

Rhodes Foods Shareholders Smiling while Consumers Bear the Brunt

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Rhodes Food Group reported profits for its year to September 2016 of 71%. The dividend was increased by 70% to 42.2 cents per share.

Vicky Baker of the consumer website Retail Price Watch, which compares the prices of household goods at major stores around the country, questions whether Rhodes achieved this stellar performance through inflating prices on the back of the usual suspects such as drought and petrol price increases.

“The annual results presentation states that “Higher income consumers (were) resilient” (their emphasis) which suggests that they were able to bear the strain of much higher prices, but one wonders whether this is a sustainable long term strategy for the group,” she says.

“A 410g can of Rhodes processed peas showed a 42% average increase in their financial year, from an average R6.99 to an average R9.99, while a can of kosher marmalade increased by 46%, from R18.69 to R27.32.

“Stats SA reports a year on year food inflation of 11.3% in September 2016, while a basket of 20 Rhodes Food canned fruit products shows price increases of 15.5%.

“A 410 g can of Rhodes pineapple pieces (260g drained) has increased by 18.4% over the same period, from an average of R17.31 to an average R20.30. This is despite the fact that pineapples are locally grown and are considered to be drought resistant. The producer price has been much the same over the past two years.

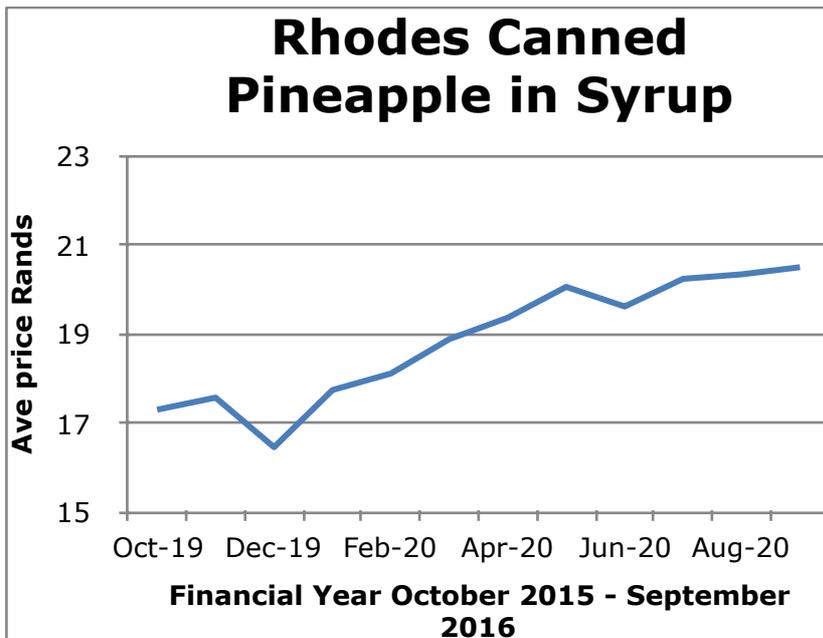
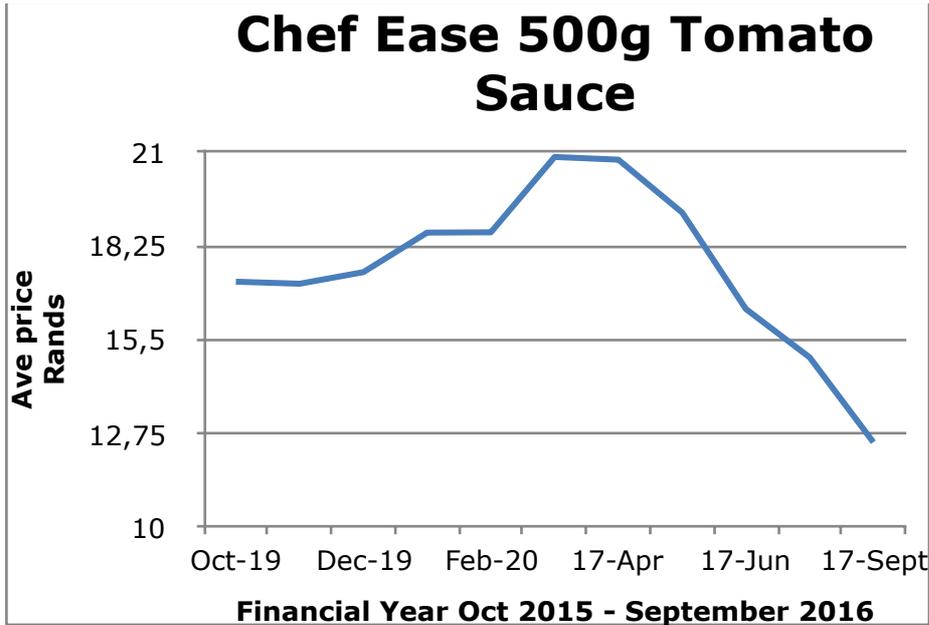
“Rhodes Foods has a virtual monopoly over canned pineapples in South Africa. There is no other national brand competing, and one suspects that the various house brands are also produced by Rhodes.

‘In its results presentation, Rhodes Foods admits that the Boland Pulp acquisition (August 2015) performed below group target. The poor performance of some of its products, especially the Chef Ease range may have been masked by the boosting of prices in other areas.

“Under Boland Pulp the price of one of its most popular products, Chef Ease Tomato Sauce 500g, jogged along for years around the R12 - R15 mark. Under Rhodes, it hit highs of R25 before crashing out of the shops. Now only the Shoprite group appears to stock it at much the same price as it was in 2013.”

“Everybody and especially shareholders want listed companies to perform well. However, one wonders whether food companies in particular should not examine their longer-term strategies for growth in the light of the income gap and the lack of food security which still exists amongst millions of South Africans. The price of food is a real threat to economic stability in this country.

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Vicky Baker
www.retailpricewatch.co.za
 0823851071

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