

RCL Foods considers a restructure of its commodity chicken component

RCL Foods is considering a restructure of its commodity chicken category in response to current market conditions, which have deteriorated as a result of an increased level of dumped chicken products in the local market.



Picture: RCLFoods.com

RCL Foods' CE Miles Dally, commented, "Our chicken business has operated on average at a loss for the last five years. Although we have implemented various corrective measures to return to profitability, the excessive increase specifically in dumped commodity chicken over this period has cancelled out the gains we have made in this space. Without immediate relief on the horizon, we have to consider a restructure of the commodity chicken component of our business."

RCL Foods' results for the year ended 30 June 2016 were published on 30 August 2016 and included commentary on the significant challenges faced by its chicken business, particularly the competition its commodity chicken lines face from dumped products.

Total chicken imports (excluding mechanically deboned meat) were an average of 27,500 tons per month for the 12 months ended June 2016, which represents a 43% increase on the prior year. With the local market in such massive oversupply, it has become impossible for local producers to compete, ultimately threatening the viability of the industry. Furthermore, any resulting rationalisation in the chicken industry is expected to have a knock-on effect on the wider value chain, such as animal feed and distribution, as well as other service providers and suppliers, including maize farmers.

All stakeholders in the industry have made a concerted effort to highlight this issue and many have appealed to the regulators to create a level playing field and to initiate actions to mitigate the effects of the deterioration of the industry in South Africa.

The board and executive of RCL Foods are evaluating the options available to the company, the immediate objective of which is to reduce the volume of commodity chicken produced.

Dally added, “I want to stress that RCL Foods is not exiting the chicken business. While we need to downscale our commodity chicken component, we will continue to pursue growth in our added value and foodservice categories.”

The process of consultation with all affected employees and relevant unions has started, and only once this has been concluded, will RCL Foods be in a position to assess the impact on job numbers. In the interim, the company will continue engaging with its stakeholders, including customers, suppliers and employees in its related feed and distribution operations, to work through the implications of the proposed changes.

RCL Foods also intends to work closely with the government, unions and other key stakeholders, to pursue a broader discussion on alternative, workable solutions for the sustainability of the industry. The company firmly believes that continued joint engagement is key to restoring a more equitable trading environment.

Dally concluded, “We are fully committed to managing our internal process in a responsible manner, which involves careful consideration and engagement at every step. We believe in treating our employees fairly and will therefore ensure that the consultation process is conducted in a transparent and considerate manner.”

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