

## **Country Foods serves up maiden profit on hot mushrooms**

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By Tom Robbins

Cape Town - Demand for premium mushrooms continued to be strong despite the tighter consumer environment, Roberto Casaletti, chief executive of porcini mushrooms harvester Country Foods, said yesterday.

Last month analysts said it was likely Woolworths food customers, including those in the upper-middle market, were buying down as a result of higher interest rates and debt levels.

Woolworths food, a key local customer for Country Foods, reported same-store sales growth down 1 percent in the 21 weeks to November 18, after taking inflation into account.

Country Foods, which listed on the AltX on October 3, said it had recently added Pick n Pay as a customer.

This occurred as Pick n Pay moved to improve its fresh produce and premium food offering in a bid to recapture and grow its core upper-end market.

Casaletti said Country Foods was benefiting from demand that exceeded supply.

The company's delivery levels to retailers were 80 percent of the maximum possible, he added.

An addition to product processing and packaging capacity at the company's southern Drakensberg facility in Himeville was expected to increase supplies from early next year.

Although the company is also a player in the mainstream cultivated mushroom market, it benefits from agreements with timber growers Sappi and Mondi to harvest wild mushrooms that grow in plantations.

The company earns more than half of its mushroom revenue from exports to the US and Europe, where demand is said to be even stronger.

It has a "quasi-monopoly" of the wild and exotic mushroom market in the northern hemisphere winter, enabling it to achieve healthy margins there.

In the year to September the company met its profit target after reporting net profit of R11.5 million, but missed its revenue target in its first results as a listed company.

Revenue was R171.4 million. It had forecast revenue of R182 million.

Casaletti said processed mushroom exports had been delayed at Durban port.

The company had recently established operations in Tunisia and Morocco, from where it would export other niche market foods, such as pine nuts, a key ingredient in Italian pesto sauce.

Its US distribution business, Forest Products International, had also extended market penetration in that country.

Country Foods said it would not pay a dividend and would instead use its profit to finance organic growth and acquisitions.

Operating profit margins were lower after the acquisition of mainstream market mushroom business Country Mushrooms and Fruitime Fruit Juices, which were lower-margin businesses.

The shares closed 14.12 percent higher at 97c. The food sector lost 0.65percent.