

Pioneer rises to market challenge

By [Marc Hasenfuss](#)

31 Aug 2015

CAPE TOWN - Pioneer Food Group, the consumer brands conglomerate, has defied a softer consumer market in certain key product categories, a vibrant trading update released at the weekend showed...



Image source: [BDive](#)

The company reported "sustained solid top-line growth" despite increased competitive intensity, maize deflation as well as the exiting of its Pepsi and biscuits businesses.

The standout volume and revenue growth for the 10 months to July was achieved by the bakeries, juices and breakfast cereals categories. The bakeries segment increased volume 11% and revenue by 15%, while the breakfast cereals division achieved 10% and 15% growth respectively.

The bakeries segment revolves mainly around the Sasko bread brand, and cereals holds the flagship Bokomo.

The beverages segment - which includes iconic fruit brands like Ceres and Liquifruit-managed a 10% increase in volumes and 13% in revenue.

Pioneer's rice segment showed an 8% gain in volumes and revenue, but the wheat segment managed only a 1% gain in volumes and 3% in revenue.

Pioneer's relatively small international offering reported a 3% volume growth with a 13% revenue gain thanks to the weaker rand exchange rate against major currencies.

CEO Phil Roux said top-line growth continued to be bolstered by a sustained focus on cost and efficiency initiatives that translated into strong operating leverage.

But he warned the maize margin was cut in the second half as a result of a shift to an inflationary commodity cycle. "This

has a concomitant effect on the corporate margin."

Roux said the second-half trading had been characterised by maize and wheat cost pushes, which meant the company needed to resort to staggered price increases.

He said that there was also a softening of Africa export volumes.

On the positive side, Roux pointed to the maintenance and increase in market share and a recovery in the performance of the Heinz joint venture.

He stressed that the company remained committed to strengthening brands and expanding margins.

Vunani Securities small- to mid-cap analyst Anthony Clark said the trading update was "quite astonishing" considering depressed consumer spending.

He said that after the dumping of the legacy losses in biscuits and Pepsi, Pioneer looked a cleaner and more efficient business.

"Having a clean slate for the first time in two years and a strong balance sheet, I'm certain that Pioneer will be looking for deals in the next 12 to 18 months," Clark said.

Source: Business Day

For more, visit: <https://www.bizcommunity.com>