

RCL Foods shares slide 6% as rising costs signal profit fall

By Nqobile Dlodla

2 Feb 2023

South African food producer RCL Foods said on Thursday, 2 February that it expects its half-year profit to fall as much as 26.8% due to high commodity and energy costs in its chicken and baking businesses, sending its shares down more than 6%.



Source: RCL Foods

Food and consumer goods companies worldwide have been grappling with soaring costs for raw materials, energy, transportation and packaging for over two years. Though many consumers seem to accept the resulting price increases, the hikes have only partially offset higher input costs, squeezing companies' margins.

RCL, which owns the Selati sugar, Ouma Rusks, Rainbow Chickens, YumYum and Bobtail brands, said its headline earnings per share for the six months ending in December is expected to be between 20.1% to 26.8% lower. By 11:17 GMT, RCL shares had fallen by 6.86% to a 17-month low.



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RCL said above inflationary price increases for other costs, particularly energy and packaging, and unprecedented levels of power cuts, added to the cost base, "with the latter further impacting production and service levels".

After a number of its generating units failed, Eskom implemented severe power cuts in December lasting up to 10 hours a day. The outages have continued into 2023.

"As a result, margins came under pressure and price increases to recover cost push had to be carefully managed in order to protect volumes," the company said.

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