

## Clover to launch low-sugar Tropika

Clover, which controls almost 80% of SA's dairy fruit juices market, will soon launch Tropika Slender, the low-sugar and low-calorie alternative to its bestselling beverage Tropika, as it seeks a safeguard against the looming sugar tax.



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Speaking at the group's annual results presentation on Tuesday, CEO Johann Vorster said Tropika Slender had already been rolled out in Botswana and had received good uptake.

Vorster expressed the hope that South Africans would warm to the low-sugar alternative when it hits the shelves of major retailers around February 2017, before the tax on sugary beverages is expected to kick in.

That way, when the tax is made law and results in an expected price increase of about 6% on Tropika, the subsequent loss of volume would be offset by increased sales of Tropika Slender, he said.

"We want to be ahead of the [potential] attack from the tax with this sugar-free offering.

"The idea is to get consumers to switch before the tax comes into effect," he said.

Clover would also review a possible low-sugar alternative for its flavoured milk products, Super M.

In the year to June, Clover grew total revenue 6% to R9.8bn, while annual profit rose only 1.8% to R351.9m, hurt by higher costs.

Clover increased sales and gained market share in its feta cheese, prepacked and processed cheese, maas, yoghurt and liquid custard products.

But traditional dairy products that include fresh milk, UHT (ultrahigh temperature processed) milk and cream came under pressure because of an overstocked milk market. The situation was particularly challenging for Clover, as the drought had created another headwind, causing feed prices to spike.

But Vorster said he expected the pressure on the group's milk volumes to be alleviated in the 2017 financial year, as Clover has signed an agreement to supply Pick n Pay with milk for its house brand. Clover has finally phased out its supply agreement to French dairy maker Danone.

Clover lost R253m in income due to the termination of supply deals with principal agents such as Danone, Unilever and Nestle, Clover chief financial officer Elton Bosch, said. But their exit had been positive as it allowed the company to enter new product categories such as yoghurt and custards, which yielded higher margins, he said.

Lee Kern, assistant portfolio manager at Cratos Wealth, said Clover had done "quite well given the tough operating environment".

"It would be interesting to see what happens in the next set of results, as Clover has said there is an oversupply of milk of 3% at the moment. Producers are facing high costs [because of the drought], yet retail prices are coming off."

*Source: Business Day*

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