Tiger Brands warns of more price rises as cost pressures build

By Nqobile Dludla

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Tiger Brands will intensify efforts to reduce costs and minimise price rises but significant increases are inevitable, South Africa's largest food producer said this week as it reported a decline in profit.

Consumer goods makers around the world are raising prices to offset soaring energy, commodities, labour and transport costs, with Russia's invasion of Ukraine exacerbating inflationary pressures already building during the pandemic recovery.

The maker of Jungle Oats and Tastic rice said inflation in the second half of its financial year is likely to run into double digits, with the full impact on consumer demand for its brands a key unknown. In the first six months to 31 March, the group's price inflation was 3%.

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"The full impact of the global supply chain squeeze and related inflationary pressures is being felt acutely in the level of cost increases being experienced," the company said.

Balancing margin and volume

The group has been cutting transport and short-term warehousing costs in its supply chain, and also wants to reduce its manufacturing footprint by outsourcing value-added products to reduce overheads and labour costs, CEO Noel Doyle and chief growth officer Thushen Govender said.

It had ramped up some of these efforts during the period, however, they could not counter the higher level of input costs, resulting in its gross margin being squeezed to 29.2% from 30.6%.

Tiger Brands profit drops on volume dip, prolonged strike

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"Balancing margin and volume will be a key challenge over the next 12 months," Tiger Brands said.

Headline earnings per share fell 2% to 729 cents in the six months, hit by a sharp volume decline in bakeries and a protracted strike at its snacks and treats division in the first quarter. Revenue rose 2% to 16.8 billion rand ($1.07 billion). While prices rose 3%, overall sales volumes dipped 1%.

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