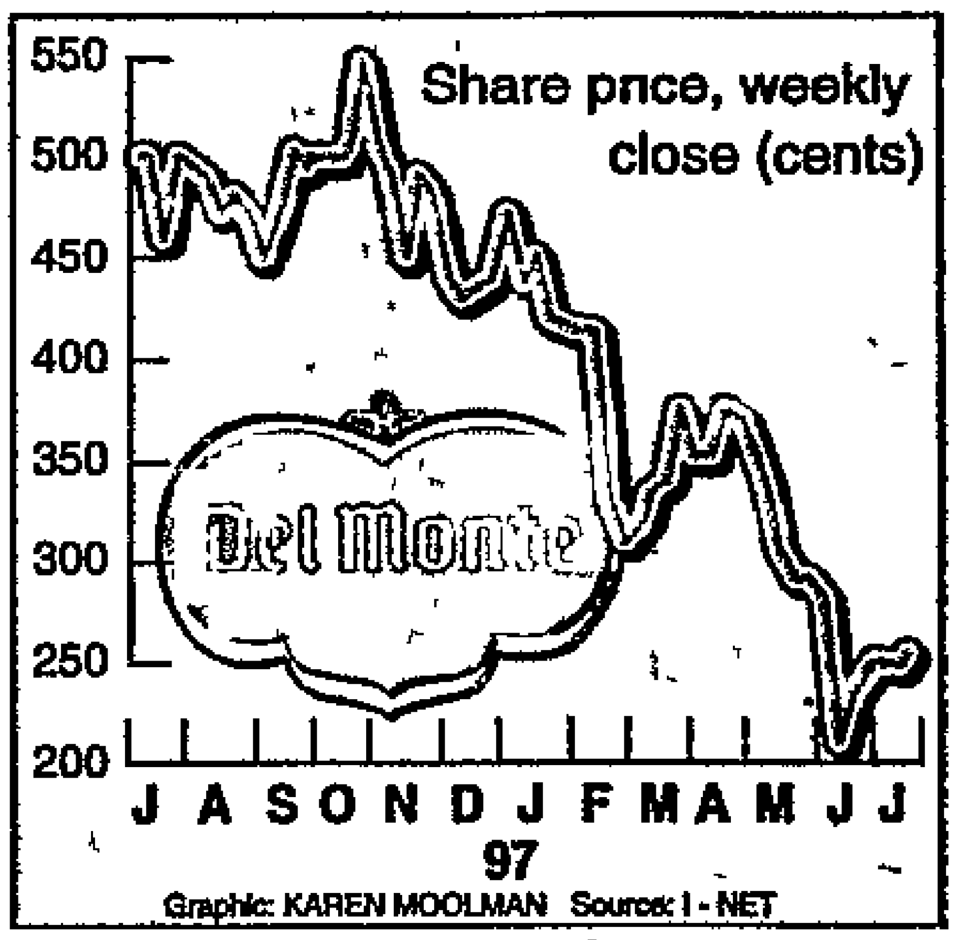
DEL Monte Royal Foods' earnings fell 34% to R40m in the six months to May after sharply reduced earnings in its European canned fruit and fruit juice operations countered an improved performance from its restructured Philippines and SA operations.

Delfood's net sales were up 7% to R1,5bn, but operating income fell 13,5% to R134,4m and earnings a share were down 34% to 11,7c. No interim dividend was declared

Chairman Vivian Immerman outlined a three-year plan to turn around the European operations and detailed a restructuring of the group, which has been divided into three separate businesses — Del Monte Europe, DMPR in the Philippines, and Nabisco SA. Each one's results were reported separately for the first time

The group also adopted new, more conservative accounting policies, restating last year's interims to conform with these. In line with the new approach, the value of Del Monte's trademarks and brand names was written down from R2,7bn to R1,5bn.

Del Monte Royal Foods



Graphic: KAREN MOOLMAN Source: I-NET

Headline earnings in the wholly owned European operation fell to R8m

Continued on Page 2

Mineworkers protest against Gold Fields

Europe operations batter Del Monte

BD 17/7/97

(186)

Hilary Joffe

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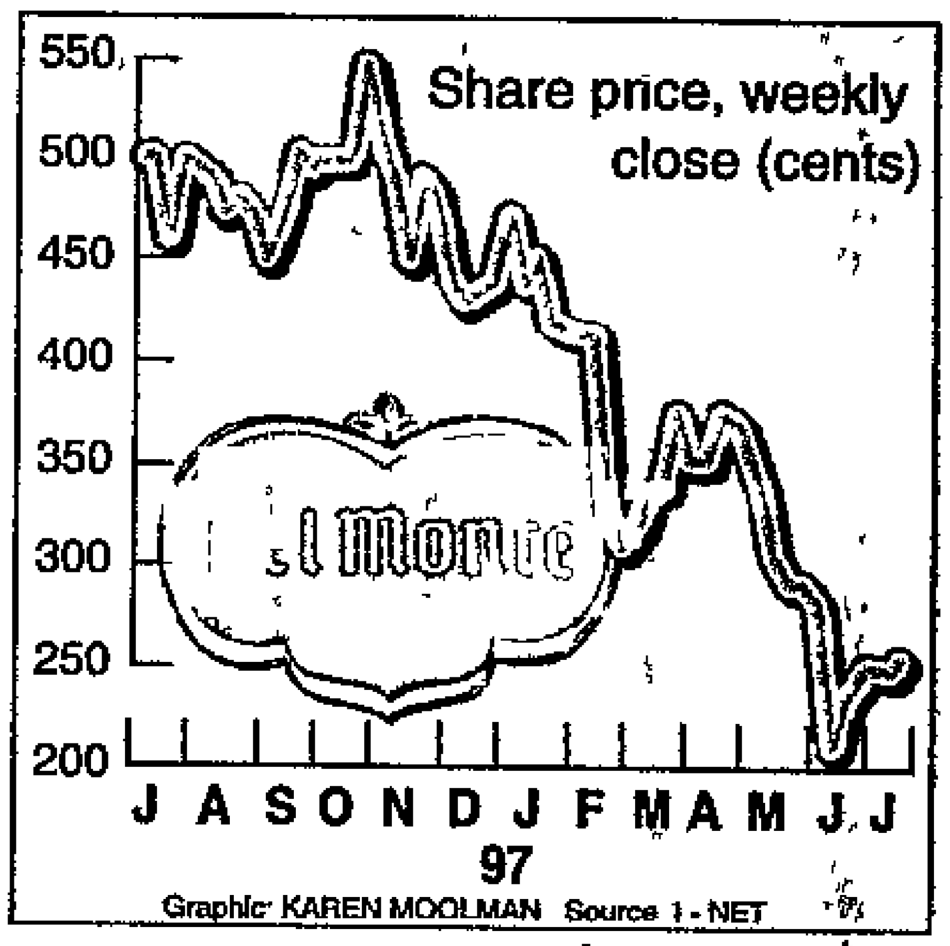
Del Monte Royal Foods



Graphic: KAREN MOOLMAN Source: I-NET

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Headline earnings in the wholly owned European operation fell to R8m

Continued on Page 2

Del Monte

(186)

Continued from Page 1

BD 17/7/97

from R43m as the business felt the pain of restructuring aimed at reversing some years of poor management and inappropriate marketing and repositioning the business

Del Monte Europe was expected to post additional profits of £15m a year within three years as a result of the restructuring. A new management team was in place New Del Monte Europe GM Francois de Lavalette said the restructuring initiative in Europe would refocus on the Del Monte brand, which is the leader in core categories in most markets

The Philippines operation, in which Delfood last year raised its stake to 50% from 35%, lifted headline earnings 42% to R34m, reflecting its successful turnaround since Delfood took control with local partner Macondray & Co, which is set to list in three months,

Nabisco SA, a joint venture with US-based food group Nabisco, halved its interim loss to R3m The SA operation traditionally makes losses in the first half, but Immerman expected full-year profits to exceed last year's.

Delfood took a once-off restructuring charge of R360m, R30m in SA and the rest in Europe, mostly in Italy Of the £45m cost in Europe, £27m was cash and 80% would be funded by the sale of noncore assets, mainly in Italy

Del Monte Royal Corporation (Delcorp), which has a 46,5% controlling interest in Delfood, and has one share in issue for every share held by it in Delcorp, also reported headline earnings a share of 11,7c (1996 restated 17,8c), as did Del Monte Royal Holdings, which holds 50,9% of Delcorp Neither declared an interim dividend

See Page 16

FOOTNOTES

Hilary Joffe

Delfood's transformation plans could improve share rating

(186) BD 17/7/97

STOCKBROKERS will not necessarily rush out to persuade their clients to buy Del Monte Royal Foods (Delfood) shares — yet. But the group's presentation of its interim results yesterday, at which chairman Viv Immerman and new Del Monte Europe GM Francois de Lavalette detailed measures to restructure and transform its ailing European operations, is likely to shift the agenda in some important ways.

Analysts and investors who had become indifferent to the fate of the troubled group are likely to start asking: "Can they do it? Do they have the right strategy and the right people?"

If Delfood's results over the next year or two provide positive results, there could be a substantial rerating of its share, which stood at R2,50 before the release of results this week, little more than a quarter of the R8,80 at which shares were issued to fund the R2bn acquisition of international canned fruit maker Del Monte by Royal Foods (as it was then) and Anglo American in 1992.

At yesterday's presentation Immerman pointed to success in the group's Philippines operations, as well as an improvement in its SA business, which is being restructured, while De Lavalette outlined a three-year plan to turn around its key European operations, aimed at positioning these to survive in tough markets.

Immerman could demonstrate successes as well as deficiencies because of better disclosure by the group, which has come under fire on this score over the past few years.

He talks of "rebasing" the group, changing both the way its operations are managed and its financial reporting.

The group has been divided into three separate operations — wholly owned Del Monte Europe, DMPR in the Philippines, a joint venture with local group Macondray & Co, and Nabisco SA, a joint venture with the US multinational food group managed by Nabisco. Separate results were reported for the three regions for the first time.

The Philippines turnaround was accelerated when Delfood raised its stake to a controlling one early last year: the previous Japanese and US shareholders had seen the business, which grows about 30% of the world's pineapples, as a supply centre rather than a profit centre, says Immerman.

This was an opportunity for Delfood and its partners, who have renegotiated supply agreements, brought in new management and shed 2 000 employees, transforming the business from $5m-a-year profit maker to a $35m a year one.

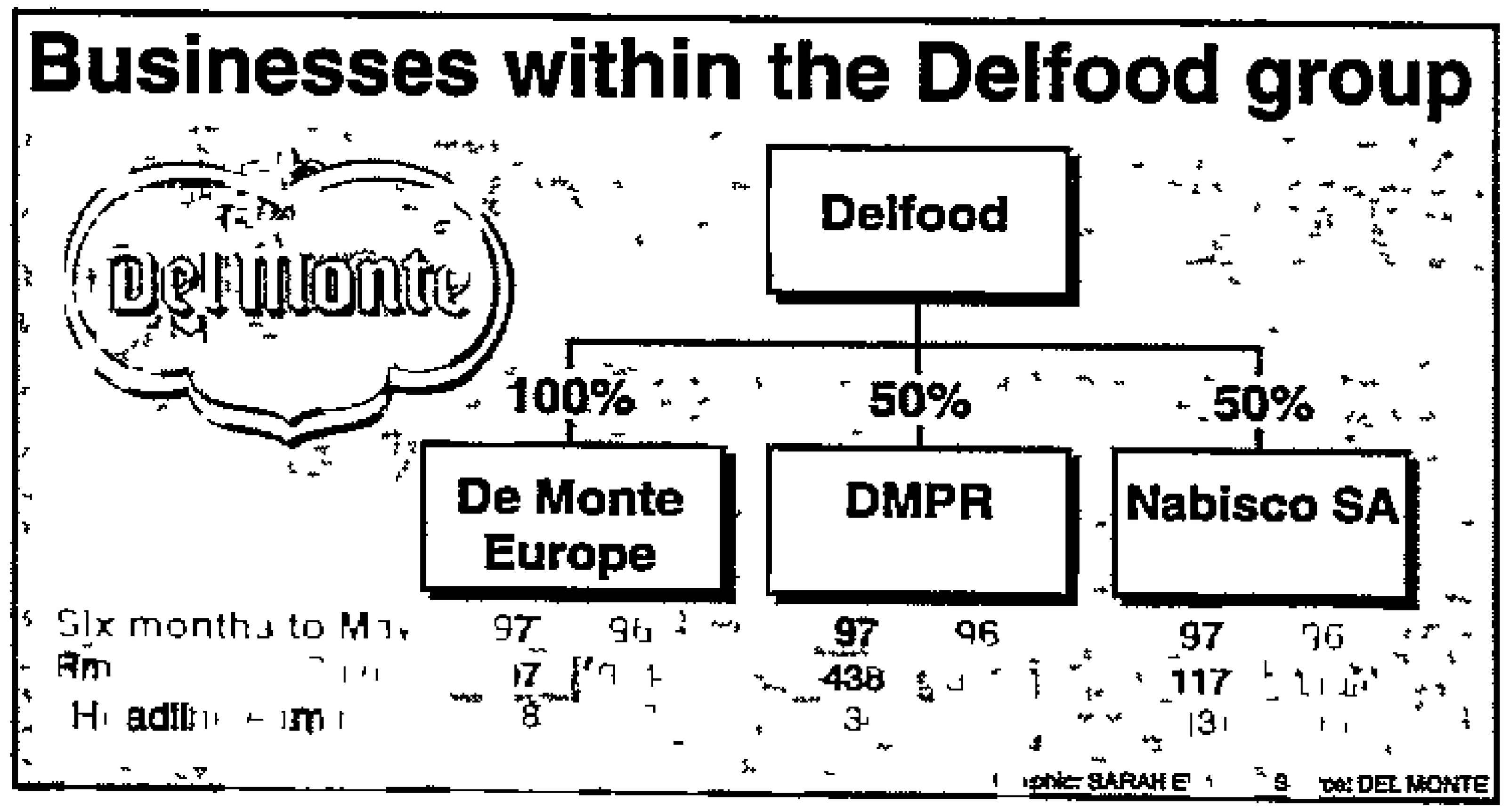
Macondray is set to list its 50% of the business on the Manila stock exchange within 90 days, that should place a value on Delfood's holding.

DMPR is in the group's books at £25m, but Immerman says he has already turned down an offer for $250m.

Significantly, the Philippines business, which last year earned R60m, could contribute more this year to Delfood's bottom line than the much larger European operations contributed last year.

In contrast to Europe, it is a growth market where Del Monte has successfully launched several new products under its brand name — 25% of its turnover there comes from products launched over the past 3-4 years.

The group plans, via Del Monte Europe, to build its position in new emerging markets such as Russia and Turkey. And as one analyst notes, the contribution from Europe is now so low that failure carries relatively little risk.



Nonetheless, the European business accounts for a large chunk of capital employed and has been chiefly responsible for the group's poor performance.

It is on its ability to turn Europe that the group will be judged.

It is not an easy environment for food manufacturers generally. European food stocks have underperformed their domestic stock market indices since the early 1990s, as the balance of power has increasingly shifted from manufacturers to retailers and consumer spending patterns have changed.

A Bain & Co position paper notes the combined market share of the top five retailers in the largest European markets has reached 45%-50%. Retailers' own labels ("no name brands") are taking an increasing share of the market, as are fresh, convenience foods, which are gaining share from processed foods. At the same time more consumers are eating out, reducing spending on grocery products.

In canned fruit, specifically, the market is in decline. Volumes are declining (gently, by under 1% annually) as consumers switch to fresh food. Del Monte has gone into fruit juices in Europe, but this market is even more difficult, with low barriers to entry intensifying competition and an even higher share of the market going to own labels.

Some analysts have suggested Delfood should diversify out of these markets.

That, Immerman and De Lavalette emphasise, is not the game plan. There is no point in going into new products, outside the group's competence, when larger and better established food manufacturers (the likes of Nestle) struggle to launch new products successfully.

Rather, the strategy is to increase the focus on Del Monte's core product, canned fruit, but to also take advantage of the opportunities offered by changes in the environment.

Key to this is building new relations with retailers — the new buzzword is "category management", where Del Monte would negotiate to supply both its own branded pr… ucts and own label goods. Retailers have have at least one branded product to against their own-label brand — Del Mon… essentially, wants to be that product. A… De Lavalette argues it is well placed, giv… the continued strength of the Del Mon… brand — and the squeezing out of weak manufacturers.

However, implementing that strate… will require tight cost control — measur… are being put in place, particularly in Ita… which has been the most disastrous of t… group's European operations.

Another key is forming alliances t… group is pursuing these, in line with speci… objectives (cost cutting, improved distrib… tion or better relations with retailers, … pending on the market).

The group has put figures to the Eu… pean exercise, which it forecasts will ge… erate additional annual profits of £6m n… year and £15m in 1999.

There is also restructuring in the SA … erations, drawing on Nabisco's technolo… and know-how to modernise equipment a… cut costs.

The SA operation is introducing n… Nabisco products such as Chips Ahoy a… Oreos. Exports have increased to arou… 12% of sales and are forecast to rise furth…

The group has new people, clear stra… gies and is informing investors. If it can … liver on Europe, as well as in the Phil… pines and SA, the market will take a ve… different view of Delfood.

Cadbury interims thrive on brands and a windfall

CT(BR) 18/7/97 ([illegible])(186)

Paul Harris

Johannesburg — Cadbury Schweppes SA, the drinks and sweets firm, is set to post healthy half-year growth next week, buoyed by good local demand and a windfall from a stake in Amalgamated Beverage Industries (ABI), analysts said yesterday

South Africans' taste for the firm's range of soft drinks and chocolate bars has not diminished despite a slowdown in the broader economy

"It has reasonable growth in this environment . volume growth has been good and it is a well-managed company," said one analyst

Analysts said the firm had impressed investors with a strong and successful marketing strategy and also benefited from its top-drawer brand names

"It is a well-managed company They are doing well and they have very good products and brands," said another analyst

Analysts are expecting interim earnings a share on a range of 17,2c to 17,6c and a dividend range of 3,4c to 3,5c. The consensus figures were for earnings of 17,4c and a dividend of 3,44c

The figures compare with 146,6c and 29c respectively last time, but late last month the firm had a 10-for-one share split which dilutes profits a share by 10 times

Factoring in the share split leaves real earnings a share growth on a range of 17,3 to 20,1 percent The figures are due to be published next Thursday

The firm's shares, which started this year at R7,30, have been climbing steadily all year and are now trading at R9,90 — in real terms a firm gain on its pre-share split year high of R96,50

At its year-end results in March, Cadswep said it expected real earnings growth in the present financial year. "Satisfactory real growth in earnings is expected to be achieved," the firm said then

Cadswep owns a slice of bottler ABI, and its earnings will get a lift from ABI's strong growth, which saw it in May lift year pretax profit to R201,4 million from R160,7 million last time Both Cadswep and ABI also stand to gain from the travails suffered by Pepsi's failed New Age Beverages (NAB) venture that is now under provisional liquidation

NAB's collapse should provide both firms with an opportunity to snap up extra market share, analysts said — Reuter

Shareholders still waiting for Del Monte royal flush

ST (OP) 20/7/97 (186)

Embattled chairman Vivian Imerman says he has done his best and is still working hard for profits, writes MARCIA KLEIN

SHAREHOLDERS did not take kindly to Del Monte Royal Foods' interim results or prospects, but chairman Vivian Imerman says that after taking large doses of medicine this year, his group will be in a strong position to weather the future

This week he put his cards on the table taking responsibility for some of Del Monte's problems (including bad management) and saying openly that there are other problems which, to a large extent, will remain out of his control

He even admitted that in hindsight, he and Anglo American paid too much for acquiring Del Monte when they bought it for R2 4-billion in 1992 (its market capitalisation is now R859-million)

"When I took over in 1993, the outlook was different In 1994, I started seeing that there were difficulties and in the beginning of 1995, I realised that the management in place was not capable of managing change within the environment It was difficult for me I was new in Europe and had backed and supported the management "

But Imerman argues that poor results over the past few years have clouded the huge amount of work already done and the positive results achieved particularly in SA and in the Philippines two of the group's three major divisions

Among these are conclusion of a joint venture with Nabisco for Royal Beech-Nut the SA operation Ownership in the Philippines has been stepped up to 50% at no cost, a new president and chief operating officer installed, and underperforming management in Italy and elsewhere removed Management consultant Bain & Company is to help devise a restructuring plan for Europe, and joint ventures for India and Russia are in place

The results of these efforts are, indeed, clouded by the interim results which show a 52% drop in earnings to R40 1-million (from a restated R60 8-million) on 6 7% higher sales of R1 55-billion

More importantly, the results reflect significant restructuring costs of R360-million and a decision to write down the value of trademarks and brands by a massive R1 2-billion A more conservative accounting approach has been implemented all round

Imerman says there were a number of external factors, out of the group s control, although it is trying to mitigate them to some extent These include export subsidy removals (from SA and Kenya) of R60- to R70-million a year, increasing trade concentration in Europe, and volatile currencies and raw material prices

But there were also numerous problems internally including the collapse in the Italian operation's profitability "due to poor managerial and strategic decisions" In addition marketing was unfocused, the group missed some important acquisition opportunities and management was not up to meeting the challenges it faced "I fully accept responsibility for these problems " says Imerman

During the six months to end-May, struggling division Del Monte Europe s earnings plunged to R8-million from R43-million on the back of disruptions from its restructuring programme difficulties in Italy, adverse currency movements and lower volumes "Italy was clearly the number one problem, and we are now beginning the complete restructuring of that business "

> *'I make no forecasts, but we will be stronger. Could I have done better? I don't think so'*

Del Monte will look at sales activities, consolidating some factories improving plant efficiencies, changing distribution, rationalising some product lines and setting up strategic alliances

Del Monte Philippines performed well increasing earnings to R34-million from R24-million. Imerman said that when he bought into the Philippines it was used as a supply company rather than a profit centre He brought in a partner and used their capital to pay the others out, increasing Del Monte s share to 50%

He has put in new management, reduced the headcount by 2000 and taken out significant costs Imerman says Del Monte has brand awareness equal to Coke in the Philippines.

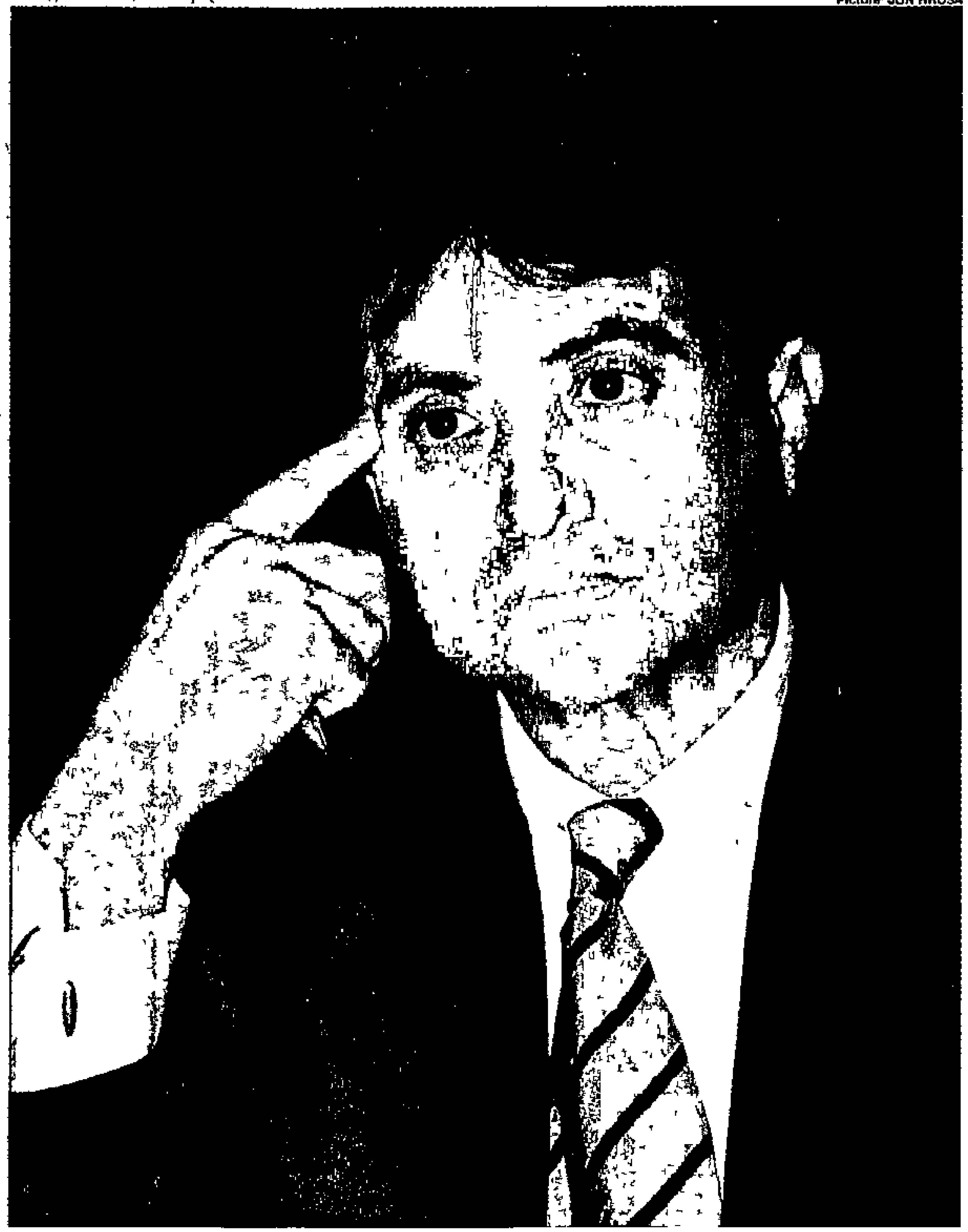
The partners are set to list their 50% stake and they are looking for double-digit growth in dollar terms over the next few years Imerman says the value of the Philippine peso has a material impact on profits — for each one-peso devaluation, profits grow $2-million The group's share of the attributable loss of Nabisco SA was reduced to R3-million from a R6-million loss last year Nabisco has restructured its business and undergone a complete management change, cut costs, reduced people and is profitable and growing

Imerman says Nabisco will soon start the local manufacturing of Chips Ahoy and Oreos

Since coming in as a partner, Nabisco has increased exports via the Nabisco global structure to 10%-15% of turnover, targeting 25%

Imerman says the group's restructuring in Europe was a multi-year programme and the pain was being taken now

"This year must be viewed as a year of significant change We are setting a new base for the business with a new management team and more conservative accounting in line with international standards All key people have been changed, and there is almost no one left in an operational capacity who was there when I took over "



Picture: JON HRUSA

UPHILL BATTLE . Vivian Imerman says there are unpredictable elements in commodities

He says programmes for Nabisco and Philippines have been in place for some years and the results are showing But he warns that there are uncontrollable elements principally currencies and raw material prices which could have a positive or negative effect

Looking ahead he says "It is not possible at this stage to make a forecast there are strikes new management and an implementation programme which is not easy but achievable "

And in response to his critics "Shareholders must bear in mind the situation we have operated in and how our peer group has performed There is a commodity element to this business as there is to most food businesses, and we have been affected by oversupply, a low price and the effects of the currency I make no forecasts but the company will be in a stronger position in a still challenging environment Could I have done better under the circumstances — I don t think so "

Beacon and Fawu resume talks today

CT(BR) 22/7/97 (184)

RAVIN MAHARAJ

Durban — Management at Beacon Sweets and Chocolates and representatives from the Food and Allied Workers' Union (Fawu) resume discussions today over a wage settlement and working conditions

The two-week strike involving about 2 300 workers has resulted in the shutdown of the two company factories located at Mobeni and Jacobs, near Durban

Rod le Roux, the human resources director at Beacon Sweets, said the issues had been narrowed down to wages and hours of work He said both parties had "in good spirit" gone back to their principals to see if they could reach a compromise

The union is demanding a 12 percent across-the-board wage increase and 43 and three-quarter-hour pay for a 40-hour week for shift workers

Management is offering a 10 percent across-the-board increase and the introduction of a 13th cheque once all staff had been employed on a monthly system of payment

Le Roux said the company would agree to a 40-hour week when the "government decided this was something the country could afford"

Lisa Nzenbana, a union spokesman, said the union would enter today's discussions in "good faith"

There was, however, no indication if the dispute would be referred to the Commission for Conciliation, Mediation and Arbitration if talks failed

Beacon, (186) Fawu strike deadlock

CT(BR) 24/7/97

FRANK NXUMALO

Johannesburg — The strike by 2 300 Food and Allied Workers' Union (Fawu) members at the Beacon Sweets and Chocolates factories at Mobeni and Jacobs, south of Durban, entered its 14th day yesterday after the union and management failed to reach agreement on wage negotiations, Laura Nelson, a company spokesman, said

She said the parties failed to agree on Fawu's demand to link the wage agreement to a reduction in weekly working hours — regardless of whether the union had dropped its initial demand of a 12 percent wage increase and agreed in principle to an increase of 10 percent

A union spokesman said Fawu was demanding a 43-hour week for normal shift workers and a 40-hour week for night shift workers

This demand, he said, was in accordance with the labour movement's demands on the basic conditions of work

Rod le Roux, Beacon's human resources manager, said the strike had cost the workers about R3 million in lost wages and replacement labour had been employed to maintain production and secure deliveries

"Two CCMA (Commission for Conciliation, Mediation and Arbitration) mediators were present at the negotiations and adjourned the discussions (but) will continue to be involved in efforts to bring the two parties together," Le Roux said

He said although no further meetings had been scheduled with Fawu after yesterday's deadlock, the company had "invited striking workers individually to return to work in line with the offer we have on the table"

Two-week strike at Beacon continues as mediation fails

Nicola Jenvey (186) BD 24/7/97

DURBAN — Beacon Sweets & Chocolates management and representatives of the Food and Allied Workers' Union failed to reach agreement yesterday to resolve a two-week-old strike despite marathon talks mediated by the Council for Conciliation, Mediation and Arbitration

Most of the striking 2 300-strong workforce is employed at Beacon's Mobeni and Jacobs plants

Beacon human resources director Rod le Roux said the two parties had not reached agreement on the issues of wages and hours of work No further meetings have been scheduled at this stage

Le Roux said the strike had already cost the workers R3m in lost wages and Beacon had been forced to employ replacement labour to ensure deliveries continued Last week workers had picketed outside the Durban factories and several stone-throwing incidents were reported

Le Roux said the union had dropped its demands for a 12% across-the-board wage increase and had agreed in principle to management's offer of 10% But this depended on Beacon agreeing to union demands for reduced working hours without loss of pay.

Cadbury achieves growth on all lines

CT(BR) 25/7/97 (186)

JABULANI SIKHAKHANE

Johannesburg — Cadbury Schweppes, the confectionery and soft drinks group, reported yesterday a 19 percent increase in earnings a share to 17,5c (14,5c) for the six months to June 14 The increase in earnings was in line with market expectations

Cadbury directors said although the outlook for the second six months to December continued to be weak, they were confident, as long as market demand remained at present levels, of reporting real growth in earnings for the full financial year

During the period under review, Cadbury's turnover rose 17,5 percent to R639,89 million from R544,45 million as all of the group's main product categories, which include chocolate, confectionery and squashes, achieved growth in volume sales A dividend of 3,5c (2,9) is being paid

Cadbury's sugar confectionery and its carbonated soft drinks businesses did particularly well, increasing their share in what the directors described as "competitive markets"

The directors attributed the strong performance to increased production capacity, availability of products, new product launches and better marketing support

Operating profit margin slipped slightly to 9,7 percent from 9,9 percent, thus translating into a lower growth rate (15 percent) in Cadbury's operating profit relative to the rate of the growth in turnover

The cost of borrowing fell slightly, despite the increased borrowings which rose as the group funded the cost of a new factory in Port Elizabeth The lower financing cost was because of the capitalisation of R3,53 million (R545 000) of the cost of funding projects in the process of being commissioned

Although Cadbury did pay this funding cost, to match expenses and revenue, the amount is not reflected in the income statement until such time as the projects concerned are generating income

Reflecting a strong performance by Amalgamated Beverage Industries, the Coca-Cola soft drinks bottler (in which Cadbury owns an 18,7 percent stake), Cadbury's share of income from associates rose 29,5 percent to R20,8 million from R16 million last year

On June 14, the end of Cadbury's six-month period, the market value of the group's stake in Amalgamated Beverage stood at R617,09 million, up from R396,62 million last year

Income sweetener for Cadbury Schweppes

(186) BD 25/7/97

Nicola Jenvey

DURBAN — Industrial food group Cadbury Schweppes (SA) lifted attributable income 20,7% to R64,9m in the 24 weeks to June 14, boosted by volume gains for its product ranges and margin growth by Bromor, CEO Peter Bester said yesterday

The group and its subsidiaries manufacture and distribute chocolate and sugar confectioneries, cocoa and beverages, concentrates for the carbonated soft drink market, squashes, cordials, packaged desserts, glace cherries, jams and marmalades

It also has a 19% shareholding in Amalgamated Beverage Industries (ABI), which bottles and distributes Coca-Cola and Schweppes products in Johannesburg, Durban and Pretoria

Earnings a share climbed 19,1% to 17,5c on a marginal increase in the weighted average number of shares, and a 3,5c (1996 2,9c) interim dividend was declared Consensus among analysts had been earnings of 17,4c and a dividend of 3,44c Late last month the group had a 10 1 share split, which dilutes profit per share 10 times

Bester said the increased turnover to R839,9m (R544,5m) was a reflection of the market shares the group had gained during the period under review despite the economic slowdown

Chocolates and concentrates currently held record market share as new product launches and effective marketing support paid dividends Operating profit rose to R61,8m from R53,7m

Bester said financing costs were lower than last year despite increased net borrowings due to the R210m capital expenditure programme currently under way

The equity accounted earnings from ABI for the six months to March rose 29,5% and contributed towards the increased attributable income

He said the group had neither benefited nor lost due to the collapse of Pepsi SA and Bester did not expect to experience a major product resurgence as the competitor had been removed from the market

He said the lack of job creation and high interest rates had affected the economy and consumer demand would remain sluggish. The group still expected to achieve real earnings growth for the full-year given sustained market demand levels Bester was optimistic that demand would improve next year and medium to long-term prospects were favourable

"Cadschweppes anticipates achieving moderate economic growth and expects good volumes in the future, despite the competitive markets," he said

Workers shot at Beacon

(186)

Reneé Grawitzky

BD 28/7/97

THE three week wage strike by 2 300 Food and Allied Workers Union (Fawu) members at Beacon Sweets in Durban turned violent on Friday when two replacement workers were shot and two others injured on their way to work at Beacon's Modeni factory.

Beacon has condemned the incident and offered a R10 000 reward for any information leading to the arrest of the gunmen. Beacon has been employing replacement labour since the second week of the strike and claimed it was achieving 75% of its normal delivery rate

Beacon's chairman Arnold Zulman warned that the company could lose R40m worth of export orders which might mean job losses.

The strike centres around Fawu's demand for a 12% across the board increase and a reduction in working hours from 43 and three-quarters a week to 40 hours. Beacon offered a 10% increase which would raise its minimum rate to R583 a week.

Labour Court upholds jobs race ratio

BD 28/7/97 (253)

THE Labour Court on Friday found in favour of the department of correctional services' affirmative action policy of a ratio of 70-30 in favour of previously disadvantaged groups, department spokesman Russell Mamabolo said.

The case before Acting Justice Dunstan Mlambo was brought by the Public Servants' Association against Correctional Services Minister Sipo Mzimela, the commissioner of correctional services and the director general of the department of public service and administration.

The association challenged the legitimacy of the department's right to implement an affirmative action employment policy of 70-30 in favour of previously disadvantaged groups

It further argued that an affirmative action target of 21% women within the 70% for recruitment and employment was unlawfully restricted, and that racial subdivisions aimed at within the 21% were unlawful in SA.

Mamabolo said the court found it was clear the department had acknowledged that the effects of past discrimination were less severe on white women, but reaffirmed that racial subdivision — as set out in the department's policy — aimed to achieve broad representivity and conformed with the constitution.

Judge Mlambo ruled that the department's affirmative action policy was a properly constructed policy that had evolved in a transparent and inclusive manner and therefore complied with SA's constitutional requisites.

Policy ratified

Furthermore, the particular situation seemed to involve an area where courts should be reluctant to interfere.

"Finally it falls to be observed that the department's policy was ratified in the departmental chamber in December last year and approved by the department of public service and administration in May this year.

"In my view the department's policy became a collective agreement for the department," the judge said

In reaction to the ruling, SE Korabie, the department's deputy commissioner, said it was unacceptable that there were parties and individuals within the department who were not prepared to tackle transformation.

He said that while some parties created the image of support, in reality they were doing everything possible to "sabotage and undermine" the process.

The department would reach its target in favour of previously disadvantaged groups two years ahead of schedule, and the 70-30 principle goal would be reached by April next year.

"It is realised that the pace with which transformation is taking place within the department was too quick for certain parties" Korabie appealed to them to "accept and support the inevitable process".

All transformation would take place within the ambit of the Labour Relations Act and the constitution, he said. — Sapa.

Truth body faces deadline fracas

Wyndham Hartley

CAPE TOWN — Government's failure to amend the constitution to legalise the new cutoff date for those political offences that qualify for amnesty will mean that the truth commission's amnesty committee will still be taking applications a scant two months before it is supposed to complete its work.

The problem has arisen from Con... ment to the constitution was only tabled in the National Assembly in the middle of last month.

Truth commission spokesman John Allen said acting chairman Alex Boraine had indicated that once the new cutoff date for offences had been amended in the constitution, the commission would allow an additional month before closing applications.

Although Justice Minister Dullah ...

Holomisa to be at KwaZulu-N...

Farouk Chothia

DURBAN — National Consultative Forum co-ordinator Bantu Holomisa would attend a meeting of the forum's KwaZulu-Natal executive committee tomorrow to discuss ways to end violence in Richmond, provincial secretary Jabulani Zondi said yesterday.

The African National Congress (ANC) was damaging relations with ...

600 less than ANC...

The committee... pelled ANC membe... was to meet in ... said.

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CT (PDR) 30/7/97

Fawu denies bargaining for Cosatu in bill

(186)

Ravin Maharaj

Durban — The Food and Allied Workers' Union (Fawu) yesterday sent an open letter to Arnold Zulman, the chairman at Beacon Sweets and Chocolates, in reaction to his suggestion that the union was using the protracted strike as a bargaining chip for Cosatu in its negotiations on the proposed Basic Conditions of Employment Bill.

In the letter, the union said Zulman's implication that Cosatu was using Fawu was not only naive but false. Fawu said Cosatu was the collective voice of the various unions that made up the federation, but the issue of a 40-hour work week was born on the shop floor more than a decade ago. Cosatu had not brought this issue to its affiliates, Fawu said.

Cosatu said in a statement yesterday it had not even been informed about wage negotiations between the two parties.

A Beacon spokesman said Zulman had received Fawu's open letter and would respond later this week.

The strike, which today enters its 18th day, has, according to the company, cost 2 300 workers R4,2 million in lost wages.

The company indicated yesterday no further meetings between Fawu and management had been arranged.

Beacon strike looks set to end

(186)

Nicola Jenvey

DURBAN — The 20-day strike by more than 2 300 Beacon Sweets & Chocolates employees moved closer to resolution at the weekend, with both sides agreeing to meet their constituents today

In a statement released yesterday, both parties committed themselves to "the promotion of goodwill and productivity" and were confident the strike would end during the week

Two meetings held last week had failed to reach a solution despite the presence of mediators from the Commission for Conciliation, Mediation and Arbitration

This had led Beacon chairman Arnold Zulman to criticise the Food and Allied Worker's Union (Fawu) for "orchestrating the strike and using the workers as a pawn"

Fawu responded by sending Zulman a letter rejecting his claims as "naive and false"

Meanwhile, Beacon is offering a R10 000 reward for any information leading to the arrest of the gunmen who shot two replacement workers near the Mobeni factory last week

BD 4/7/97

Masa backs education drive for SA's doctors

BD 4/7/97

Jacob Dlamini

CAPE TOWN — The Medical Association of SA (Masa) would support the introduction of continued education for practising doctors, Masa's health policy committee chairman, Ivan McCusker, said at the weekend

Continued medical education had become an internationally accepted minimum retention requirement for continued eligibility in the certification of doctors, he said.

However, if the plan were introduced here standards would have to be set by the profession itself and all doctors would be required to comply, McCusker said

The plan enjoyed widespread support among doctors and only a few doctors would refuse to comply, he said

Masa would ask the Interim National Medical and Dental Council not to register or issue certificates of competence to those who refused to undergo continued education

According to council registrar Nico Prinsloo, the idea had been under consideration for years but a formal decision to look into its implementation was taken only last year

The idea had now been put before Parliament for a decision

In terms of the council's proposal, doctors would be required to keep abreast of developments and technological advances in their fields

This would be done possibly by attending medical congresses, submitting reports in medical journals and attending refresher courses

Details of the plan still have to be worked out but one suggestion is that there should be a five-year period during which doctors are asked to show they have complied with requirements for continued education

Those failing to comply would have their certificates of competence revoked by the council

Prinsloo denied this was a punitive measure, saying it was a step designed to keep the level of competence among SA doctors high

He said it would be in the interests of patients for doctors to keep pace with all developments.

McCusker said Masa would like to see the plan introduced gradually, before punitive measures were put into place

Fines

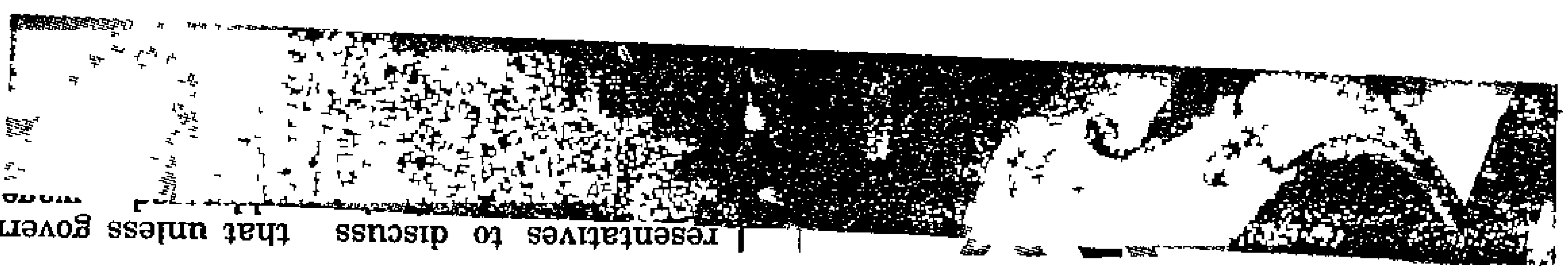
Continued medical education would lose the support it enjoyed among doctors if it were imposed on them by government, he said

Refusing to renew the certificate of competence of doctors who did not comply with the plan would be the only action available to the council

McCusker said "It would be ridiculous to fine someone for failing to keep up with developments in medicine Fines would just make the whole system ludicrous "

The plan is scheduled to come under review at a conference organised by the council on August 20, to be held at Johannesburg International Airport

Prinsloo said delegates would look at ways of introducing the system and possible time frames for it



Beacon, Fawu to meet again

(186)

RAVIN MAHARAJ

CT(BR) 5/8/97

Durban — Beacon Sweets and Chocolates and the Food and Allied Workers' Union (Fawu) meet today in an attempt to resolve the three-week strike over wage increases and working conditions, the company said yesterday

A spokesman said both parties met yesterday and reported back to their constituents on unresolved issues after a joint meeting over the weekend.

Two marathon meetings held last week failed to find a solution to the strike despite the intervention of the Commission for Conciliation, Mediation and Arbitration

The strike, involving about 2 300 workers, shut down operations at the company's factories at Jacobs and Mobeni, near Durban.

The strike, according to the company, has cost striking workers about R5 million in lost wages The company has, however, managed to deliver about 75 percent of its orders, thanks to temporary workers

Beacon plagued by strikes and violence

(186)

Nicola Jenvey BD 11/8/97

DURBAN — Strike-hit Beacon Sweets & Chocolates has been plagued by violent incidents during the past month

A company spokesman said there were two hijackings and an armed robbery in the past 10 days Products, computer equipment and a vehicle worth about R500 000 were lost in the three incidents

The first incident happened on August 1 when a delivery vehicle was hijacked in Johannesburg and the driver was forced to drink brake fluid

The following evening armed men held up staff at the Germiston distribution centre before attaching a cab to a long haul trailer and stealing about R400 000 worth of products. The spokesman said a Toyota Venture and computer equipment from the security office were also stolen by the gang

On Thursday another truck was hijacked while delivering 800kg of chocolates in Johannesburg The driver was not hurt and police are investigating

The month-long strike, which has cost the workers about R6m in lost wages, has been marred by violence However, the spokesman declined to comment on whether the violent incidents were linked to problems being experienced at the Mobeni factory

Two weeks ago a vehicle carrying replacement workers to Mobeni was shot at by unknown gunmen, injuring four people Beacon is offering a R10 000 reward for information leading to the arrest and conviction of the gunmen

The spokesman said Beacon had made plans to ensure distribution and manufacture of products using temporary replacement labour Several workers previously on strike had returned to work and the numbers were increasing Despite the strike, Beacon secured an export deal last week

NEWS

STRIKES *Commission for conciliation will attempt to resolve wage* dispute

CT(BR)

More mediation at Beacon

CT(BR) 12/8/97) (186)

RAVIN MAHARAJ

Durban — The Commission for Conciliation, Mediation and Arbitration (CCMA) would today contact Beacon Sweets and Chocolates and the Food and Allied Workers' Union (Fawu) in an attempt to resolve the wage dispute, Beacon said yesterday

But a company spokesman said no date had been set for talks The strike, which today enters its 26th day, has cost 2 300 workers R6 million in lost wages

A marathon seven-hour meeting between Beacon's management and the union, and the earlier intervention of the CCMA, have as yet failed to resolve the strike

A spokesman said, in addition, Beacon had been plagued by two hijackings and an armed robbery in Gauteng last week Product, computer equipment and a vehicle — with a total value of more than R500 000 — were stolen in three separate incidents

A company spokesman said the company had plans to ensure the distribution and manufacture of products with temporary labour He said a steady stream of workers had begun to return to work in their individual capacities

The strike enters its 26th day today and has cost 2 300 workers R6m in lost wages

On Friday, the company announced it had secured a significant export contract despite the strike

Arnold Zulman, the chairman of Beacon, said the union was using the protracted strike as a bargaining chip for Cosatu on the proposed Basic Conditions of Employment Bill

Responding to the union's open letter sent to him last week, Zulman said the union was conducting its activities in conjunction with Cosatu's "lobbying activities in the corridors of power"

At the start of the strike, the union was demanding a 12 percent across-the-board increase — Beacon offered 10 percent — a 40-hour work week and the scrapping of performance-related pay for salaried staff

Beacon dispute goes to the CCMA today

(181)

RAVIN MAHARAJ

Durban — The Commission for Conciliation, Mediation and Arbitration (CCMA) meets Beacon Sweets and Chocolates and the Food and Allied Workers' Union (Fawu) today in an attempt to end the strike, Beacon said yesterday

A company spokesman said yesterday that Beacon had been plagued by a dramatic increase in incidents of intimidation and violence at the company's factory in Mobeni near Durban

The spokesman said Beacon had sent a letter to Fawu expressing concern at the increase in incidents of violence

"We have warned the union that its members must refrain from carrying dangerous weapons while picketing, or else face legal and/or disciplinary action "

In separate incidents at the Mobeni factory, police said an employee was injured when his Durban home came under fire from unknown gunmen Seven people were attacked — and some beaten — by striking workers while on their way to work In another incident a striking worker, armed with a home-made axe, tried to assault people who were seeking work at the factory, was arrested

The spokesman said striking workers armed with sjamboks also attacked two women, who were treated on factory premises.

Vish Naidoo, a South African Police Services spokesman, said police were investigating several cases of attempted murder He said all incidents of violence reported by Beacon would be investigated

In addition to the latest incidents, Beacon had been plagued by two hijackings and an armed robbery in Gauteng last week

Product, computer equipment and a vehicle — with a total value of more than R500 000 — were stolen in the three separate incidents. Police had identified three suspects in these incidents

Fawu could not be reached for comment yesterday

Marathon meetings between management and the union, and the earlier intervention of the CCMA, have as yet failed to resolve the strike, which enters its 27th day today The strike has cost the 2 300 workers R6 million in lost wages

Beacon said it had made plans to ensure the distribution and manufacture of products with temporary replacement labour Last Friday the company announced it had secured a significant export contract despite the strike.

At the start of the strike, the union was demanding a 12 percent across-the-board increase — Beacon offered 10 percent — a 40-hour work week and the scrapping of performance-related pay for salaried staff

CT (BR) 13/8/97

Commission to supervise Beacon talks

(~~182~~) (186) (~~184~~)

Nicola Jenvey

BD 13/8/97

DURBAN — Beacon Sweets & Chocolates management and the Food and Allied Workers' Union (Fawu) will enter another round of talks today under the supervision of the Commission for Conciliation, Mediation and Arbitration, as the strike by more than 2 300 employees enters its 28th day.

Beacon has reported "a dramatic increase" in intimidation and violence related to the strike. A Beacon spokesman said management had sent a letter to Fawu expressing its concern. The company has warned the union that its members must refrain from carrying dangerous weapons while picketing or face legal and disciplinary action.

Last week the company lost more than R500 000 in products, computer equipment and vehicles in three separate episodes in Gauteng. The police yesterday identified suspects.

Fawu, SAB fail to agree over wage demand

THABO MABASO
BUSINESS REPORTER

(186)
ARG 14/8/99

Last ditch attempts to resolve a long-standing wage dispute between the Food and Allied Workers' Union (Fawu) and South African Breweries (SAB) have failed, Fawu says.

The union's national negotiator, Victor Nzuza, said SAB had refused to move on its original wage offer. Fawu had indicated during negotiations with the beer-brewing giant that it was prepared to move on its original demands

"We revised our offer but they refused and said their offer was final," Mr Nzuza said

Fawu's demands included a 13% wage increase, the scrapping of performance related pay, which the union alleged was biased towards its members, a housing subsidy and the introduction of a 40-hour working week.

Mr Nzuza said the union's revised demands were a 11,5% wage increase, a willingness to discuss proposals on the performance related pay and that the housing subsidy be funded by SAB

The union was currently consulting its members on possible action. Last month, the majority of Fawu members working for SAB's beer division voted in favour of strike action

SAB was not available for comment.

Beacon strike over

CT (BR) 14/8/97 (~~...~~) (18b)

Ravin Maharaj

Durban — The strike at Beacon Sweets and Chocolates was resolved late last night after a marathon 11-hour meeting, a company spokesman said

Beacon and the Food and Allied Workers Union (Fawu) agreed to settle on a 10 percent wage increase

A company spokesman said workers would return to work on Monday The deal came after the intervention of the Commission for Conciliation, Mediation and Arbitration (CCMA)

Previous meetings between management and the union, and the earlier intervention of the CCMA, failed to resolve the strike, which lasted 28 days It cost 2 300 workers more than R6 million in lost wages

However, the company said that its plans to ensure the distribution and manufacture of products with temporary replacement labour had meant that order were filled

During the strike Beacon was plagued by a dramatic increase in incidents of intimidation and violence at the company's factory in Mobeni near Durban There were also two hijackings and an armed robbery in Gauteng last week

Beacon had also sent a letter to Fawu expressing concern at the increase in incidents of violence The company warned the union that its members must refrain from carrying dangerous weapons while picketing, or else face legal and-or disciplinary action

At the start of the strike, Fawu was asking for a 12 percent across-the-board increase and Beacon had offered a 10 percent increase on the minimum wage (R530,63) across the board Fawu has subsequently agreed to the 10 percent increase if management agreed to its demands for 43 and three-quarter-hour pay for a 40-hour-week for shift workers

Conditions of the settlement other than the wage agreement would be made public today

Beacon strike ends after deal

BD 15/8/97 (186)

Nicola Jenvey

DURBAN — The marathon six-week strike by more than 2 300 Beacon Sweets & Chocolates employees was resolved on Wednesday night after an 11-hour meeting between management and the Food and Allied Workers' Union, mediated by the Commission for Conciliation, Mediation and Arbitration

The employees, who return to work on Monday, have lost nearly R8,5m in wages and Beacon has lost lucrative export orders Six people were injured and intimidation was rife during the 30-day stoppage

Beacon human resources director Rod le Roux said the factories at Jacobs and Mobeni should be back to full production by next week Issues relating to the three shifts would be reviewed after workers returned on Monday, he said

Fawu has agreed to management's original offer of a 10% across-the-board increase, effectively raising the minimum basic wage to R583 a week

Fawu called the protected strike on July 7 when it demanded a 12% across-the-board wage increase and 43,75 hours' pay for a 40-hour week for shift workers

Agreement binds former foes to relationship building

Beacon and union agree to mend fences

CT (PR) 15/8/97 (F86)

Ravin Maharaj

Durban — Beacon Sweets and Chocolates and the Food and Allied Workers' Union (Fawu) had committed themselves to productivity, relationship building and customer care after the end of the strike on Wednesday, the company said yesterday

Rod le Roux, Beacon's human resources director, said Fawu had also agreed not to embark on industrial action over issues in the agreement until May next year If, however, problems arose in respect of these issues, an agreement reached between both parties meant there would be a process of mediation and arbitration

The strike, which lasted six weeks, was resolved after a marathon 11-hour meeting on Wednesday Beacon and the union agreed to settle on a 10 percent wage increase This would raise the minimum basic wage from R530,63 to R583 a week

Striking workers will return to work on Monday The deal came after the intervention of the Commission for Conciliation, Mediation and Arbitration

The 24-hour production process takes place through three shifts Le Roux said the circumstances surrounding the three shifts would be reviewed A meeting is scheduled for Tuesday next week to determine the basis of this review

He said the strike had cost about 2 300 workers more than R8 million in lost wages Beacon had been in a "favourable stock position" at the start of the strike and had also managed to deliver about 75 percent of its orders

However, local sales had been affected

It would take at least a week before the factory was up to full production Further stock would become available to consumers, including retail outlets, Le Roux said

The company was "hard pressed" to meet shipping deadlines for export orders, but warehousing had run efficiently

The period of industrial action also meant raw materials were not brought in, and this had caused a "ripple effect" among certain suppliers

Regarding incidents of violence during the strike, Le Roux said there had been three separate shootings, but no fatalities, contrary to widespread speculation Five assaults were reported and two arrests had been made

Cadbury challenges Beacon's Liquorice Allsorts trademark

BD 11/9/97 (18b)

Stephane Bothma

PRETORIA — The right of sweets manufacturer Beacon to the exclusive use of the term "Liquorice Allsorts" was challenged by competitor Cadbury in the Pretoria High Court yesterday

Beacon, which registered the trademark in 1986, is strongly opposing the attempt by Cadbury to enter the market with a selection of liquorice confectionery under a similar name Beacon has been selling Liquorice Allsorts since 1952.

To date, Beacon had sold Liquorice Allsorts worth about R400m in the local market, the court heard The product was grossing about R50m in turnover a year.

Cadbury launched an application seeking a disclaimer of the term "liquorice allsorts" on the ground that it describes a sweet type and was therefore not a matter protectable under the Trade Marks Act

"Liquorice allsorts is a generic name for a type of confectionery and one trader cannot have the monopoly on a generic name," Cedric Puckrin SC, representing Cadbury, argued.

He argued that it was a descriptive term which should not be registered as a trademark, and that the law did not give traders the right to monopolise a pure descriptive phrase. The court heard that Woolworths, OK Bazaars and Pick 'n Pay all used "liquorice allsorts" to describe sweets of this type which the stores marketed as their own and under their own brand names

A submission by Puckrin that the term was "two ordinary English words" was opposed by Neil Bowman SC, for Beacon, who argued that it was in fact "three words made into two".

Bowman stressed that the sweets were sold to Woolworths, Pick 'n Pay and OK Bazaars by Beacon under licence

"Beacon manufactures and packages the sweets for Woolworths," he said

He said it was a slogan invented by Beacon and that the term was a "novel and original combination of words" used only in relation to sweets manufactured by Beacon

"There is nothing in the application by Cadbury that warrants an interference with the decision of the registrar of trade marks," Bowman argued

Lawyers representing Beacon earlier said that should Cadbury be successful with its application, Beacon would experience "definite losses in revenue". The matter continues

European exports not viable for Langeberg

~~FRUIT~~

MARC HASENFUSS

(186) CT(BR) 11/2/97 CAPE EDITOR

Cape Town — Langeberg Holdings, the fruit and vegetable processing company, would slash its export production to Europe by almost two-thirds in the wake of structural hitches, making this major offshore market unviable, the company said yesterday

Andries van Rensburg, the managing director of Langeberg, said the proposed cutbacks in deciduous fruit volumes would see European volumes reduced by 60 percent and a subsequent restructuring of the company's Ashton and Paarl factories

He said production at Paarl, about half of which was deciduous fruit, would largely be transferred to the Ashton factory, a dedicated deciduous fruit facility

Van Rensburg expected the production cutbacks to realise savings of between R14 million and R15 million a year

Exports to Europe were being hampered by a deterioration in the mark against the rand (90 percent of sales are transacted in the German currency), import duties of 20 percent on deciduous fruit, the continued subsidisation of Greek and Italian producers and the abolition of the general export incentive scheme (Geis).

"We are hitting Europe at effectively a 50 percent cost disadvantage," said Van Rensburg

He stressed that proposals to reorganise production facilities did not stem from productivity concerns but only external structural problems

He warned that the proposed measures would not be felt in the current financial year, which ends this month "The measures will only be felt after the next deciduous fruit season, which ends in April/May"

Langeberg closed unchanged at R3,25 on the JSE yesterday

□ Business Watch, Page 18

Call for crisis talks on canning layoffs

(186)

Cape fruit exporters battling

ARG 13/9/97

ALIDE DASNOIS
BUSINESS EDITOR

Four Western Cape ANC members of parliament have called for crisis talks on the future of the fruit canning industry following worries that Langeberg Foods may lay off up to 2 000 workers in its Paarl factory.

MPs Rob Davies, Liz Abrahams, Philip Dexter and Ben Turok called on government ministers yesterday to meet urgently with fruit canning industry representatives

"The industry is facing a crisis and people's livelihoods are at stake," Dr Davies said

Langeberg Foods managing director Andries van Rensburg said he would support the MPs' call

"We welcome anything these guys can do and we will support them all the way," Mr van Rensburg said in a telephone interview from the Isle of Man where he is visiting Langeberg representatives

He said a final decision had not yet been made about retrenchments in the Paarl plant Langeberg was still in consultation with the Food and Allied Workers' Union (Fawu) on the implications of its plan to downsize the canned fruit operation at the plant and transfer most of it to the Ashton factory, which is in line for a major upgrade

"It seems that about 2 000 workers, mostly seasonal, may be affected," Mr Van Rensburg said

The Paarl plant, which produces jams and baked beans as well as canned fruit, mostly for export, employs about 350 permanent workers and up to 2 500 seasonal workers between November and April

Mr Van Rensburg said the industry was reeling under the effects of the phasing out of export inventives

Canned fruit exporters were competing with subsidised European producers in European Union markets where South African exporters still had to pay duties of more than 20%

"We reckon we are hitting the European markets with a 50% cost disadvantage, if you take into account the subsidy, the duties and the distribution costs," Mr Van Rensburg said

"Our farmers get R800 a ton for their fruit, while the Greek farmers get R1 300"

He said he was not optimistic that the Department of Trade and Industry's trade negotiations with the European Union would be crowned with success

South African negotiators are trying to persuade the EU to reconsider its trade offer to South Africa, which excludes 40% of the country's agricultural exports, including canned fruit

Though the European season had been disappointing, Mr van Rensburg said, there was still an oversupply of fruit in Europe and European producers were dropping prices

Dr Davies said preliminary cluster studies of the industry had highlighted the need for a long term strategy which would not only be defensive but which would allow the industry to expand

"We should not put all our hopes in a new deal with the European Union," he said, suggesting a focus on other options including expansion into new markets, different packaging and product innovation

"This sector has the potential to make a continued contribution to the Western Cape economy but clearly restructuring and a new long term vision for the industry are needed"

Government asked to save 2000 fruit jobs

(186)

LYNDA LOXTON

CT(BR) 15/9/97

Cape Town — The government will be asked this week to take urgent action to help Cape-based Langeberg Holdings, the fruit and vegetable processing company, to weather the drastic cutbacks of traditional canned deciduous fruit exports to Europe.

Rob Davies, the parliamentary trade and industry committee chairman, said he would table a motion in parliament tomorrow calling for urgent short-term action to save about 2 000 jobs. Jobs in farms and factories were threatened by Langeberg's decision to phase out deciduous fruit processing at its Paarl factory and transfer it to its Ashton factory, he said. Fruit purchases would be slashed in the process.

Andries van Rensburg, the managing director of Langeberg, said last week the company would slash its export production to Europe by almost two-thirds.

Zambian flour ban angers SA suppliers

(186) BD 15/9/97

Edward West

SA MILLERS are up in arms over the banning of flour imports by Zambia, effectively cutting off two of SA's largest export destinations.

Zambia, seeking a preferential trade agreement with SA, banned all imports of flour in its government gazette last week, including flour in transit. It claims the ban was necessary to prevent the smuggling of flour and because importers were allegedly supplying flour which had "expired".

Zambia imports flour mainly from SA and Zimbabwe. It is SA's third biggest flour export market.

About 10 000 tons a year are supplied to Zambia by SA companies Premier Milling, Tiger Oats and Bokomo/Sasko. The Zambian miller, National Millers, owned jointly by Anglo American and the Zambian government, is now the sole supplier.

National Chamber of Millers financial manager Hilton Zunckel said the move violated Southern African Development Community and General Agreement on Tariffs and Trade protocols. "Their biggest concern appears to be loss of revenue from VAT of 17,5% and the 15% import tariff. SA exporters pay VAT and obtain the necessary permits. Nevertheless, these matters should have been dealt with by the Zambian customs or revenue services," he said. He denied SA producers had supplied stale flour.

SA trucks transporting flour were being stopped at the border. Those wishing to travel through Zambia to reach SA's second-biggest export market, the Republic of Congo, were being forced to pay 37,5% duties upfront, with Zambia pledging to return the funds "at our leisure" when export documents from the Republic of Congo were produced.

The chamber had approached the trade and industry department on the issue. The department was not available for comment on Friday.

Premier Foods International MD Gary Ttappous said Premier had invested heavily in Zambia through its subsidiary Bonnita, through marketing expenses to establish brand names and in distribution infrastructure.

Govt probe of Zambian flour ban

John Dludlu (186)

GOVERNMENT has instructed its embassy in Lusaka, Zambia, to investigate urgently the country's ban on flour imports.

The action was reportedly prompted by a need to prevent smuggling of flour and because importers were allegedly supplying flour which had "expired"

Mfundo Nkuhlu, African trade relations director at the trade and industry department, said last night a formal response would be made after the true facts of the case had been established "However, our first recourse (should this ban be deemed unfair) would be to seek dialogue with Zambia," Nkuhlu said

Government had held discussions with SA milling industries

Nkuhlu said talks with Zambia, at its request, for preferential access to the Southern African Customs Union were still expected to be held within a few weeks

Although observers warned against reading much into the ban, it seems set to taint Lusaka's image as one of the African countries which has taken great strides in trade liberalisation.

BD 16/9/97

KOLOSUS (186)

Moving out of the farmyard

FM 19/9/97

SA's largest co-op hopes to acquire Kolosus as part of its trek to the JSE

The dominant male of SA co-operatives, Sentraalwes (Senwes), has confirmed it has put in a bid for Vleissentraal, controlling shareholder of troubled food group Kolosus, and that it is set on bringing the rest of its assets to the market

COMMENT

FOX

The bid comes after a relentless drop in the Kolosus share price, from around R7 in 1995 to 232c Vleissentraal used its equity in Kolosus — now worth only R34,7m — as security, no longer adequate, for an R89m Land Bank loan

Senwes CE Hennie Davel says the Vleissentraal board is expected to decide on September 21 whether to sell the co-op He is positive that Senwes's offer will be accepted Sources say the financially strong Senwes is the most likely suitor, though other bids are apparently on the table

Vleissentraal chairman Hannes Besselaar confirms a change in shareholding is possible and that finality should be reached within weeks, but won't comment further

Davel says that if Vleissentraal's board agrees to sell, Senwes will examine the findings of a due diligence study (announced on September 8) and determine whether certain conditions are met, before making a final decision on October 23

Senwes has not yet decided what it will do with Vleissentraal and its holdings in Kolosus and an auctioneering company, though Davel says the acquisition could facilitate the listing of Senwes

Senwes originally planned to seek a separate listing during the second half of 1998, to help with further acquisitions In addition to the traditional business of a co-operative, Senwes is a food processor and produces a wide range of retail products, including Champion, Excella and Vegefresh, a joint venture with Heinz

Financials for the 14 months to April 1997 indicate income attributable to shareholders of R84,5m, turnover of R3bn and a 10,6% return on shareholders' funds

Senwes will have to take a series of measures to restore Kolosus to health, if it acquires Vleissentraal's 39% Notably it will have to follow — and possibly underwrite — a R300m rights offer, to address the high gearing It will also need to embark on a cost reduction programme, appoint a new FD and MD and restore Kolosus's credibility in the marketplace

Kolosus MD Tito Vorster and FD Ronnie van Rensburg resigned at the end of August The official reason was "differences in strategy between the two and the board of directors" All the parties involved have signed an agreement not to talk about this

But if this was so, Vorster and Van Rensburg's differences would have been with Vleissentraal's representatives, who must have known they were probably on the way out Which suggests something else was at play besides "strategy"

Stuart Rutherford

Beacon retains monopoly on sweet's name

BD 29/9/97 (186)

Stephané Bothma

PRETORIA — Beacon Sweets & Chocolates has fought off a challenge from archrival Cadbury to exclusive rights to the name of its money-spinning Liquorice Allsorts

Judge Nic Maritz on Friday rejected a Pretoria High Court attempt by Cadbury to obtain a disclaimer of the term "liquorice allsorts" on the grounds that the term described a sweet type and therefore did not qualify for protection under the Trade Marks Act

About 15 types of liquorice allsorts are sold in the UK. The court decision will prevent these from being imported to SA

Beacon has been selling Liquorice Allsorts in SA since 1952, and registered the trademark in 1986 Sales total about R50m a year

Beacon argued that the trademark had become closely identified as a Beacon brand

Cadbury based its case on the argument that "liquorice allsorts" was wholly descriptive of a type of sweet and was not a distinctive brand within the meaning of the Trade Marks Act It said the term consisted of two ordinary words and therefore Beacon was not entitled to sole use of the term

Cadbury's lawyers said the words "liquorice and "all sorts" appeared in the Full Oxford English Dictionary

The court was also told that the phrase was used in the UK to describe a type rather than a brand of sweet

Rejecting Cadbury's application, Maritz said that "the joinder of the two known words 'all' and 'sorts' and the use thereof in combination with the known word 'liquorice' is not simply a combination of known words, but constitutes an original descriptive epithet which is not in ordinary linguistic use"

It conveyed the meaning of a combination of various liquorice sweets in novel terms, "inherently capable of distinguishing the sweets of Beacon from the sweets of another person

"Cadbury has failed to establish that the phrase consists exclusively of an indication which may serve, in trade, to designate the kind, quality or other characteristic of the product "

PM 3/9/97

186

IRVIN & JOHNSON

The double whammy

I&J's share price has been weak against an underperforming sector

For much of the past two years, I&J's rating has roughly been in line with the rest of the food sector But in the past four months, its p e at 8,9 has fallen substantially below the food index's 12,1, reflecting worries over prospects

The food index is itself struggling as debt-strapped shoppers curtail spending, and is now at a rating and level last seen early this year I&J's share price has slumped from a high of 530c in February last year to 300c

Investors are concerned about the rate of growth for I&J's sales and profit margins

Government has proposed changes to the structure of the fishing industry which could curb total allowable catches for existing players They recommend auctionable access rights, which will be granted according to various criteria These include the bidders' efforts to include workers and previously disadvantaged communities in their activities and equity

While I&J doesn't have a black empowerment partner like Ocfish, it has an "empowering" employee share participation scheme, which could in nine years transfer about 10% of the equity to employees

"We disagree with the view that employees must be sacrificed on the altar of empowerment," says chairman Jan Robbertze Last year, I&J also outsourced R7m of business to historically disadvantaged suppliers These moves should help preserve I&J's profits from frozen seafood

The focus on adding value to products is also reflected in other interests, including fresh and frozen vegetables, and semiprocessed frozen food such as hamburgers

I&J also generates profits from third party distribution One of its most important customers is Rainbow Chicken The recent hike in chicken import duties should reinforce Rainbow's expected recovery

Sales will also be bolstered by I&J's joint venture with Simplot Australia's seafood, snacks and meals unit The collaborative effort, in which I&J has a 40% share, expects turnover of A$200m in its first year

I&J appears to be repairing some of the damage incurred in 1996 It has improved the return on capital to 10,8% from 7,1% and cut long-term debt by 13%, even as it spends heavily on new capital Pre-interest margins are up to 5,3% (1996 3,7%), but may be difficult to maintain because of strong competition in the food sector, analysts say

High interest rates worry Robbertze "If substantial relief isn't offered to hard-pressed consumers soon, domestic sales are likely to slow down"

Immediate prospects are not appealing, but the economy may pick up steam by late 1998 That should buoy I&J, as will a growing foreign contribution The stock is cheap and may be worth buying for recovery The outlook changes quickly in the food business, particularly in fishing

Sean Feely

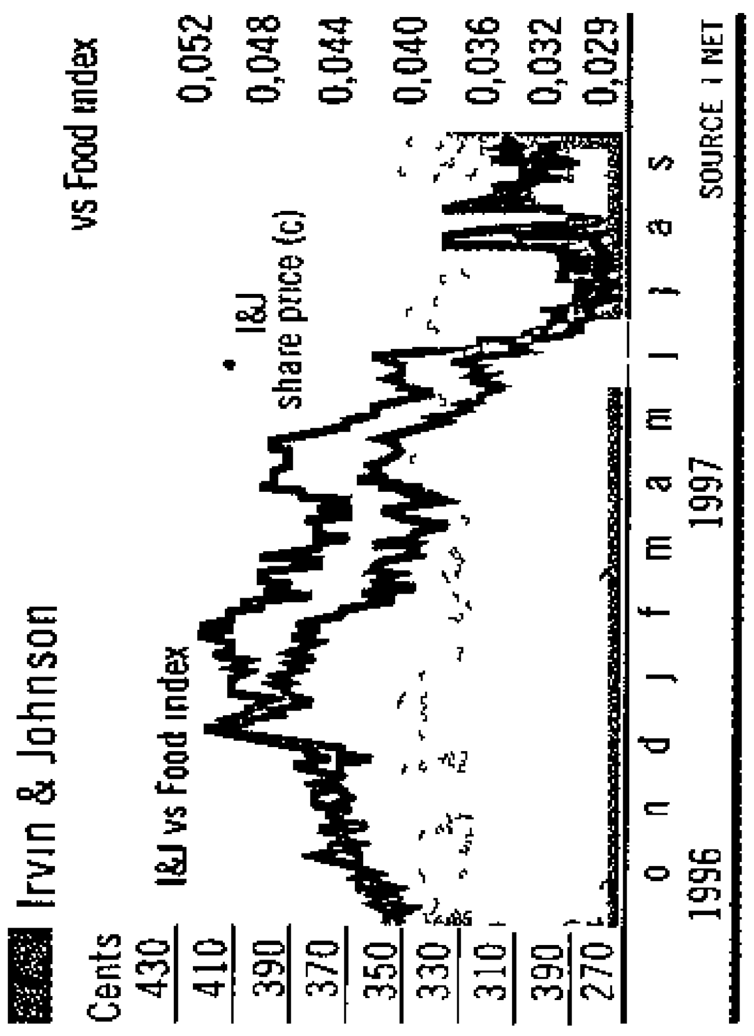
- **ACTIVITIES** *Procurement, processing and marketing of fresh and frozen foods*
- **CONTROL** *Anglovaal Industries 67,8%*
- **CHAIRMAN** *J C Robbertze MD R C Gordon*
- **CAPITAL STRUCTURE** *289m ords Market capitalisation R867m*
- **SHARE MARKET** *Price 300c Yields 3,7% on dividend, 11,2% on earnings, p e ratio, 8,9, cover, 3,1 12-month high, 430c, low, 240c Trading volume last quarter, 9,7m shares*

Year to June 30	'94	'95	'96	'97
ST debt (Rm)	6,2	22	7,6	6,5
LT debt (Rm)	70,2	61,8	91,7	80
Shareholders' interest	0,64	0,65	0,64	0,62
Int & leasing cover	5,1	6,4	8,3	6,6
Return on cap (%)	11,1	12,1	7,1	10,8
Turnover (Rbn)	1,77	2,12	2,23	2,66
Pre-int profit (Rm)	97,1	125	82,6	141,6
Pre-int margin (%)	5,5	5,9	3,7	5,3
Earnings (c)*†	20,2	27,2	23,8	34,6
Dividends (c)†	8,6	10	10	11
Tangible NAV (c)†	160	204	226	245

* Headline † Adjusted for 10 1 share split

ANALYSIS
COMPANIES

Irvin & Johnson vs Food index



SOURCE I NET

Paarl MP bids to save 2 000 jobs

ARG 10/10/99 (186)

CLIVE SAWYER
POLITICAL CORRESPONDENT

Ben Turok, African National Congress MP for Paarl, is trying to rally the Department of Trade and Industry to help save the jobs of more than 2 000 seasonal workers at the Langeberg canning factory in the town.

The job losses will have a deeply felt impact in Paarl, already experiencing unemployment and where many businesses depend on the spending by Langeberg employees

Replying to questions by Mr Turok in Parliament, Alec Erwin, the Minister of Trade and Industry, said Langeberg had given as reasons for reviewing its long-term market and production strategy at its plants in Paarl and Ashton

- Intensified competition and oversupply in a diminishing market
- Deterioration of the German mark against the US dollar and the rand
- High levels of customs duties and subsidies in Europe on the products concerned
- The abolition of the General Export Incentive Scheme

Mr Erwin said the DTI did not intend any action over Langeberg's retrenchment

"However, the department is actively engaged in activities aimed at promoting international competitiveness of South African industries

"These actions include negotiations with regard to increasing access of SA industries into the European markets "

In an interview, Mr Turok said the issue had been taken up by the Food and Allied Workers Union He had tried to enlist the help of the Paarl Chamber of Commerce, given that Langeberg workers spent R3-million in the town every week, and the Paarl Town Council

Langeberg, owned by Tiger Oats and ultimately by Old Mutual, was not a small company "I want to persuade them to ride it out or mitigate the impact by a slow reduction of employees," Mr Turok said

Getting Premier's sour dough to rise

(186) CT(BR) 21/10/95

ANN CROTTY

As one of the major institutional managers said on speculation about an unbundling of Premier "These days nothing is sacrosanct" Given the imminent sale of OK Bazaars and the prospect of an unbundling of SAB, as well as the recent news about the merging of Gencor and Gold Fields' interests and the likely disappearance of the Gencor name, it does indeed seem that nothing is sacrosanct

If the speculation is accurate, it seems that Premier Foods is set to fade out of the public eye by selling what, for decades, was its core operations to Tiger, a company against which it competed so aggressively for years At this stage the precise nature of the deal between Tiger and Premier is unclear, but a tie-up between the two companies' milling, baking and oil interests seems the first step in an unbundling exercise

Premier Foods' competitors will freely admit that, for years, the group was the leading miller and baker in the country Even today it has some of the best brand names in the industry It is these brands that are believed to be a key attraction in a deal for Tiger which, throughout the nineties, stressed that its food focus was on value-added and branded products

Significantly, executives from both companies have been involved for some time in a cluster study of the wheat, milling and baking industry which will have thrown up some of the harsh realities facing the industry in a deregulated environment that is increasingly open to international competition

The big food groups are being squeezed between the demands of a deregulated environment and the growing power of the major retail groups Their inability to deal effectively with these pressures partly explains why food shares are on low ratings

By the time Doug Band took over the helm from Peter Wrighton in late 1994, it was evident that Premier Foods had lost the competition with Tiger The pressure at that stage was for Premier Foods to hold on to second place among listed companies, a position keenly challenged by Foodcorp

The steady demise of Premier Foods over the years has been partly shielded from Premier Group shareholders by the steady improvement in its non-food investments Back in 1987 Premier Group's earnings a share were a restated 6,8c Helped by numerous rights issues, the proceeds of which were used for acquisitions, group earnings grew steadily to 31,4c in financial 1994 After a dip in the next two years, they recovered to 38c in financial 1997, due to non-food interests and a turnaround in the interest position

All the time the dividends kept coming So it was reasonably easy for shareholders and the group directors to avoid the reality that the food division had lost direction and was bleeding

The loss of direction began in the eighties By the time former chief executive Tony Bloom announced his resignation in 1987, it was already evident that margins in the group's food operations were on the decline But instead of fixing up its core businesses, the board continued to OK the acquisition of non-food assets It was the eighties and institutional investors had little choice, and less imagination, with their investment strategies — it was easy to justify pouring billions of rands into so-called blue chips

One factor that may have aggravated Premier Food's decline in fortune was management's decision at the beginning of the nineties to focus on food staples The other two food majors, Tiger and Foodcorp, had opted to go the value-added and branded route In a country with a large and growing population, much of which had very low incomes, food staples seemed like a good focus

For a variety of reasons it didn't work for Premier The acquisition of non-food assets not only ensured that head office focus was split, but meant there were fewer funds available to undertake the investment needed to ensure Premier was a low-cost staple producer

Another key consideration was the apparent state of flux at senior management level throughout much of the nineties Earlier last year key executives went public on the difficulties facing Premier Foods, when they lashed out at the manner in which Gemini, the US management consulting company, tried to deal with the issues behind the decline in the company's profitability

Industry sources say this was just a symptom of the malaise "Premier's brands are great and are well supported by the consumers, but head office focus is elsewhere and it shows," said one competitor

Management had dropped the ball years earlier In a high-margin, low-volume business this was critical, particularly given the deregulation that was kicking into place in the agricultural industry

Outside the cosy, restrictive world of interventionism it was crucial that management was able to procure raw material at competitive prices Attempts to pick up the ball appear to have failed, indeed they appear to have aggravated the situation by heightening the uncertainty among the managers

A major hurdle for any tie-up between Tiger and Premier will be the need to get approval from the Competition Board Sasko and Bokomo went through this recently, but it may be more difficult for Premier and Tiger For this reason the deal may involve the development of a black empowerment player

Talks begin for a food and allied industries bargaining council

Fawu plans 'single forum'

CT (BR) 23/10/97 (186)

RAVIN MAHARAJ

Durban — There could be a single industry bargaining council in food and associated industries — which employ about 100 000 workers — as early as next year, the Food and Allied Workers' Union (Fawu) said this week

Victor Nzuza, a national Fawu spokesman, said the union wanted to create a single forum to voice the concerns of workers, and to conduct annual wage negotiations, in the fruit and vegetables, milling and baking, dairy and beverages sectors Beverages included wines and spirits, beer, carbonated soft drinks and cordials

Nzuza said the move would significantly reduce the time and money the union spent in wage negotiations between the various employers on similar issues, and create additional training and education opportunities for employees

The constitution of the bargaining council had already been drawn up, and had been sent to employers in the targeted sectors, Nzuza said.

But employers in these sectors wanted to discuss among themselves what the advantages and disadvantages of such a bargaining council were, and how it would affect future negotiations, both within company structures and among employees.

'The union could benefit by conducting negotiations in a single forum'

Nzuza said a series of meetings with employers in the concerned sectors would be held before year-end.

Meetings between employers in the milling and baking and wines and spirits sectors had already taken place, but input had not yet been received. Meetings in the beverage sector were next on the list, he said

Duncan Innes, who is facilitating discussions among employers, said employers, who were initially opposed to the idea, had subsequently begun discussing Fawu's proposals between themselves

They would explore the idea in principle, but several issues had yet to be addressed as advantages for employers were less clear cut, Innes said

Regarding the beverage industry, Innes said some sectors, including wine and spirits, preferred their own bargaining councils

Some sectors were paying lower wages than others, and there were also differences regarding leave, housing assistance and other benefits Innes said this could result in complicated and time-consuming negotiations

He said the union could benefit by conducting annual negotiations in a single forum In addition, any agreement reached in the bargaining council, including employee benefits, could be referred to the other parties

Pressure mounts on canning jobs

(186)

POLITICAL CORRESPONDENT

ARG 24/10/97

While the Department of Trade and Industry and the Boland fruit canning industry are working on solutions to the problems facing the industry, only a limited number of seasonal workers' jobs could be saved now.

So says Ben Turok, the African National Congress MP who this week convened a meeting of stakeholders in the Western Cape canning industry, where the jobs of thousands of seasonal workers are at stake

The tomato canning industry is being imperilled by imports of canned tomato pieces from Italy, brought in at low cost as a benefit from the economies of scale in that country

Meanwhile, fruit canning, dependent on survival on the export market, is also being disadvantaged.

Professor Turok said the industry was penalised in Europe by the subsidies provided by Brussels to European producers, in particular Greece

Professor Turok said "The best we can hope for now is that a certain number of jobs will be saved for some seasonal workers"

Langeberg canning had demonstrated its commitment to meet the very real problems faced by the industry and the Boland towns, Professor Turok said

The short-term measures which the company was looking at to save some jobs included extending the tomato canning season, as well as other measures

ANALYSIS

Govt, industry can learn from the cluster process

SA's agro-processing sector is showing some positive signs, says **David Frost**

(186) BD 27/10/97

AN ARTICLE in Business Day (October 16) on a submission on the wheat, milling and baking cluster to the joint parliamentary portfolio committees on agriculture, and trade and industry, was misleading as it focused on the negatives rather than the many positive points presented.

The agro-processing sector has been characterised by a legacy of distorting government intervention, a lack of synergy between elements of the value chain and an absence of coherent strategies The sector has recently changed significantly by moving to a deregulated environment

After three years of cursory contact with the trade and industry department, despite being the largest manufacturing sector in SA, two emerging approaches from government have recently given us hope in redressing this legacy and moving to a sustainable competitive footing

Firstly, the inclusive policy processes which have been initiated by Land Affairs and Agriculture Minister Derek Hanekom For the first time, the minister has drawn on the expertise available in SA organised agriculture, the private sector, research units, labour and NGOs He has also drawn on qualified personnel from other areas of government

Secondly, the trade and industry department has refocused its approach to cluster initiatives This dovetails with the needs of the agro-processing sector, and is being tried out in the wheat, milling and baking sector

Our input to the joint portfolio committees was intended to discuss what we have learnt from the cluster process

The key lessons can be summarised in four main points

□ The changing nature of the relationship between government and industry (including labour) means that we need to shift the dialogue from lobbying to understanding and synergy This relationship needs to emulate the closeness and involvement of the sector in countries we compete with, if we in SA are to survive The cluster process has provided us with a first view of what this co-operation could look like,

□ The changing nature of choices, for both government and industry, can only be understood through real data and real dialogue The data-driven process we have used in the cluster initiative represents the first attempt at creating a joint understanding, rooted in objective analyses, prior to other choice making processes — policy formulation in government and strategic choices by farmers, firms and labour, etc The emerging consensus around key issues in the sector leaves the path open for independent and joint actions based on a common vision;

□ The emerging nature of co-operation, including the important guiding role performed by government and Parliamentary representatives in the steering committee, points to an exciting future The recently appointed director agro-processing in the trade and industry department has been a positive and integral party in the cluster steering committee Negative reflections, such as the one in the article, potentially damage this vital element of learning how to work together, and

□ The nature of the work is such that a tight balance needs to be struck between the thinking within the cluster process and decision-making elsewhere

For instance, government's challenge is to absorb the lessons from the cluster process into its policy formulating processes The cluster process cannot (and should not) absorb this government responsibility. So too for businesses the cluster learning provides an important input into the strategy process, but does not appropriate it

In summary, we are experiencing a powerful and encouraging new way of working together, which is making the often rhetorically touted partnership between government and industry concrete There are bound to be problems as we grapple with this learning We are, however, excited by the prospect of jointly tackling SA's competitiveness problems

□ *Frost is a member of the wheat, milling and baking steering committee and is public affairs and strategy manager at The Premier Group These comments are made in his personal capacity and do not necessarily reflect the views of the committee or the company*

THOUSANDS OF JOBS AT RISK

(186)

SA canning industry in crisis

CT 31/10/97

REPRESENTATIVES of labour, farmers and the canning industry held a crisis meeting yesterday on competition from subsidised European Union producers. **ROGER FRIEDMAN** reports.

SOUTH Africa's export-dominated fruit and vegetable canning industry is at the edge of a precipice Massive European Union producer subsidies and costly import duties are muscling South African products off supermarket shelves, not only in Europe but increasingly also in the United States and Far East

Representatives of labour, farmers and the canning industry were called together yesterday for a crisis meeting chaired by the Minister of Agriculture, Mr Derek Hanekom The situation they described was bleak

SA Fruit and Vegetable Canners Association general manager Mr Fanie Buys told the Cape Times afterwards that one of the industry giants, Langeberg Co-op, was being forced to rationalise its seven-factory operation, which would include shutting down its deciduous fruit-canning division in Paarl, with the loss of about 1 500 seasonal jobs

Farmers' representative Mr Wiehahn Victor, of the Canning Fruit Producers Association, said farmers now had the problem of where to send the 35 000-40 000 tons of peaches and pears that would be ready in the next few months, but would no longer be processed at Langeberg

That tonnage alone represented the product of about 1 600 hectares of fruit trees, employing about 800 workers and feeding their dependants

South Africa's total deciduous fruit production is about 275 000 tons

Food and Allied Workers Union Western Cape secretary Mr William Thomas said about 11 000 jobs could be at risk in the region and would be lost unless there was urgent intervention

The crisis is not the Western Cape's alone Buys said small-scale tomato farmers and canning companies in the Northern Province were particularly hard-hit by European Union tomato subsidies — mainly to Italian, Spanish and Greek producers — amounting to about 800 million German marks (R2,2 billion)

The total EU expenditure on fruit and vegetable production support schemes amounted to 1,3bn marks (R3,58bn) last year, he said

And you've been wondering why Italian canned tomatoes are cheaper than South African ones at Pick 'n Pay

"If the fruit-canning industry becomes extinct in South Africa it won't be because it was uncompetitive," said Buys "It will be because the governments of our world competitors could out-spend ours to retain jobs in their agro-processing sectors."

Most South African jobs in the sector were in the rural areas, a large proportion of the workers being women

About 90% of South Africa's canned deciduous fruit is exported — half to Europe, about 33% to Japan and 14% to the US South Africa is the largest export supplier of canned products to Europe

Only relatively rich people can afford to buy canned goods, which severely limits potential markets

'We cannot compete on foreign markets on an uneven playing field.' — Fruit farmers' spokesman

The SA canning industry's difficulties appear to be rooted in the gradual withdrawal of the Department of Trade and Industry's Generalised Export Incentive Scheme (GEIS). The scheme was not allowable in World Trade Organisation (WTO) treaties signed by South Africa after its evolution from pariah state in April 1994

But while other countries, including the European Union bloc, have developed incentive schemes permissible by the WTO, South Africa has not instituted alternative support measures

And to add to the South African industry's woes, import duties into the European Union for canned peaches are pegged at between 18% and 23%, to which a sugar levy must be added.

Said Victor "The essence of our problem is that however lean our operations we cannot compete on foreign markets on an uneven playing field. We are not asking for handouts, we are just asking for level playing fields. We are not asking for subsidies, although they may have to be considered as a short-term measure

"We need a reduction in tariffs This is where the Department of Trade and Industry could play a crucial role "

Buys said the canning industry was undoubtedly in a crisis, but the situation was not terminal

"What we are hoping for is that government can generate a WTO-friendly counter-measure along similar lines to what the UE and US are paying to their producers under their agricultural policies," he said

Yesterday's meeting nominated a task team with the short-term aim of "preventing a total disaster" After that it would have to consider a longer-term strategy

STATE OF EMERGENCY: Minister of Agriculture Derek Hanel
ning industry yesterday, at which a task team was nominatec

31-10/97

Langeberg loses in exports

(186)

Robyn Chalmers

FRUIT and vegetable processor Langeberg was hit hard by slack trading conditions in Europe to post a widely expected 34% drop in attributable income to R52,7m for the year ended September

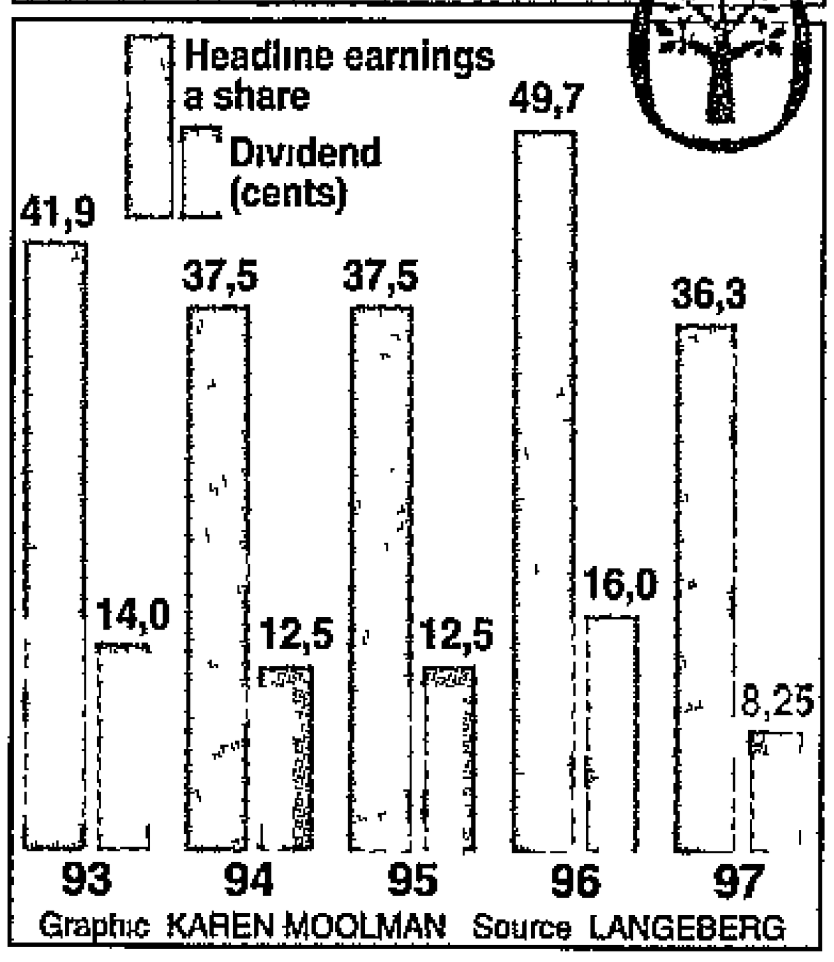
Langeberg chairman Nick Dennis said the group would withdraw from exporting to unprofitable areas, particularly in Europe This would lead to rationalisation of the group's deciduous fruit-processing operations

Headline share earnings, affected by a higher effective tax rate, fell 27% to 36,3c A final dividend of 2,75c was declared, bringing the total dividend to 8,25c, down from 16c in 1996

Dennis said although exports to the Far East had increased, oversupply of canned deciduous fruit in Europe had led to lower prices and sales volumes, exacerbated by the earlier-than-expected phasing out of the general export incentive scheme (GEIS)

These factors contributed to a sharp reduction in export profits.

Langeberg Holdings



Graphic KAREN MOOLMAN Source LANGEBERG

The disappointing results seen internationally were reflected in a 19% drop in Langeberg's operating income to R88,9m

"In light of the (European Union's) persistent refusal to grant Lomé concessions to SA-produced canned fruit, and the phasing out of GEIS, it is expected that structural imbalances will continue in the foreseeable future."

Losses of R4,1m are related largely to fruit-processing rationalisation costs.

Dennis said, however, that reasonable volume growth was seen locally with profit margins and market shares holding up Despite an increase in the cost of new product launches, Africa saw satisfactory profit growth

The group's balance sheet showed cash and deposits had fallen to R3,9m from R12,7m, but there were no borrowings Shareholders' funds increased to R501m from R461,6m the previous year

Looking ahead, Langeberg MD Andries van Rensburg said international marketing conditions were expected to improve in the current year following reports of lower deciduous fruit crops in Europe However, exports still reflected depressed prices and export margins would remain under pressure into next year

He said an increased focus on margin management and the growth of new product categories should ensure satisfactory results for the Africa business

EU incentives leave SA canning industry in the cold

(186) BD 6/11/97

Louise Cook

THE SA canning industry, with an annual turnover of more than R1bn a year, was under severe pressure due to the scrapping of government's export incentive scheme, coupled with lucrative production support from the European Union (EU) to its producers, SA Fruit and Vegetable Canning Association GM Fanie Buys said yesterday.

Buys said that a special government-appointed task team would recommend that the EU be approached for a "special dispensation of one year", based on the fact that assistance had previously been given to onion producers in Poland.

The situation was so critical — food and vegetable processor Langeberg announced a 34% slide in attributable income for the year to September 30, despite an increase in turnover of 13,9% — that Land and Agriculture Minister Derek Hanekom and African National Congress MP Ben Turok last week appointed a task team to work out solutions to save thousands of jobs at Langeberg's processing plant at Paarl.

Other Western Cape companies affected are Sapco/Del Monte in Tulbach, Anglo Food Farms at Groot Drakenstein and Ashton Canners at Ashton. Buys said that the Western Cape companies were the worst hit but Nestlé's tomato canning operation at Duiwelskloof, Giant's Canning belonging to the Dynamo Group and canning operations at Louis Trichardt and Kaap Muiden in Mpumalanga were all affected.

"This is a case of a formerly successful local industry, export reliant for 90% of its product, going under, not as a result of a lack of competitiveness, but due to subsidies paid in overseas countries."

Up to now, the general export incentive scheme (Geis) had kept the playing field more or less level, but this system was phased out in July this year, he said.

Canned deciduous fruit exports earned SA R750m last year. The EU has traditionally been the biggest market, taking up half the exports, but this market is under severe pressure from countries such as Italy, Greece and Spain.

Buys said EU member countries were on a production drive with assistance from the EU to the tune of R2,5bn. Finding new markets was difficult as canned fruit and vegetables were a typically first world export product. Japan and the US took up the rest of the product exported to the EU.

The task team's mandate was to figure out how to prevent the immediate closure of the Langeberg factory, make proposals on appropriate assistance for the local tomato canning industry (which faced severe competition from Italian exporters) and to recommend suitable measures with which to replace Geis, Buys said.

The local tomato canning industry employed about 4 000 seasonal workers and 800 permanent staff. The knock-on effect on farms, packaging and transport was not known, but Buys said that a cluster study was planned for next year. Turok was not available for comment.

DIAGONAL STREET

Lukanyo Mnyanda

Market jitters

CONTINUED jitters about unstable international markets continued to dog the Johannesburg

'EU must waive tariffs on fruit'

Task team proposal to save jobs in canning trade

ARG 6/11/97 (186)

THABO MABASO
BUSINESS REPORTER

In a bid to save jobs in the canning industry, the Government should ask the European Union (EU) to waive import tariffs on South African canned fruit for a year, a task team set up by Minister of Agriculture Derek Hanekom has recommended.

The task team, appointed last week, includes representatives of the Food and Allied Workers' Union, the canning industry, fruit farmers and the ministry.

Speaking after the team's first meeting this week, task team convenor Alan Roberts, who is also advisor to Mr Hanekom, told the Cape Argus the proposal was a short-term measure to give the canning industry time to stand on its feet, after complaints by fruit exporters that tariffs were too high in EU countries.

Canners, such as Boland-based Langeberg Holdings, have complained that the 24% tariff the EU imposes on imported canned fruit is making its exports uncompetitive. Langeberg recently had to tell 2 000 seasonal workers at its Paarl factory that it could no longer afford to employ them.

The canning industry has also blamed the phasing out of the General Export Incentive Scheme (Geis) for its plight. Under Geis, 18% of exporters' turnover was not taxed.

Mr Roberts said the task team had also agreed to ask the minister to start a cluster study to look at which route the industry should take. The cluster study would conclude its work within a year.

"The main thing is to try to stop factories shutting down. We will draft our proposal into a document to be handed to the minister before the end of the week," Mr Roberts said.

Fanie Buys, general manager of the South African Fruit and Vegetable Canners' Association, said that if the EU did not agree to the proposals the task team would ask Mr Hanekom for a once-off cash injection for exporters in fruit farming and in the canning industry.

"The main goal of this injection would be to prevent the closure of factories," he said.

Food and Allied Workers' Union secretary general for the Western Cape, William Thomas, said the cash injection would be an attempt to level the playing fields between South African exporters and competitors from elsewhere in the world.

The task team would also try to meet with the Department of Trade and Industry and brief them about their proposals.

Last week the department resumed negotiations with the EU aimed at phasing out tariffs and trade barriers.

Co

Industry competition pressure to blame

Food merger crash depresses Premier

CT (BR) 11/11/97 (186)

Ann Crotty

Johannesburg — The Tiger Oats share price recovered 240c to close at R67,60 yesterday, but the Premier share price did not recover any of the loss suffered on Friday in the wake of news that the merger negotiations between the two companies had been terminated and that Premier was now working with its trade union to develop a competitive strategy for the group

Most analysts were disappointed that the merger negotiations had been terminated They said they were surprised that in the wake of the Competition Board approval for the Shoprite Holdings' acquisition of OK Bazaars, the board appeared to be one of the main stumbling blocks to this deal

Pierre Brooks, the chairman of the board, would not discuss the specifics of the issue other than to point out that the board had not received a formal proposal relating to a merger and suggested that such a transaction would raise substantial competition law questions

He said the "failing company doctrine" had been a consideration in Shoprite's acquisition of OK, for which the board received one of the most comprehensive submissions it had seen in a long time

An analyst explained that in the absence of a takeover, there was a significant chance that OK would have been liquidated

"This meant that OK would have been completely removed from the market The acquisition by Shoprite means that most of the OK structures will survive although under different name and ownership, so from a consumer's perspective it was the better option," he said

The analyst said an important motivation behind a merger involving Premier's food interests and those of Tiger Oats would be to shut down capacity Premier would suffer from the resulting retrenchments, he said.

The reduction in capacity would ease competitive pressure that exists and enable food producers to improve their margins by lifting prices

COMPANY NEWS

SNACKS *CASS acquires Star Foods for an undisclosed sum*

(186)

Simba sells its leading nuts brand

ET (BR) 12/11/97

RAVIN MAHARAJ

Durban — Simba, the potato chip manufacturer, had sold Star, its leading nuts brand, to Pietermaritzburg-based Central African Seed Services (CASS), for an undisclosed amount, CASS said yesterday

Star is the leading brand in the area of tree nuts, with a 45 percent market share in the sector, which has an estimated value of R18 million a year

The range at Star Foods comprises a range of speciality tree nut varieties, including almonds, cashews, pecans and hazels and brazils, which are used mainly as baking aids

CASS is the holding company for a group of businesses specialising in the production, processing and marketing of agronomic seeds and commodities

Sanbonani Products, a division of CASS in Pietermaritzburg, specialises in the industrial processing of peanut and tree nut ingredients for major confectionery and snack manufacturers, locally and abroad

Graham Guthrie, the marketing director of CASS, said Simba's decision to sell Star Foods was a strategic one as the Star brand — which was marketed mainly as baking aids — did not complement Simba's range

He said the acquisition was a turning point in its baking aids and snacks market interests

"Our baking aids and snacks markets division will now trade as Star Foods and significant investment will be made in promoting the awareness and benefits of nuts as part of a balanced diet," he said

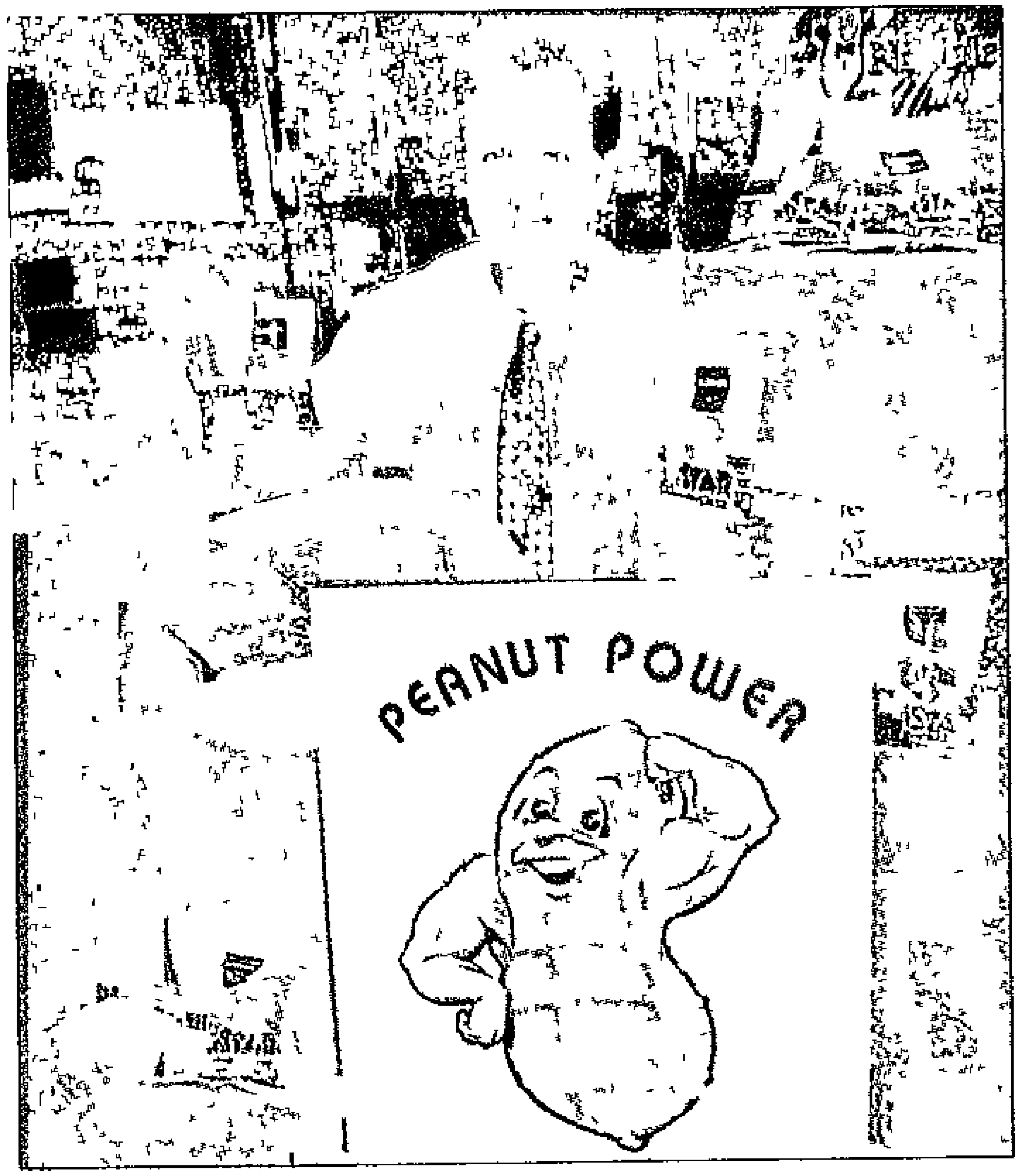
Guthrie said CASS's range of tree nuts had traditionally been marketed under the Nibble Nuts brand. But with the purchase of Star Foods, all tree nut variants would now be marketed under the Star brand

Guthrie said by purchasing Star Foods the company had acquired the Star brand, which was a household brand throughout South Africa

The firm planned to build on a name, by relaunching the brand with exciting new packaging and promotions, as well as using the brand to introduce other traditional baking aids

The company would also launch an exciting new range of nut-based snacks under the Dr Feelgood brand within a few weeks, Guthrie said

He said with strong management and an in-depth understanding of the edible nut industry, Star Foods planned to grow the sector through its dedication to high service and quality



NUTRITIOUS *Graham Guthrie, the marketing director of CASS, who says the acquisition of the Star brand represents a turning point in his company's interests* PHOTO BARRY TUCK

Molope Foods has the right ingredients

From township bakery to R1.3-billion group is Molope's story, writes THABO KOBOKOANE

ST(BT)16/11/97 (186)

MOLOPE Foods, which started out as a township-based bakery, finds its way to the JSE tomorrow in a R1 3-billion listing, one of the largest among the recent spate of newcomers to the market

Molope Foods evolved out of Molope Bakeries, started by Sam Molope in GaRankuwa in the 1970s Since being backed by Johnnic chairman Cyril Ramaphosa in his personal capacity earlier this year, the group has grown to an estimated turnover of R550-million this year

The company comes onto the bourse with market capitalisation of R1 4-billion based on over-the-counter trade closing price of 720c

It has 120-million ordinary shares and 71 6-million N shares in issue

At an analysts presentation this week, Molope detailed earnings forecasts and future prospects

It expects a 137% jump in earnings a share to 36 5c in the year to December 1998 (pro forma 1997 15 4c), on a pro forma turnover of R550 9-million Net profit after tax is forecast at R70-million Based on a listing price of 700c, Molope will come to the market on a price earnings ratio of 45 4 times

Earnings and profit after tax are expected to increase "substantially" once acquisitions in the pipeline are concluded, possibly this year Molope would not comment on the acquisitions, but confirmed that one would be in its new cosmetics division

A private placement last year saw Ramaphosa take a 10% interest in the business and the proceeds were used to wipe out R15-million debt That placement raised R30-million and brought in 700 black shareholders

The original Molope bakery now accounts for only 6% of turnover and is not expected to play a major role in the business About 60% of turnover comes from its services division which consists of the recently acquired businesses of JIC Mining and Petra and 34% of turnover from its industrial catering division, which houses the purchased businesses of Grantham Catering, Quality Eggs and Zululand Baconry These acquisitions were settled through the issue of Molope scrip at various prices

Managing director Richard Grantham stressed that the focus would be on industrial catering, a comment which elicited a question from an analyst on whether it did not make sense to list the group in the beverages and hotels sector like its competitor, Fedics Food Services

Anthony Bock financial director of Molope, said it would seek a listing on that sector later

"But was it not because the group planned a major acquisition in the food sector," the analyst asked Bock declined to answer The rumour mill, however suggests that something could be in the offing with Premier

Ramaphosa the non-executive chairman says that Molope aims to be the leading food and services provider

"We will maximise opportunities offered by synergistic businesses in order to fuel organic growth and acquire leading businesses which fit in with its strategy," Ramaphosa says

RISING TO THE TOP . Sam Molope, founder of Molope Bakeries, which has will see a dream come true tomorrow when Molope Foods lists

Workers angry over 24 hours notice to quit

(186) ARG 18/11/97

LLEWELLYN JONES
Business Reporter

Workers laid off from the Langeberg canning factory in Paarl are unhappy about the way they were dismissed.

A group from the Dole Fruit Cup division said they were given only 24 hours notice last Thursday

The group, mostly non-unionised workers, claim they were replaced at their stations on the factory floor by unionised workers from other areas of the factory two weeks ago

They immediately approached the Council for Conciliation, Mediation, and Arbitration (CCMA), but were given their marching orders before their complaint could be heard

A spokesman for Langeberg said the retrenchments were the result of consultation with the Food and Allied Workers Union (Fawu) and that the company had acted according to the letter of the law

He said Langeberg had to regard the factory as a single unit when considering who should be retrenched.

Retrenchments were being made on a "last in, first out basis" Not only was it not possible to retrench by department, but "also illegal"

Langeberg was being restructured in the face of intense competition in its export markets, high duties in Europe and the abolition of the General Export Incentive Scheme.

Retrenched: Irene Diedericks, Sharon Davids, Carlin van der Bergh, Ruby Stevens, Dianne Claasen, Bonnita Semmery, Mary Haynes, Leone Jaftes, Sandy Siebritz, Jacqueline Botes, Edwina Petrus, Fancileen Fillies and Elizabeth Africa all believe their retrenchment from Langeberg was unfair

I&J to buy Pillsbury Brands Africa's frozen vegetable unit

CT(BD) 5/12/97 (136)

MARC HASENFUSS

CAPE EDITOR

Cape Town — Irvin & Johnson (I&J), the fishing and food company in the Anglovaal stable, intended acquiring the frozen vegetable business of Pillsbury Brands Africa for an undisclosed sum, Roy Gordon, the managing director, confirmed yesterday

Gordon was reluctant to offer further details on the deal at this stage, advising that a due diligence examination would only be conducted next week

Pillsbury Brands Africa is a joint venture between Foodcorp, the JSE-listed food company, and the US-based Pillsbury Company Dave Kennealy, the chief executive of Foodcorp, recently described Pillsbury Brands Africa's vegetable division's performance in the year to August 31 as disappointing

Gordon agreed that the Pillsbury deal would further diversify I&J's earnings base away from its core fishing business

Pillsbury Brands Africa includes household names like Table Top, Harvestime and Cater Craft with the collective brands' share of the frozen vegetable market estimated at about 60 percent

Market watchers said that in light of lingering uncertainties over fishing industry policy, the Pillsbury deal made good business sense for I&J "Other seafood-based companies have also been reducing their dependence on fishing revenue by acquiring small food manufacturers and investing in value-adding facilities"

They added that Pillsbury Brands Africa would complement and strongly extend the market share of I&J's existing frozen vegetable operations

I&J closed unchanged at R2,40 with only 1 000 shares changing hands while Foodcorp edged up 55c to R26,35, also in small volumes

Study finds milling sector is not competitive

(186) BD 9/12/97 (3) WHEAT

Louise Cook

A STUDY by the trade and industry department has found SA's wheat, milling and baking sectors are not competitive by international standards

Wheat producers in the Western Cape in particular would have to lower their prices or improve quality to survive

An industry cluster study conducted by a government committee and private sector representatives also concluded that millers would not be able to bank indefinitely on the 50% tariff on imported flour, while volume-driven "plant" bakers faced growing competition from small bakeries, which were difficult to police and ensure they stuck to producing the required 800g "government" loaf

Chamber of Baking chairman Peter Cownie told industry representatives at a meeting in Kempton Park last week consumer preference was no longer for an 800g loaf, and the SA Bureau of Standards had been asked to "take the first steps" to deregulate the issue

Plant bakers were also locked into cross-subsidising smaller bakeries, a problem that would have to be addressed and resolved

The cluster study, involving all of the sectors in the value chain, was set up five months ago to boost information sharing, sharpen group competitiveness and influence government in an organised manner Premier Milling spokesman David Frost said legal confrontation between interest groups and competitive lobbying was no longer an efficient way of dealing with differences

Chamber of Milling chairman Jannie de Villiers said the study showed the areas where the sectors had to make adjustments if they wanted to become more competitive. Millers faced a problem of unused capacity and the inevitable lowering of tariff protection on imported flour Differences with the baking sector on pricing and quality had to be resolved

Farmers dismissed a finding of the study that wheat from the Free State was of inferior quality, saying it had never been turned down during grading

CP 21/12/97

Getting loaves weighed right

186

By LILIAN NGAKANE

THE SOUTH African Chamber of Baking has backed the South African Bureau of Standards' [illegible] mass regulation be changed

The chamber's concern is that [illegible] tected by the existing grading regulations for the mass (weight) of bread, and it is convinced that the new [illegible] consumer "greater protection" [illegible]

It is also convinced that the baking industry would be able to offer bread that is closer to the [illegible] der range of products

The Division of Trade Metrology - of the SABS - proposed the mass regulations chnges in order to enable packaged bread to be sold in any multiple of 100g with a minimum mass of 400g - provided the mass is clearly marked on the packaging, and unpackaged bread to be sold in mass grades of 400g 700g, 1200g so that the consumer will be able to visually identify between the different grades

The South African Chamber of Baking regards these changes as "an interim step in a process" that will lead to complete deregulation

A deregulated system will enable the industry to be totally [illegible]ible in meeting the requirements of the different market segments

It also fully supports the steps [illegible] of standards "to monitor the new regulations closely and impose effective punitive measures"

[illegible] the SA Chamber of Baking and other groups have [illegible]ng [illegible]

The average mass of bread loaves being sold at present is nearer to 700g, than the regulation 800g per loaf required

□ As time to implement the changes is not presently in favour of either the consumer or the baking industry, February 1 has been set down as a reasonable target date for implementation

MANUFACTURING - FOOD
1998 - 1999

FOOD GIANTS

Tiger hungry for Epic Foods (180)

FM 23/1/98

Premier is closing its margarine factory but disputes its rival's claim to first refusal

A High Court battle is about to start for Blossom, the margarine that rings up sales worth R140m a year

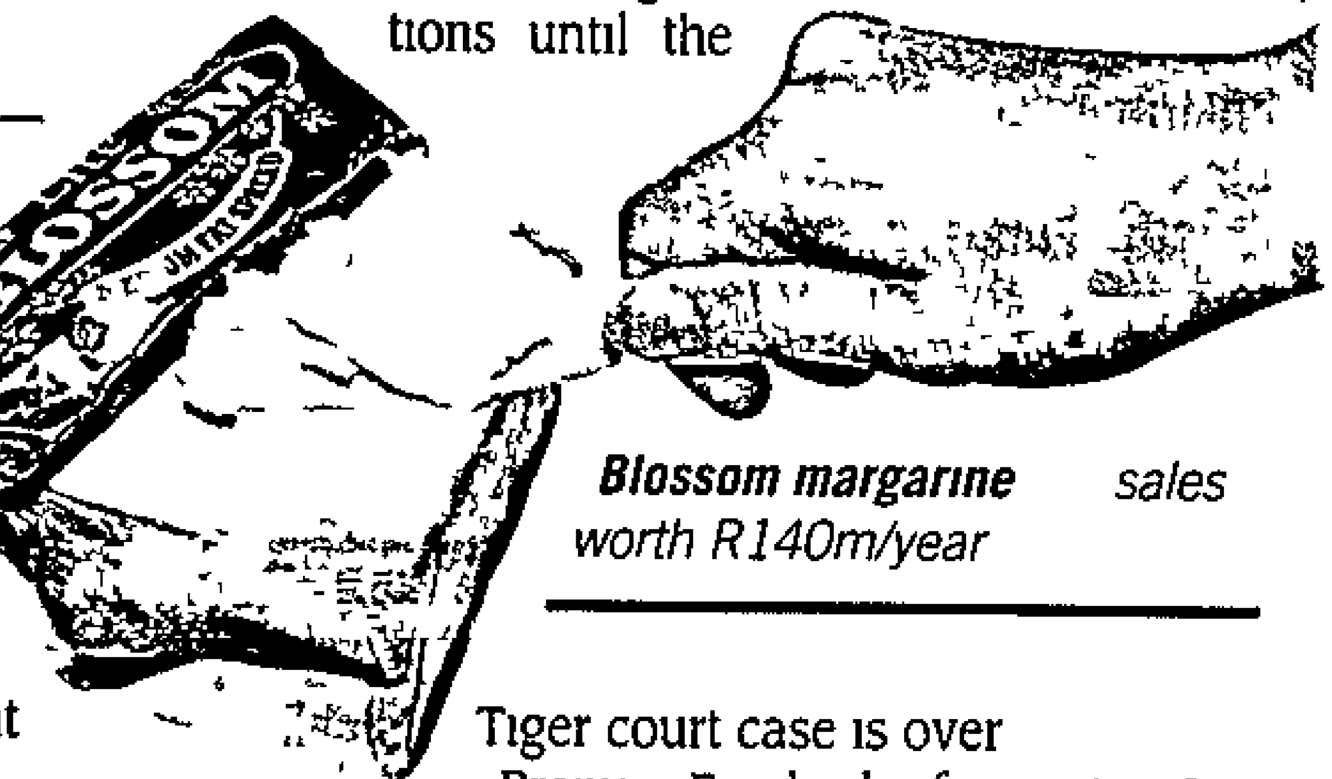
At the end of this week Premier Food Industries closes its Aeroton, Johannesburg factory, where Blossom is the main product The spread is the single pride of Premier's loss-making Epic Foods division, which is being chopped as part of "radical action" to stem losses, which in the division are believed to be running at more than R7m/month Nearly 300 Aeroton workers have lost their jobs

And next Tuesday rival food giant Tiger Oats, which only last year was negotiating with Premier to merge their baking, milling and oil operations, goes to the High Court seeking an order that it has pre-emptive rights to buy Epic Foods under an agreement it signed with Premier in 1995

This is disputed by Premier The ambitious merger plans folded after the Competition Board indicated that such a move would warrant an investigation and be unlikely to receive approval because of the two players' dominance in the sector

Premier may well prefer to be free of the constraining right of first refusal, believing it can get a better deal on the open market

There are several other potential buyers of the Blossom factory, including Unilever's Durban-based grocery products division, Unifoods But it is understood that there will be no negotiations until the Tiger court case is over



Arnold Pronto

Blossom margarine sales worth R140m/year

Premier Foods chief executive Ian Heron confirms Friday's closure of the Blossom factory, which has an estimated value of R40m (including the brand name, build-

RUGBY

Scrum comes to High Court

Privacy versus the public's right to know will be the central theme in the SA Rugby Football Union (Sarfu)'s case against President Nelson Mandela, due to be heard on January 26 in the Pretoria High Court

Sarfu brought the case against the President in a bid to block a government commission of inquiry into its affairs, ordered after widespread allegations of financial mismanagement in SA rugby

Sarfu appears as the first applicant, backed by the Gauteng Lions Rugby Union (GLRU), Mpumalanga Rugby Union and Sarfu and GLRU president Louis Luyt Mandela is first respondent, followed by Minister of Sport & Recreation Steve Tshwete and DG of Sport Mthobi Tyamzashe

Luyt claims in his affidavit that the internal management of Sarfu is private and not within the public domain He denies that "rugby is in the interest of the broader public in the sense that they have a legitimate interest in the game "

In his affidavit Tyamzashe challenges this assertion "The affairs of rugby are not a private matter Rugby is one of our national sports and its affairs are a matter of concern for all South Africans

"Though Sarfu is organised as a private association, it performs a public function in its control, management and administration of one of our national sports "

In Tyamzashe's 47-page submission, the existence of a "Tshwete file" is recorded for the first time The *FM* has learnt that this file contains up to 700 pages of correspondence and reports

Tyamzashe's affidavit states "As appears from the Tshwete file, Sarfu has been widely accused of financial mismanagement Two of the members of the task team, Mervyn King and Gilbert Marcus, were mandated to investigate matters relating to these accusations "

Tshwete appointed the task team last February to launch an informal investigation into the rugby industry King is a former judge and chairman of the King committee investigating corporate governance in SA Marcus is a senior advocate at the Johannesburg bar

"As appears from the draft reports of King and Marcus there are substantial concerns about matters of financial management within rugby in general and Sarfu in particular Those concerns need to be addressed by an independent inquiry," the affidavit says

Luyt denies financial mismanagement, saying that he has called on Tshwete and Tyamzashe to prove the allegations but that they have hidden behind vague allegations and rumours

The Tshwete file forms part of the court papers and therefore qualifies as a public document However, legal advisers to all parties have refused the *FM* access

The *FM* wrote to the Office of the State Attorney, citing its constitutional rights under Section 32(1)(a), which states "Everyone has the right of access to any information held by the State " Initially the office denied the *FM* access to the document Later it agreed to discuss the matter with the Office of the President

Kobus Meyer, the State attorney dealing with the matter, said he could release the Tshwete file only with the consent of Dawie Botha, Sarfu's attorney Botha denied his consent

Shortly before the *FM* went to press, Meyer said the document could be obtained through the clerk of the judge hearing the case, adding that the State attorney had no obligation to provide access However, earlier attempts at the High Court proved fruitless In practical terms, the Tshwete file remained inaccessible for the moment

Deon Basson

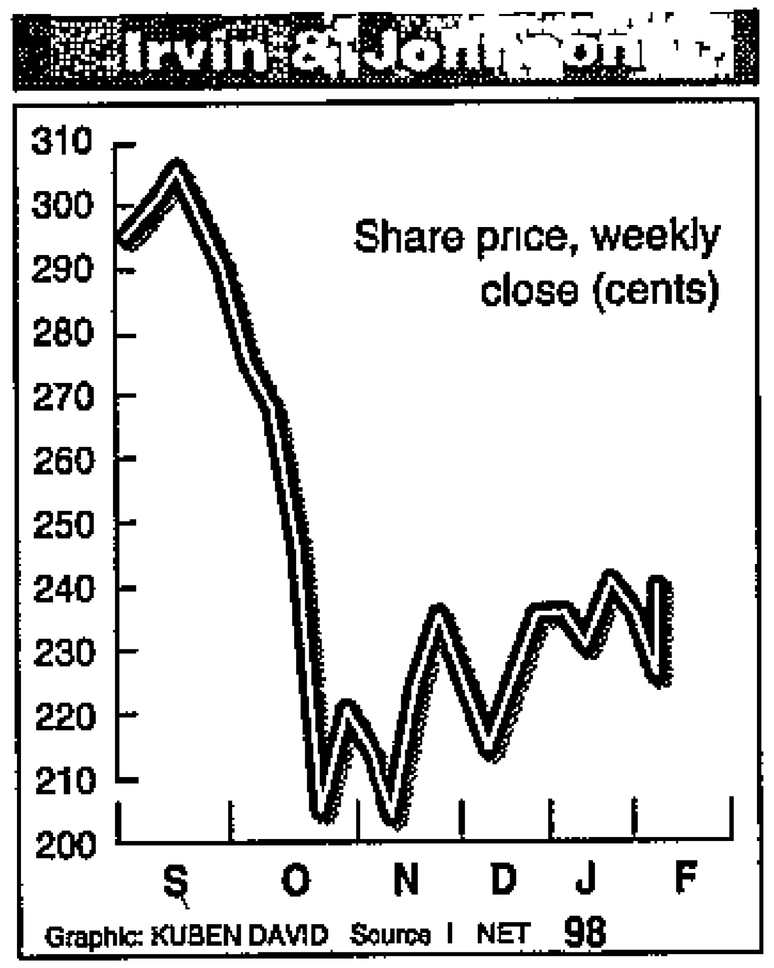
I&J aims at improved performance with new deal

BD 6/2/98 (16b)

Samantha Sharpe

CAPE TOWN — Food group Irvin & Johnson (I&J) had agreed in principle to acquire the assets and trademarks of the Pillsbury brands' vegetable business — effectively Table Top, Harvestime and Catercraft — a move which could help improve the poor performance of its prepared foods division, group MD Roy Gordon said yesterday.

Announcing the group's latest interim results — I&J reported an 8% fall in attributable earnings to R39,3m in the six months to December — Gordon said finalisation of the deal was scheduled for the middle of this month, with an effective date of March 1



"The acquisition is expected to have a positive impact on this division's performance . Substantial synergies exist, particularly in vegetable growing and processing Further effects of this acquisition will be to spread the agricultural risk between the inland and coastal growing areas."

Gordon said a further weakening in the SA economy and reduced consumer expenditure had placed both volumes and margins under pressure in the six months under review, resulting in depressed sales in most divisions

Group turnover fell 4% to R1,23bn, with operating profit 5% down on the same time last year However, this was exacerbated by a high level of capital expenditure and an increase in receivables, resulting in a significant increase in interest paid. This was mitigated somewhat by a slightly lower rate of taxation as well as a positive contribution from the group's recent joint venture with Simplot Australia, which showed that profit after tax was just 11% down.

On the group's international division, Gordon said it continued to perform strongly, with the profits arising from its pelagic fishing ventures off Namibia and Mauritania continuing to make a positive contribution to earnings

"Sales of value-added products into Europe have grown at a satisfactory rate and have become an important element in securing continuing and reliable markets "

On the seafoods division, he said lower catch rates and sales volumes had placed margins under pressure, although these had been partially offset by favourable export prices

The prepared foods division had another disappointing six months, primarily as a result of underperformance in the ready meals business unit However, action had already been taken to focus on core activities and contract out certain production.

The sales and distribution division suffered low sales volumes following lower seafood and chicken volumes during the period

Battle to dominate food industry looms as Fawu and rebel union square up

(~~134~~) (186) ARG 18/2/98

THABO MABASO
BUSINESS REPORTER

A fight for dominance in the food and fishing industries is brewing between the Food and Allied Workers Union (Fawu) and the breakaway South African Food and Allied Workers Union (Safawu)

Safawu was formed when members broke away from Fawu last week alleging that the national leadership was autocratic Most of those who broke away are based in Gauteng

Fawu's former Gauteng secretary-general, Tebogo Moseki, is a leader of the group Safawu claims that Fawu secretary-general Mandla Gxanyana of Cape Town is "running the organisation into the ground"

"Mandla bought a stake in Oceana fishing company for the union, purchased Krugerrands, paid an investment analyst an astronomically high fee, and union members were never consulted about any of this," Mr Moseki said

"Phones in our offices are always cut and employees get paid late every month," he said

He said Safawu had a large following in the fishing and food industries and would soon start negotiating with employers for recognition

Mr Gxanyana disputed the allegations and said Mr Moseki was more interested in power than serving the interests of workers

"The executive committee of Fawu, which is made up of sensible people, has satisfied itself that the allegations are unfounded Some of the issues that he now raises were debated and resolved in 1995," Mr Gxanyana said

"For instance, no money was wasted in acquiring the Oceana shares, because they were given to us free," he added Mr Gxanyana said he was not worried about Safawu mounting any serious challenge to Fawu's dominance "This organisation can withstand any pressures," he said

The Congress of South African Trade Unions, to which Fawu is affiliated, has condemned the breakaway

"While there may have been legitimate reasons for dissatisfaction, there is no justification for forming splinter unions as these merely play into the hands of those who want to see the demise of Cosatu and its affiliates," the Cosatu statement said

Cadswep is looking to exports for growth

(186) BD 4/3/98

Nicola Jenvey

DURBAN — Cadbury Schweppes (Cadswep) CEO Peter Bester said yesterday export contracts could bolster sales growth and believed the industrial food group's longer-term export potential should touch 15% to 20% of turnover

Releasing the results for the 53 weeks to January 3, he said the ground work had been laid for export contracts to the Canadian and South American chocolate markets, which would come to fruition in the current year.

Last year the group had targeted opportunities in Africa and exported sugar confectionery to Mozambique, Angola, Zambia, Kenya and the Democratic Republic of Congo

Bester said SA economic growth this year was not encouraging as consumers remained under the burden of high real interest rates and low levels of job creation. However, Cadswep was determined to grow market share and improve efficiencies through increasing new product launches and a broader consumer base, including exports

Attributable income grew 26% to R159,9m, strengthened by higher margins and share gains across the group's carbonated and concentrated soft drink and sugar and chocolate confectionery markets

Headline earnings increased to 40,1c (34,5c) and a 12,5c (10,9c) final dividend was declared, bringing the total to 16c (13,8c) Shareholders have been offered a scrip option

The five-year compound 20% annual growth represented 11,6% in real terms

Turnover grew 16% to R1,5bn and operating profit increased 17,7% to R166m, indicating the dual effects of share gain in all market segments and higher margins

The dividend and equity accounted earnings, representing Amalgamated Beverage Industries' contribution to group performance, increased 31,6% to R29,1m

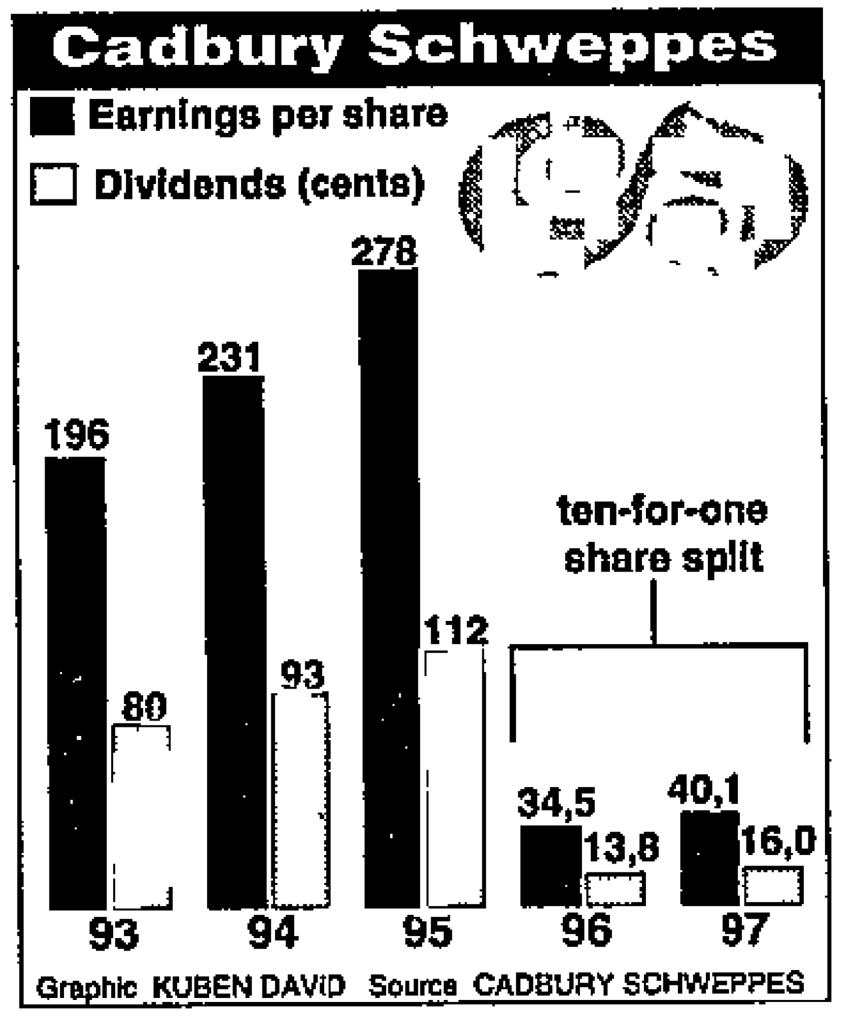
New products boosted confectionery volumes in a declining market, but consumer demand weakened in the second half of the year

Bromor performed strongly in the concentrated beverage market, which recovered from declines over the past few years

Cadswep also benefited from good growth in the carbonated soft drink market.

Bester said the Port Elizabeth chocolate factory and the Bromor plant in Durban were completed last year and increased volumes and greater efficiency would filter through in the near future

Last year the group invested about R180m in expansions and significant capital was earmarked for the current year



Sowetan 18/3/98

Milling group to face CCMA

(186)

By Abdul Milazi

PREMIER Milling training and development manager for Mpumalanga and North West provinces, Ebrahim Harvey, is taking the company to the Commission for Conciliation, Mediation and Arbitration (CCMA) for allegedly unfairly retrenching him this month

Harvey was one of two black training managers facing retrenchment due to Premier Milling's restructuring process which included having one training executive for Gauteng and North West instead of one for each province.

Harvey and his Gauteng counterpart, Gudu Mngomezulu, found themselves having to contest the new position and the rules were simple – the unsuccessful candidate lost the job

"The underlying motive for asking us to contest the position was to absolve the company from taking a decision on who should be retrenched between Mngomezulu and me," he said.

Harvey refused to apply for the new position, demanding that both he and Mngomezulu be retained. The axe fell on him.

"They could not use the last in first out (LIFO) system because we have the same number of years of service So they had to make us contest for one position and thereby absolving themselves from taking a decision," said Harvey.

Harvey's main concern, however, is that none of his white colleagues in other provinces are affected by the restructuring. "How is it that the only two black managers have to be retrenched?"

He said the decision to combine the two regions grossly underestimated the impact the Skills Development Bills and the Basic Conditions of Employment Bill would have on training.

"Just the sheer geographical spread of the two regions combined will make it practically impossible for one person to manage training effectively, especially once the bills become law," said Harvey

Premier Milling corporate human resources head Manasse Matau said Harvey's retrenchment was part of the restructuring process

"We have already retrenched about 3 000 workers of all colours and at all levels since last year."

He argued that Premier Milling management was satisfied that they had followed fair procedure in dealing with the retrenchment.

Langeberg warns on interims

CT (BR) 25/3/98

MARC HASENFUSS

Cape Town — Langeberg Holdings, the fruit and vegetable canner owned by Tiger Oats, warned shareholders yesterday that its earnings for the six months to March 31 would be significantly lower than the corresponding interim period last year

This follows a dismal performance by Langeberg in export markets for the year to September 30, when bottom-line profits slumped from R80,2 million to R55,5 million (186)

Langeberg, which markets well-known brands like Koo and All Gold, advised yesterday that reduced volumes and the poor quality of the domestic deciduous fruit crop would have an adverse impact on profit.

The company cited continued depressed export contract prices as another negative factor.

Langeberg was confident export contract prices would firm in the second half of the year, but cautioned that the domestic market would remain under pressure.

The company's shares were untraded at R2,80 on the JSE yesterday, well off the annual high of R5,65

Langeberg boasts a net asset value of R3,13 a share.

Shielded EU market hits canning sector

Wyndham Hartley (??) (186) BD 2/4/98

CAPE TOWN — European Union (EU) subsidies designed to protect its fruit canning industry had forced the closure of a major SA factory and the loss of more than 2 000 jobs, Deputy Agriculture Minister Thoko Didiza said yesterday.

Addressing an international canned deciduous-fruit conference in Somerset West, Didiza said the level of protection afforded by the EU to its canned fruit industry through production and export subsidies made it difficult for countries like SA to compete in either the EU or in third-country markets.

As an example she pointed to Japan where SA's share of the canned fruit market had fallen from 38% to 18,3%. In the same period the share of the Japanese market enjoyed by Greece rose from 0,6% to 27,8%.

"Due to declining export earnings, the largest SA exporter withdrew from the EU market, leading to the closure of a major canning factory with the loss of 2 200 jobs," Didiza said. She did not identify the plant. SA has responded to a Chilean initiative by attending a meeting late last year to explore a possible World Trade Organisation challenge to the EU subsidies.

A request from SA, Chile, Brazil and the US requesting information from the EU has so far gone unheeded. A meeting will be held on the issue with the EU in June.

Farm products, subsidies, and the exclusion by the EU of about 40% of SA's produce, lie at the heart of disagreements between SA and the EU in talks on a free trade agreement.

Didiza warned SA producers that they should take advantage of the opportunities offered in the Southern African Development Community (SADC) before they were crowded out by multinational competitors.

"It is either you sit back and let that market be run by your competitors who are shielding their own market against you, or you can get out there and do business," she said.

"SA firms have tremendous opportunity to utilise the comparative advantage of the region by spreading their investments in the various countries and consolidating their markets as one SADC market, while aiming at the central and east African markets for exports."

Sapa reports Didiza appealed to international companies not to regard expanding trade and controlling the lion's share of the market in developing countries as an end in itself. "The expansion of your markets should instead be linked to development efforts in these countries, so your trading will not be done in a way that creates winners and losers."

Funding revamp: Page 13

Food union will march on Parliament to aid industry

(18b)

BUSINESS EDITOR ARG 8/4/98

The Food and Allied Workers' Union (Fawu) will march on Parliament next week to call on the Government to help the struggling canning industry.

On the same day, April 16, Fawu members will hand in a memorandum at the offices of the European Union (EU) in Cape Town in an attempt to push EU member countries to open up markets to South African canned fruit and vegetables

Regional secretary William Thomas said the Government had not done enough to protect jobs in the fruit and vegetable canning industries

Fawu has complained that on the one hand Europe protects its own borders against South African exports, with canned fruit from South Africa carrying duties of up to 21% , while on the other hand European producers flood the South African market with cheap canned fruit and vegetables produced with huge farming subsidies

"The EU has recently doubled subsidies to farmers in member countries Here the export incentives have been phased out and and we will never be able to compete without help," said Mr Thomas

Fawu was asking for a cash injection for fruit farmers to help stem job losses in the short term, he said

The union also hoped the Government would spearhead a drive to find new markets outside Europe for South African canned fruit

LEON MULLER

Weighty words: Sampie Nobole of the Food and Allied Workers' Union hands a memo to Minister of Environmental Affairs Pallo Jordan

Fawu marchers want job security

~~7522~~ ~~FISHING~~ ~~ARG~~ (186)

ALIDE DASNOIS
BUSINESS EDITOR

ARG 17/4/98

Chanting Food and Allied Workers' Union members marched on Parliament yesterday demanding the Government take urgent steps to protect jobs in the wine, canning and fishing industries.

A memorandum handed to Environmental Affairs Minister Pallo Jordan urged that in any fishing agreement with the European Union, all boats fishing in South African waters be obliged to fly the South African flag and employ South African crews.

The marchers also handed in a memorandum at the offices of the European Union, urging European countries to open their markets to South African agricultural exports and stop unfair competition from cheap European imports here.

Fawu has criticised the EU for imposing tariffs of up to 21% on imports of South African canned fruit and vegetables, at the same time subsidising European farmers.

The flood of cheap European canned goods on South African markets is threatening jobs, says Fawu.

Langeberg Foods has already laid off 2 000 seasonal workers and 400 permanent workers and up to 4 800 other jobs are under threat, Fawu says

Fawu has asked the government to keep some tariffs in place to protect the domestic canning industry and to slow the restructuring of the wine industry until measures to protect jobs have been discussed.

Fawu fears that jobs in the wine industry will be lost if the EU succeeds in its attempt to exclude 40% of South African agricultural products from the free trade deal that is under negotiation

Cadswep outperforms soft drink, confectionery market rivals

BD 21/4/98 (186)

Nicola Jenvey

DURBAN — Industrial food group Cadbury Schweppes gained significant market share in every major sector in which it competed last year, chairman Alan Clark said in the annual report

He said the company outperformed the market in chocolate and sugar confectionery, carbonated soft drinks, squashes and cordials and the ready-to-drink segment

Cadbury was now "the clear market leader" in the overall chocolate market, adding to its long-established lead in the moulded sector

Cadswep grew attributable income 26% to R159,9m in the 53 weeks to January 3, strengthened by higher margins and share gains across the group's carbonated and concentrated soft drink and sugar and chocolate confectionery markets

Headline earnings increased to 40,1c (34,5c) and a 12,5c (10,9c) final dividend was declared, bringing the total to 16c (13,8c)

Turnover grew 16% to R1,5bn and operating profit increased 17,7% to R166m, indicating the dual effects of share gains in all market segments and higher margins.

Clark said the performance by Chappies and Eclairs was "particularly pleasing", as they achieved record volumes in a weak market There was also a comeback by oldest brand Oros

The first phase of the state-of-the-art moulded chocolate factory in Port Elizabeth, now on stream, would see Cadswep consolidate its position

Capital expenditure of R189m last year went into the Port Elizabeth factory, a high-technology chocolate making plant, Durban's Bromor regional factory, computer software, a concentrate making facility in Windhoek, and lesser replacements and upgrades

Bakeries feel the heat as loaves found to be underweight

Star 8/5/98 (186) ~~(2411)~~

By Gasant Abarder

The SA Bureau of Standards, spurred by reports in The Star that underweight bread loaves were being sold to the public, yesterday checked on three bakeries and supermarkets in central Johannesburg – and only one outlet fully passed the test.

The offenders were told to sell the underweight bread at reduced prices.

SABS spokesman Erno Botes said the bread sold at the OK in Eloff Street met the 800g weight requirement. But the Fontana KwikSpar in Jeppe Street met the grade on white bread only. Loaves of brown bread were underweight by about 50g.

The Butterfields Bread outlet on the corner of Bree and Joubert streets was selling both white and brown loaves weighing between 625 and 641g.

André van Dalen of the SABS said that although the branch had baked dozens of loaves, the manager had been told that legal steps could be taken if that batch were sold at the usual price.

Van Dalen was pleased with OK, and found similar results at an OK branch in Silverton, Pretoria. He added that the OK bakers used 900g of dough to reach the 800g standard.

The Butterfields outlet in East Lynne, Pretoria, showed almost identical results to its Johannesburg branch.

Van Dalen said moisture had to be considered when bread was tested. Oven-fresh bread would have a higher moisture content and weigh more. He said bakery bread could also lose weight during delivery.

Tests would continue in the coming weeks, Botes warned.

EU aid to exporters hits Langeberg's results

Louise Cook

SUPPORT for European Union exports and the uneven competition that this created for food and vegetable processor Langeberg was the main reason for its continued poor results, analysts said at the weekend

Langeberg's headline earnings fell 40% to R15,3m in the six months to March Turnover rose 7,6% to R603,6m Operating income fell by 35,4% to R36,5m No interim dividend was declared.

SA's R1bn-a-year canning industry has been under pressure as a result of the phasing out of government's export incentive scheme (Geis) in recent years

Last week, parliamentary hearings discussed government incentives for local exporters, but indications were that stakeholders in secondary agricultural products, like food processing, might not benefit as much as manufacturers from government's Export and Marketing Industrial Assistance which replaced Geis

Langeberg MD Andries van Rensburg said other reasons for the company's dismal results included pressure on local volumes and resultant high overheads. Prices on international market, which took up 35% of Langeberg's production, were under pressure, mainly due to SA's disappointing deciduous fruit crop last year.

Nonetheless, export prices of SA canned fruit were likely to improve in the next six months due to European fruit crop production problems, he said.

BD 12/5/98

Bakers blasted over light loaves

(24~~4~~) ~~(S~~TAT (18b)

TWEET GAINSBOROUGH-WARING

Customers are getting a raw deal from many Western Cape bakeries which are supplying loaves lighter than the required 800g weight set for a standard loaf of bread.

The South African Bureau of Standards carried out a major survey of bakeries countrywide to establish whether they were complying with the standard weights set by the SABS. Offending bakeries supplying consumers less bread for the same price could face legal action.

SABS president Eugenie Julies said he believed consumer interests warranted the publication of the names of all the bakeries supplying under-weight bread.

"I also wish to state that, with regard to all compulsory standards upheld by the SABS, I intend taking a hard line on all contraventions negatively affecting consumers.

"This will include instituting legal action against the offender where necessary."

Nine bakeries in the Western Cape have been supplying loaves up to 180g lighter than the required weight. According to the SABS they are: Sasko, Enterprise Bakery (Cape Town); Sasko (Claremont), Duens, (Epping), Superior Bakery (Airport Industria), Something Nice (Eerste Rivier), Beverley Bakery (Eerste Rivier), Friendly Grocer (Goodwood), Seven Eleven (Eerste Rivier) and Belrise Bakery (Belhar).

ARG 16/5/98

Industrial sabotage stalks cooking oil rivals

(186) CT(PR) 20/5/98

GUY OLIVER

East London — Tiger Oats and Unilever SA were embroiled in allegations of industrial sabotage against Ciskei Oil and Cake Mills, an independent cooking oil competitor, in the Mdantsane regional court this week

Iqbal Mohammed Soomar, the director of Ciskei Oil and Cake Mills, appeared in court on Monday to face 12 counts of fraud, 120 of forgery, 120 uttering counts and three of contravening the Customs and Excise Act between 1991 and 1993

Willem Opperman, a private prosecutor appearing for the state, alleges Soomar defrauded millions of rands through the abuse of the permit system, established in 1989 for the export and import of unrefined sunflower oil Oil seed was one of the most regulated agrifood industries, and tariffs on imported oils were lowered only in 1996

In its court papers, the state alleges Soomar "well knew that the imported oil had not so been exported, therefore not entitling them to any customs duty rebate" Last week's postponements by Soomar's defence team enabled the granting of a Durban High Court order "to preserve specific documents" at the Durban offices of Hamilton Whitton, a private investigating firm that is thought to have provided much of the information for the state's case

In the Durban court papers, Soomar alleged that Hamilton Whitton and Stephanus Botha, an employee, "were acting at the behest of the applicant's trade competitors, namely Tiger Oats and Unilever SA"

Stephanus Botha was the first investigating officer assigned to the Soomar case, before he left the police in 1993 to join Hamilton Whitton

Advocate Renee van Rooyen told the Durban court this week the search last week of the private investigator by the defence team found Botha was in possession of the police docket into the case and a file containing various customs stamps, specimen signatures from foreign custom officers and stencils for custom stamps

The case was adjourned until June 22

Eastern Cape broccoli farmers paid out

DD 4/6/98 (186)

GRAHAMSTOWN — I&J has paid Eastern Cape farmers out for cancelled broccoli contracts after its February takeover of Pillsbury Brands Africa

Eastern Cape farmers had been concerned about their futures after the takeover.

Jacobus van Zyl, I&J director and prepared foods division head, earlier said his company would compensate farmers for "loss of profits"

Grahamstown vegetable farmer Graham Vroom said farmers had been paid out for "costs as well as a small amount of profit".

He said he was not sure how I&J had worked out what compensation was to be paid to farmers

While some farmers felt the payments made were fair, others did not

Vroom said some farmers were looking at growing baby carrots and Brussels sprouts for I&J, but this was "very labour intensive" and required special soil conditions He said there was also talk of another frozen food company coming into the market which might enter into contracts with farmers

Farmers were "looking for other opportunities", he said.

Vroom said he would "probably go into dairy" and would continue growing vegetables for the local market.

Another local farmer, Stephen Pons, said he was going into pig farming — ECN.

COMPANIES

Hilary Joffe

FOOTNOTES

Common factors in food industry mergers

(186) BD 18/6/98

THE JSE's food sector has been active lately The Del Monte/Delfood announcement yesterday that a European-based food company would buy Anglo's holding in the group followed a string of merger and acquisition news in the sector

Tiger Oats said last week it would make an offer for ICS; Afribrand and Armato disclosed plans to merge and Premier said it would sell subsidiary Bonnita to Italian group Parmalat And earlier this year Foodcorp was delisted after a management buyout

At one level the events seem unconnected, representing more a reshuffle of ownership in the industry than a consolidating of operations Anglo intended to move out of Delfood for some time CG Smith holds both Tiger and ICS and it was probably a question of time before it moved to tidy up its portfolio by putting the two together Premier's sale of Bonnita followed the unbundling of most of the group's non-food interests a while ago

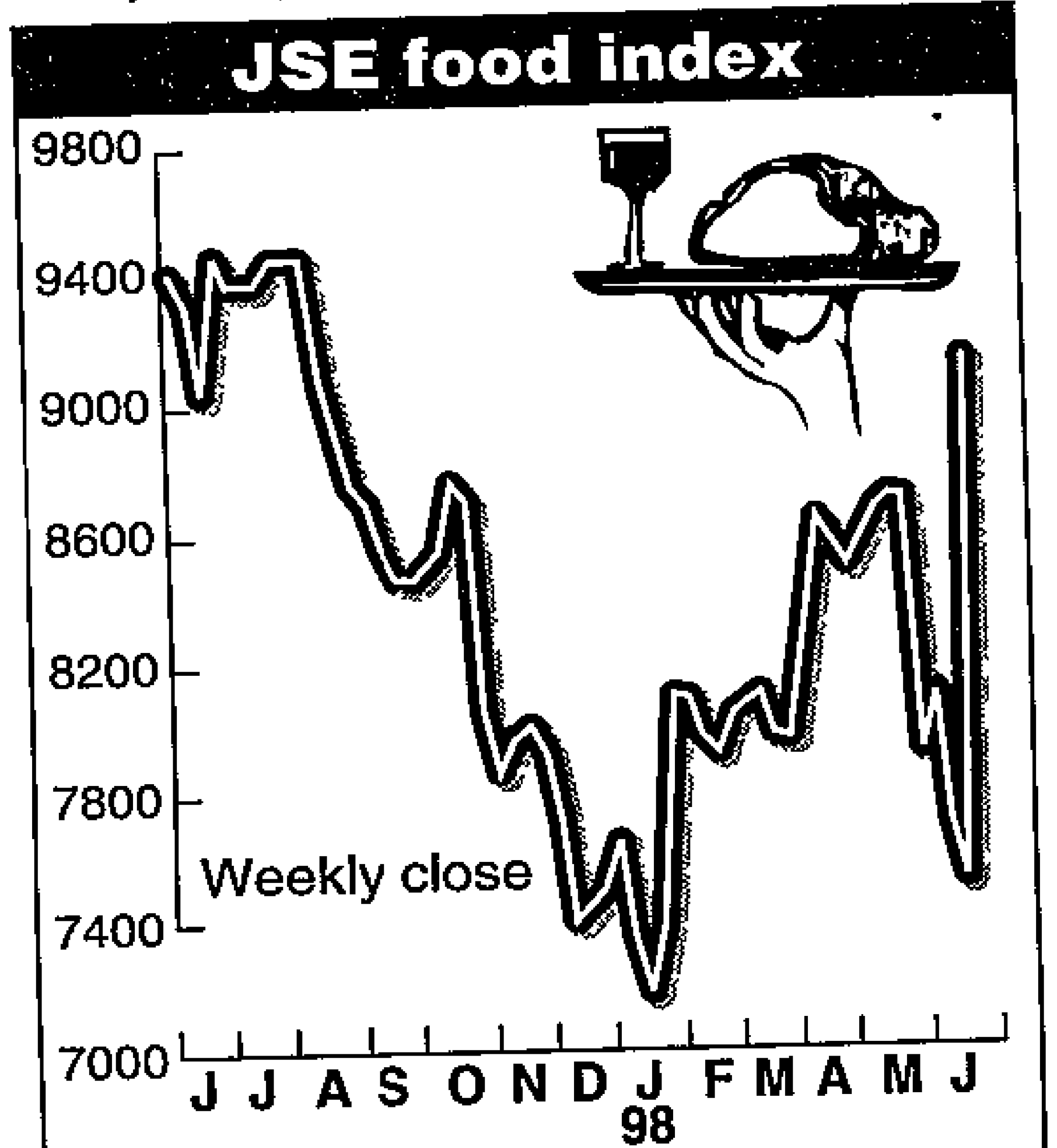
The food division is now left with the staples businesses — in maize and wheat — as well as the smaller fishing and cotton subsidiaries Many in the market expect these will be sold in coming months The Premier share has risen recently on speculation that unlisted milling company Genfood could buy the wheat and maize businesses There is talk too that Genfood could reverse list itself into Premier, although some market sources believe the complications of Premier's control structure make that unlikely

One analyst argues that the striking aspect of the string of deals is that no major overcapacity is being taken out of the industry, although there is a chance of this down the line Others, however, point to a various common factors driving restructuring "Deregulated markets and the power of the retailer are major factors pushing for the industry's consolidation," says one analyst

"They are all trying to do the same thing — to be low-cost leaders, world-class competitors," says Société Générale analyst John Moses "But the situation has got to the point where these are not just buzzwords, those who do not shape will not survive"

SA's retailers have always had a fair amount of clout in negotiating with the food manufacturers What is new is consolidation in the retail grocery trade the absorption of both Checkers and OK into Shoprite means that two (or three, counting Spar) retail chains dominate the market That increases pressure on the margins of food manufacturers, of whom there are many

Deregulation, too, is hardly new The process has been in train for some years, over time affecting all SA's agribusiness sectors, and the competitive pressures have been mounting Moses estimates, for example, that there is 30%-40% overcapacity in the milling and baking industry



Graphic KUBEN DAVID Source INET-BRIDGE

However, the effects take a while to come, and some companies have been slower than others to respond Premier, perhaps, exemplifies this Had it moved to restructure its milling and baking operations early and effectively, the group, once SA's premier food producer, could have survived relatively intact Although Foodcorp, also heavily represented in commodities businesses such as milling and red meat, did much to streamline its operations, its performance never sparkled Delisting makes it easier to sort out the problems

Although management said they would keep the group together, some analysts expect assets will be sold so that the new owners can focus on adding value to the rest

Tiger is the one big staples producer which did rationalise early, and has retained its position as SA's leading food group

This is partly thanks to a diversified portfolio, which includes branded foods alongside the commodities

ICS tends to be more commodity-based, in businesses such as red meats, although it also has some branded businesses The acquisition of ICS, which for the most part is in different businesses to those of Tiger, is not driven primarily by the need to rationalise Analysts are divided on whether the group will seek synergies in the two common businesses — poultry and fishing "(Tiger CE) Nick Dennis is a good operator who could do a lot with the ICS assets", one analyst said

Whatever specific factors have driven this round of deals, it is clearly not the end of the action in the food sector

Confusion as food import controls go

(186) (BD 7/8/98)

Louise Cook
and Paul Vecchiatto

A TRADE and industry department announcement yesterday, of a decision by Trade and Industry Minister Alec Erwin to lift import and export controls on some foodstuffs, has caused confusion in agricultural circles.

The department will abolish the need for import permits on maize, dried fruit, tomatoes, tomato juice, ketchup, prepared vegetables, jams, fruits and jellies, and export control on coffee.

A statement released earlier today said that import controls would be lifted, but a department spokesman said that this applied only to the quantitative controls and not tariffs.

SA currently has an import tariff of $5/t on maize due to the low world prices.

The maize tariff is formula-based and is triggered by the fall as measured on spot maize prices on the US FOB Gulf price If the 21-day moving average price moves outside $100/t-$110/t for 14 days, this would trigger a change in import tariffs.

If the Gulf price moving average falls to between $90/t-$10/t, a tariff of $15/t is imposed. The US FOB Gulf price was last seen around $96/t, a three-year low.

The department's spokesman said the permit system was in place as a monitoring measure and it was being scrapped as a cost control measure.

However, importers would still have to adhere to the tariff rates and comply with the relevant health protocols.

Animal Feed Manufacturers' Association chairman Louis Wolthers said his impression was that a R25/t import tariff on maize coming into the country was now scrapped in accordance with a recent request from the millers to the Board on Tariffs and Trade, which formed part of the department. This would mean that maize could now again be imported at a zero tariff rating.

SA is experiencing an oversupply of white and yellow maize and many traders said that the tariff was necessary to prevent dumping of foreign-supplied grain

According to the SA Revenue Service's customs division, SA imported 87 071 tons of white and yellow maize valued at R69,34m last year.

The National Maize Producers' Organisation was investigating the statement, while maize traders said they could not believe that the tariff would be scrapped.

The trade and industry department was not available for comment

SA Coffee Secretariat chairman Aart Jurriaanse said the industry was not aware of any export controls anywhere in the coffee industry — I-Net Bridge.

Strike over pay hits city rice mill (186)

BUSINESS REPORTER ARG 20/8/98

Workers at Rice-Tic, a milling and packing company in Paarden Eiland, are on strike over wages and conditions of employment

The strike has been organised by the Food and Allied Workers Union, which says management is refusing to negotiate with the workers

Union spokesman Sabatha Ngcai said the strike would continue until management agreed to negotiate

The workers, who have been picketing the premises, are demanding a wage increase of R50 a week across-the-board, three weeks' bonus guaranteed and a heavy duty allowance of R20 a week for workers who carry bags weighing more than 50kg

Rice-Tic management declined to comment

Millers concerned over agreement

BD 17/9/98

THE Southern African Millers' Federation warned yesterday that European Union (EU) action to include wheat flour and other Common Agricultural Policy beneficiary products in a planned Free Trade Agreement could "wipe out the entire flour-milling industry" in southern Africa.

3WHAT (186)

Final negotiations on an agreement started in Brussels yesterday and are due to end tomorrow. Any agreement would be subject to ratification by the EU's 15 member states.

Langeberg cans its rotten results

CT(BR) 2/11/98 (186)

Marc Hasenfuss
CAPE EDITOR

Cape Town — Langeberg Holdings, the fruit and vegetable processor controlled by Tiger Oats, provided some surprise at the weekend when restricting its drop in bottom-line profits in the year to September 30 to 7 percent, but the paucity of information provided makes it difficult to discern the reasons for the better than expected performance

The full-year earnings were R50 million, following a rotten interim performance in the six months to March 31when the company's attributable income plummeted 40 percent to R24,5 million on depressed export contract prices and a sluggish local market

Another encouraging feature was Langeberg's increased dividend of 9,5c a share (last year 8,25c), which was unexpected after directors skipped the interim payout

Yesterday an analyst contended that the higher dividend showed a degree of confidence for the year ahead, but pointed out that earnings for the year under review were still "nowhere near" the levels recorded two years ago In the year to end-September 1996 Langeberg notched up earnings of 49,7c a share and paid a dividend 16c

According to an abridged financial statement released on the JSE's Sens news service on Friday night, headline earnings for the year to September 30 came in slightly higher at 36,6c a share compared to the previous year's 36,3c

No breakdown for the reconciliation of headline earnings was provided in the statement, but the figure was ahead of market expectations of between 30c and 32c a share

Langeberg, which dominates the local jam and ketchup market with well-known brands like Koo and All Gold, lifted turnover 5,6 percent to R1,15 billion

No detail was provided on its exports, which account for over 30 percent of production, but it is understood that exports to the Far East had suffered

Although no comment was offered on the operational performance, the turnover growth suggests that market share had been maintained The company said it expected modest growth locally while international prospects appeared favourable

Langeberg, which is thinly traded, closed 1c down at R2,30 with 4 000 shares changing hands on Friday The share hit an annual high of R3,20 in January and touched a R1,80 low in June

Maluti Foods joins forces to produce wine, brandy

BD 9/7/98

Patrick Wadula

MALUTI Foods and Beverages is involved in a project in the Northern Cape, together with the Industrial Development Corporation (IDC) and KWV, to produce raw materials for fruit juices, wine and brandy

Maluti head MK Malefane said his group had managed to acquire more than 1 000ha of land provided by the Northern Cape government for the cultivation of vineyards

The IDC would participate in the project, based in Douglas, while KWV would provide the technical assistance

Malefane said a trust enabling farm workers and communities to participate in equity ownership directly would also be set up for those residing around the project

He said a similar trust called the Maluti Groenkloof Trust was created in the Western Cape to enable local participation in the wine production

Malefane said that his group would soon set up an empowerment scheme at a national level that would target liquor traders from the previously disadvantaged communities

"We have been approached by a major producer of cognac in France which is prepared to supply Maluti with the raw materials, in bulk, for the blending of new cognac brands in SA for the local and export market," he said.

Malefane said the group was involved in talks with a foreign partner for a possible joint venture in the production of wine.

The group was looking for strategic foreign and local partners to participate in various ventures in the wine and brandy industries.

Malefane, who recently visited the Middle East, said there was potential for SA to export wine, spirits and fruit juice to that region

PREMIER FOODS

Weak bosses + strong unions + indifferent shareholders = zero

CT(BR) 28/7/98 (186)

ANN CROTTY

Could it be that the precipitous decline in the recent fortunes of the Premier Group was the result of a deliberate strategy? Surely the application of so much expensive management talent could not have so rapidly brought to an end the life of a company, first listed on the Johannesburg Stock Exchange in 1913, unless it was intentional?

And surely, if it was not part of a plan, the institutional shareholders who have effective control of Premier would have taken some action to rectify the situation and thereby protect the value of their investment?

The sad reality for Premier's shareholders and employees is that the group's rapid demise was not the outcome of a planned strategy, but the result of a blundering management team that never seemed to get a handle on the problems that plagued the group.

This was despite the extensive ongoing restructuring, which seemed to have become a part of the group's everyday life. In the food division the restructurings were characterised by retrenchment exercises that must have had a debilitating effect on the morale and commitment of the staff who survived each culling.

Profitability at Premier was made no easier to attain by a sweetheart arrangement with the union. To work, these arrangements need skilful management from both sides and a long term commitment to the welfare of the group.

Whatever its long term commitment, Premier management appears to have been far from skilful, and the Food and Allied Workers' Union (Fawu), which was also experiencing difficulties, appears to have played the arrangement to the short term benefit of its members.

As well as having the highest-paid members in the industry, Fawu at Premier was apparently allowed to exert inappropriate influence on head office strategy. The thousands of non-unionised members got caught between an ineffective, weak management and a short-sighted, powerful union. Many have already lost their jobs. In the months ahead it is likely many more jobs will go.

In his defence it has to be said that when Doug Band took over as chairman in December 1994 Premier Group was going through a tough period. Exactly how tough only became apparent several months later with the release of the financial 1995 annual results.

At a presentation Band referred to the inept performance of key management players, many of whom were forced to leave. In the 1995 annual report he highlighted the unsuccessful transformation process implemented at Premier Foods (PFH) in 1994 and the "expectation that this exercise would lead to a customer-focused, market-orientated, least-cost supplier".

As Band stated, "This exercise unfortunately proved incapable of addressing the fundamental issues of malaise which had developed in PFH."

In the same review Band refers to the new measures put into place. "Clear signs are now developing that these actions will prove far more effective in achieving the overall goals of reducing cost and creating a customer and market responsive business."

It was the sort of fighting talk that helped prepare shareholders for the group's third rights issue in a decade. The 1996 rights issue was first announced in January, but did not happen until July.

The intervening months were packed with incident. Premier had sold Clicks to Malbak, there were some signs of progress at PFH, and Gordon Utian, who had been put in to head up PFH in 1995, was summarily replaced by Ian Heron.

Of course, Premier's problems date back before 1994, perhaps even as far back as 1984 when Associated British Foods (ABF) sold its 52 percent stake to a consortium including Anglo American, JCI and Liberty Life.

ABF had bought its stake in the 1960s and, with Joe Bloom, was instrumental in propelling Premier into a dominant position in the local food industry. Its dominance was backed by excellent brand names.

The replacement of a vigorous shareholder with the local far-from-vigorous triumvirate certainly contributed to the group's decline. In addition, a diversification strategy led by Tony Bloom took management's eye off the food ball.

While the group's bottom-line performance was protected by growing income from non-food acquisitions, few seemed to notice or care about the gradual slide in operating margins in the food division.

The deregulation of the bread market in the early 1990s highlighted the difficulties facing PFH and the fact that its management was unable to cope with change. Deregulation dramatically changed the face and operation of the food sector. Some such as Tiger and Foodcorp adapted, others such as Genfood grew. Premier went into a catatonic type decline.

There is no shortage of parties to blame for Premier's demise, but the fact is that even as recently as 1994 it was not inevitable. Stories abound of divisional management seemingly unable to take decisions or, when they did, not running with them. Most of the loss-making food assets sold off in recent months are already making small profits or are expected to soon.

The milling and baking operation to be sold to Genfood's National Cereal Industries has an annual turnover of R2,5 billion and generates earnings of about R80 million. Analysts and industry sources are uncertain about how well the combined NCI/PFH will do. But few believe the assets won't do better.

It's a grim story of what happens when poor management is mixed with short-sighted trade unionists and the circumstances are overseen by indifferent institutional shareholders — hundreds of millions of rands and thousands of jobs get destroyed.

ET (BR) 31/7/98

Fawu workers march on Nestlé head office

(186)

FRANK NXUMALO
LABOUR EDITOR

Johannesburg — Hundreds of workers belonging to the Food and Allied Workers' Union (Fawu) marched to the head office of Nestlé South Africa in Randburg yesterday to protest against the company's limited severance package offer for retrenched merchandising employees

"Our package for compulsory retrenchments is two months' notice pay, pro-rata Christmas bonus, all outstanding leave pay and three weeks' pay for each year of service up to a maximum of 52 weeks," said Jacky du Plessis, the corporate affairs manager at Nestlé

Du Plessis conceded that the 52 weeks limitation would short-change workers who had given more than 20 years of service, for example "The dispute is about the maximum severance package being offered on compulsory retrenchments," she said

"It is unfortunate that Fawu has decided to embark on industrial action as we are in the process of finding ways and means to resolve our differences and to normalise the situation as quickly as possible"

Fawu is demanding at least four weeks' pay for each year of service

Du Plessis said the decision to cut down on staff followed a market survey which indicated a growing trend for weekend shopping that had created greater customer expectations, and that the company "needed to provide a more flexible service, particularly in terms of how we could cater for the increasing number of retail stores"

In a separate development, thousands of South African Commercial, Catering and Allied Workers' Union members are expected to march in central Johannesburg today to protest against an Edgars Group wage freeze for the current financial year

302

Illegal strike after 9% deal

ARG 16/10/98 (186) ~~[illegible]~~NG

STAFF REPORTER

Workers at the speciality seafood division of Sea Harvest in Hout Bay went on an illegal strike yesterday demanding higher wages and the appointment of temporary staff to permanent positions.

They are also upset about shift changes.

"Workers have embarked on an illegal, unprocedural strike, outside the law," said a spokesman for Sea Harvest.

The workers have already settled for a 9% increase but want more.

The factory is to operate seven days a week which means that although workers will continue to work a five-day week, some will have to work on Saturdays and Sundays.

"They don't like the idea of working on a Saturday and Sunday," said the spokesman.

The company needed to operate for longer hours and workers would still be entitled to two days off a week, he said.

FISHING

Exports help I&J's profit leap 51%

(186) CT(MR) 5/2/99

Vera von Lieres

Cape Town — Irvin & Johnson (I&J), the fishing and frozen food group, netted a 51 percent rise in headline earnings for the six months to December 31 as it continued to benefit from international and export earnings, Roy Gordon, the managing director, said yesterday

"International markets are firm and we've continued to see strong demand in that area," Gordon said, adding that this was to an extent offset by sluggish local food market conditions Export turnover grew by 45 percent, while group turnover came in 15 percent higher

Gordon said he was particularly pleased with the results because the corresponding half-year period had been tough, with margins under pressure from lower consumer spending and a softer economic trend

There was concern over uncertainty surrounding hake quota allocations, a process still to be completed by the government in terms of new fishing legislation that was introduced late last year "We remain confident that government will not make decisions that will result in harmful disruption to an industry that provides substantial employment and foreign exchange earnings"

Late last year I&J announced a new empowerment profile by taking on board Siphumelele Investments, the Ntshonalanga consortium and Dyambu Holdings.

I&J shares drifted 5c higher yesterday to close at R1,90 on the JSE

ON COURSE *Roy Gordon, the managing director of I&J, says he is particularly pleased with the results because the corresponding period was tough* PHOTO ANDREW BROWN

Del Monte reaps restructuring fruits as profit rockets 69%

(186) CT (MR) 30/3/99

Adele Shevel

Johannesburg — Del Monte Royal Foods (Delfood) had further consolidated its turnaround with its first full-year earnings increase since 1993, the company announced yesterday.

The food canning and distribution company was beginning to reap benefits from its restructuring, a greater contribution from Europe and continued growth in the Phillipines despite the Asian crisis.

Vivien Imerman, Delfood's chairman, said the restructuring had enabled the company to move into the next phase of development through investment in core brands and acquisitions.

Headline earnings a share rose 69 percent to 50,7c a share for the year to December 31 from the previous year.

Previous reasons cited for Delfood's past poor performance include an oversupply on world markets of fruit, various currency moves and a tough trading environment. The restructuring itself cost £40 million to implement and was helped by a £25 million sale of non-core businesses. Last year, Delfood tied up with Italian company Cirio when Anglo American sold its holding in Del Monte. Imerman had said the Anglo bureaucracy was constraining.

An offshore listing was a prime objective, Imerman said. He would not specify whether it would seek a primary or secondary listing in the US or the UK, but said "we will seek the greatest flexibility in terms of tapping into international capital markets".

Del Monte is listed on the JSE with a market capitalisation of about R1 billion but about 98 percent of earnings stem from offshore.

Results were much in line with expectations. Earnings a share were 50,7c, analysts polled by Reuters had predicted between 49c and 52c compared with 24,7c for the 13 months to December 31 1997.

Turnover rose 13 percent to R3,6 billion and profit rose to R464 million from R330 million. The company turned around its cash flow situation from debt of R132,6 million to a profit of R36,6 million and reduced its debt-equity ratio from 51,6 percent to 48,1 percent.

Headline earnings of Nabisco SA fell from R13 million to R4 million in a "difficult market" and contributed only 2 percent to group headline earnings. Headline earnings of Del Monte Pacific Resources rose from R84 million to R97 million.

In the review period, Del Monte bought Just Juice, the international fruit produce and beverages company. It is near acquiring the majority share of Siam Agro Industry Pineapple and Others (Saico), a leading pineapple exporter in Thailand.

The company edged up 5c yesterday to close at R3,05.

FRUITFUL *Vivien Imerman, the chairman and chief executive officer of Del Monte, says an offshore listing is a priority*

Another District Six tradition crumbles

ARG 1/6/99

(186)

Sorrow greets impending shutdown of biscuit factory that provided work for generations

SHARKEY ISAACS
Special Correspondent

A biscuit factory which provided work for generations of District Six residents, even long after the area was razed by Group Areas bulldozers, is about to close.

The shutdown of the Baumann's biscuit factory on the fringes of District Six will end more than 80 years of service and job opportunities for the people of Cape Town

On June 30, 260 employees will stop working as fulltime staff and any remaining work will be done by personnel kept on as temporary employees until the final closure at the end of October

National Brands, owner of the factory, will continue to service its market in the Western Cape via factories in Johannesburg and Durban

In the heyday of District Six, about 800 workers were employed at the factory, whose daily aroma of baking biscuits pervaded the area

But the staff complement was gradually whittled down over the years with the introduction of modern technology National Brands took over from Baumann's in 1987

A National Brands statement said the closure of the District Six factory was taking place as part of restructuring and "right-sizing"

As part of the restructuring process, the spices and drinks divisions were being sold and Willards potato crisps had been unbundled as a separate business within the group

These steps were taken because the business had been through a period of poor financial performance, largely due to depressed consumer demand and structural inefficiencies

The secretary of the National Union of Operative Biscuit Makers and Packers of SA, Norman Daniels, said 211 Baumann's workers, most weekly paid employees, would go at the end of the month and and the remainder, mostly salaried staff, had been asked to stay on until the end of October

"The closure comes at a time when alternative employment opportunities are, certainly in a specialised industry such as this, almost non existent and the outlook for the former employees is very bleak"

The chairman of the union's shop stewards committee, Kiyaam Benjamin, said "The closure of Baumann's has had a tremendously traumatic effect on all employees, many of whom have 30 years' service with the company

"Many are second- and third-generation employees"

National Brands managing director Cliff Sampson said every effort would be made by to redeploy staff

"We regret we've had to take a decision that would be painful for the staff, who have served the company so loyally over the years

"But we are implementing the closure in the interest of long-term growth and financial turnaround of the company"

JACK LESTRADE

Bitter taste Baumann's Biscuits workers, from left, Leonard Cleinwerck, Shawaan Daniels, Peter Luke, Patricia Heunis, Brian Saunders, Bassier Joseph and Reginald de Villiers

The chairman of the District Beneficiary and Redevelopment Trust, Anwah Nagia, said the closure was bound to have an impact on the economy of Cape Town

"The sad thing is that many former residents of District Six as well as their descendants continued to work there even when they were uprooted to the Cape Flats"

Some worried long-service workers spoke to the Cape Argus on condition of anonymity

Two with more than 20 years said while most workers would not even consider moving from Cape Town to continue working for the company in either Gauteng or KwaZulu Natal, about 10 had indicated they were interested.

Biscuit union support crumbles at District 6 factory

(186) ARG 23/7/99

SHARKEY ISAACS
SPECIAL CORRESPONDENT

A row has erupted over the plight of 100 seasonal workers at Baumann's biscuit factory, on the fringes of District Six, which is facing closure

The dispute flared last weekend when disgruntled workers decided at a mass meeting to terminate the mandate of the National Union of Operative Biscuit Makers and Packers of South Africa to represent their interests

Instead, they gave a mandate to representatives of the Oil, Chemical, General and Allied Workers' Union and the Baumann's Retrenchment Concerned Committee to represent them

The workers want severance packages for seasonal workers and alternative employment to be arranged for all those retrenched at other companies in the Anglovaal group in Cape Town

But National Brands, owner of the biscuit factory, refused to meet the new delegation this week

The company continued negotiations with the National Union of Operative Biscuit Makers and Packers secretary, Norman Daniels

Mr Daniels said last night his union still represented most members, who gave him a mandate to continue negotiations on their behalf These had been step by step and the problem of temporary workers was still being ironed out

Leon Caesar said his oil and chemical union would seek legal means to gain recognition from the company after a membership drive

Oil dumping threatens 55 000 jobs

ET (MR) 28/7/99 (186) (7) OIL

FRANK NXUMALO
LABOUR EDITOR

Johannesburg – Up to 55 000 employees in the edible oil industry faced retrenchments because of the dumping of imported crude and refined oil and inadequate customs policing, Nola, the edible oil division of Foodcorp, claimed yesterday

The company said tariff rates for crude oil had hit zero while those for refined oil now stood at R555 a ton

Because of the dumping, selling prices had dropped from R62 a case in December last year to R43 a case in June and to R38 now

Jurie Welman, the managing director of Nola, said the price was "the lowest in the history of the South African industry" and was costing the company R12 million a month in lost income

Welman said the industry was looking for protection of R480 a ton for crude oil, R517 a ton for refined bulk and R621 a ton for bottled refined

He said the department of trade and industry had been slow in responding to the industry's appeals for protection The department had promised to table a proposal at a board meeting for today, he said

But Econometrix, the economic consultancy, said obtaining anti-dumping protection was a drawn out process that could not be solved by purely administrative action because local producers had to provide proof of dumping

Local producers were required to make the trip to the countries of origin of the commodity to establish foreign producer and market prices

"Local producers have to prove to the Board on Tariffs and Trade that there was material damage to the domestic industries before they could be awarded anti-dumping protection," said Michel Bester, a senior economist and director at Econometrix

"It's not like the old days These days (the board) is quite careful and objective It just does not give tariff protection to local producers because it's a good climate for them to go to government and claim 55 000 jobs were under threat "

Nestle faces strike on agency shop agreement

Simphiwe Xako (186)(152)

NESTLE SA faces a one-day national strike by Food and Allied Workers Union (Fawu) members today in support of their demand for the introduction of an agency shop agreement

Meanwhile, a wage strike by members of the National Union of Metalworkers of SA (Numsa) at Columbus Stainless in Middelburg enters its third week

Fawu spokesman, Dumisani Yoyo, accused Nestle of opposing transformation The agency shop agreement would require all employees, irrespective of whether they are union members, to pay a levy into a special fund administered by the union

The company said last night it was prepared to introduce an agency shop, with the exception of employees belonging to another union Fawu's demands include those belonging to minority unions

Members of the Transport and General Workers Union are to embark on countrywide marches today to protest against job losses This is part of the Congress of SA Trade Union's programme to defend existing jobs and ensure the creation of new jobs

Cosatu was due to hold countrywide marches on Saturday, but some did not take place.

BD 2/8/99

'Racism' at Nestlé sparks march today

FRANK NXUMALO (186) (152)
LABOUR EDITOR
CT(PR) 2/8/99

Johannesburg – The Food and Allied Workers Union (Fawu) said on Friday it would lead about 3 000 of its members through the streets of Johannesburg today to demonstrate against racism at Nestlé South Africa

At issue was the deadlock over an agency shop agreement which was an instrument of the new Labour Relations Act of 1995 aimed at preventing non-unionised workers from freely benefiting from the struggles of trade unions with management at the collective bargaining unit

The shop agency agreement achieved this target by forcing non-unionised employees to pay a levy to a special fund administered by the union

Fawu said a compromise had been reached in 1997 in the bargaining unit, which consisted of job categories 10 to 19 using the Peromnes grading system

Lizo Mzendane, Fawu's national organising secretary, said following the compromise that the union had insisted the agency shop agreement cover all job categories in the bargaining unit

"Nestlé refused to do so, arguing that management was prepared to apply the agreement only from job grades 14 to 19 because most whites were in grades 10 to 13

"The company claimed white employees in these categories had skills and could strike and therefore put the company in a difficult position," Mzendane said "We reject with contempt the naked protection of white privilege at the expense of our members"

However Nestlé said the majority of employees in grades 10 to 13 were "not white"

The company said there was a strong moral argument against an agency shop agreement as a limit to individual choice.

"Fawu's claim does not recognise the choice of workers to belong to a minority trade union," said Dave Jelley, the director of Nestlé South Africa

"The objective of the agency shop agreement is to discourage free riders benefiting from union negotiations Workers who choose to join minority small unions are not free riders"

SA's sole liquorice plant receives a major cash injection

BD 19/8/99 (7) (186)

Louise Cook

SA's only liquorice plant has been given a major boost in the form of a cash injection from the Council for Scientific and Industrial Research and several other donors, including the country's largest ostrich co-operative in Oudtshoorn

The Dysselsdorp Community Liquorice plant was set up two years ago to provide a living for the members of the community just outside Oudtshoorn

Liquorice extract is made at the plant and sold domestically and exported to clients in countries overseas

"The liquorice plant is an innovative and deserving business with the potential to grow to the advantage of the community and the economy in the region," Klein Karoo Co-operative executive GM Kobus Goosen said

He said the plant had so far provided just more than 50 jobs for community members, but this could go up as the recent cash injection of a couple of hundred thousand rand is used to improve the financial base of the business The other contributors were Sasol and the Western Cape government