

Bumper crops harm Omnia's fertiliser sales

By [Robert Laing](#)

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Low crop prices prompted farmers to scrimp on fertiliser during the past planting season, Omnia said in its interim results statement on Tuesday. The chemical producer's agricultural division, which contributes about half of its revenue, suffered an 11% decline in sales to R3.8bn while operating profit more than doubled to R111m from 52m.



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Omnia said its South African fertiliser sales suffered from low crop prices.

"The agriculture sector recorded a record maize harvest in the 2016-17 season of 16.7 million tonnes, which has resulted in depleted levels of fertiliser and minerals in the fields," the results statement said.

"Due to the excess maize produced both locally and abroad, the situation in SA is compromised by high stock levels and weak export demand. South African maize prices remain depressed at approximately R2,000 a ton on Safex, which compares to R4,500 a ton at the peak of the drought two years ago."

Omnia said fertiliser sales should improve along with the profitability of farmers.

A rebound from a R51m loss contributed by its Australian fertiliser unit during its 2016 financial year helped Omnia's net profit grow 27% to R285m despite a 3% decline in revenue to R7.7bn for the six months to end-September, Omnia reported

on Tuesday morning.

Global mining industry appears to have bottomed out

Sales of explosives and other chemicals to the mining industry grew 1.6% to R2.5bn, while operating profit grew 21% to R337m.

"Following two difficult years commencing in late 2014, the global mining industry appears to have bottomed out and has been gathering momentum in 2017. Over the last two quarters, growth has been underpinned by price and volume increases in various commodities. Similarly, mining volumes in SA have been increasing by approximately 1% per month over the past two quarters with improvements in volumes mined in coal, gold, iron ore and manganese," Omnia said.

The group's division that produces water purification and other chemicals grew revenue 6% to R2bn, but operating profit declined 8.5% to R65m.

"Although there were pockets of growth and increased value extraction specifically in the exports, water and customer care businesses, this was not sufficient to offset the margin pressure in other parts of the business."

Omnia has received competition authority approval from various countries for its R780m acquisition of Chevron lubricants agent Umongo Petroleum, which will be integrated into its chemicals division, the company said in its results statement.

The company declared a R2 interim dividend, up 25% from the matching period. Omnia believes it is owed about R300m by Foskor in its legal dispute over phosphoric acid prices, of which R80m was due to "overcharging" during its 2017 financial year.

Source: BDpro

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