

Clover caught between drought and embattled consumers

Dairy products group Clover complained that it was squeezed between the rising raw milk prices due to the drought and consumers unable to afford higher food prices during the first half of its financial year.



Arnold pronto via [Business Live](#)

The group reported overall revenue grew 2.1% to R5.1bn while aftertax profit declined 9.6% to R198m for the six months to end-December.

Clover offered its shareholders the choice of receiving a 24.21c cash dividend – maintained at the same level as in its 2015 interim results – or the equivalent in shares. Scrip dividend alternatives are likely to become more popular following the government's move to raise dividend withholding tax from 15% to 20%.

Clover's raw milk sales nearly halved to R7.76m from R13.48m in the matching period. The drought caused a drop in milk production, but it had started to recover, Clover CEO Johann Vorster said in the results statement.

"South African milk production during December 2016 is estimated to have been 0.9% higher than during December 2015. Total production during 2016 is estimated to have been 1.4% less than during 2015," Vorster said.

Wednesday's interim results statement said Clover had set a deadline of 1 July to create a new company, Dairy Farmers of SA (DFSA), aimed at addressing complaints from milk producers that they are receiving unfairly low prices.

DFSA will initially be a wholly owned subsidiary of Clover, but it intends to broaden its ownership in due course.

"Importantly, DFSA will be entitled to sell raw milk to parties other than Clover. This will result in the price of raw milk being unequivocally driven by market forces. Clover will purchase milk from DFSA at the average national milk price at which DFSA purchases the raw milk from producers. This should result in the unfounded speculation that Clover is favouring profitability over the interest of producers (and vice versa) being dispelled," Clover said in January.

To reduce its dependence on dairy products, Clover acquired 51% of an olive oil and balsamic vinegar producer from AECL. Competition authorities had approved the deal, which was expected to be concluded on 1 April, Clover said on Wednesday.

Clover is also looking to expand geographically. "The group will continue to expand its operations within the Botswana, Namibia, Lesotho and Swaziland region, and will continue to pursue export opportunities in Africa where the currency risks can be mitigated," Vorster said.

Source: BDpro

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