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## Country Foods revenue up 327%

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**Presenter:** David Williams

**Guest(s):** Robi Casaletti

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Mushroom and fruit juice producer and distributor Country Foods puts out its first results since listing on the JSE Alternative Exchange (AltX) showing earnings up 257%

DAVID WILLIAMS: Welcome to Face to Face. Recent listing on the JSE Alternative Exchange (AltX) Country Foods released their first results since the listing, and with me to talk about it is chief executive Robi Casaletti. Robi, it seems like yesterday you were in here but that was months ago - these are the first results, and some of the numbers look very good at 327% increase in revenue up to R171million, headline earnings up 257% to R11million - but the amount of money before earnings before interest, tax, depreciation and amortisation (Ebitda) saw a bit of a drop there in operating profit...

ROBI CASALETTI: I think the percentages you've just mentioned should be seen in the context of the fact that there have some acquisitions during the past year - but we are very pleased with the results. There has been both substantial organic growth as well as growth through acquisition.

DAVID WILLIAMS: If you took out the acquisitions roughly how much would the business have grown?

ROBI CASALETTI: By about 35% - the Edulis subsidiary which was the acquiror in the process.

DAVID WILLIAMS: I remember when you came in last you talked about the three main divisions. Take us through that again and give us the scope of the business...

ROBI CASALETTI: There are three main divisions. One is called Country Mushrooms - a producer of cultivated mushrooms out of two farms in the Bapsfontein area where we produce the traditional white and brown mushrooms much like Denny does, in fact they're our competitors. Then we have Fruitime Fruit Juices operating out of Apex Industrial in Benoni - they're well established producers of medium to long life fruit juices, as well as still and sparkling mineral waters. Then we have the Edulis subsidiary - they harvest and process mushrooms, as well as cryogenically freeze and otherwise process fruit and vegetables.

DAVID WILLIAMS: The margins in the Edulis business are much better - why is that?

ROBI CASALETTI: We are in a very niched market where we produce and export at a time in which the northern hemisphere stops its production of similar products - as a consequence the price of the mushrooms that we export is very high.

DAVID WILLIAMS: What about price? We hear about global and South African food prices - until about a year ago this wasn't an issue in South Africa, food went roughly with inflation - but food inflation has been much higher. How has that affected you?

ROBI CASALETTI: I think all the products across the range the group produces have incredibly strong demand - we've had to cope with inflationary pressures, but we've been able to increase our prices marginally more than we would normally have done due to a basic lack of supply. We are around 20% or 25% undersupplied in the market - the market has been growing at a pace greater than anyone expected, and I think that the creation of infrastructure to balance that has been lagging.

DAVID WILLIAMS: What measures have you taken to try and keep costs down?

ROBI CASALETTI: One of the benefits of being the group that we are is the fact that we can share across the infrastructure - amongst some of the subsidiaries for example costs that weigh heavily into our budget are transport and distribution costs. We've been able to exploit the synergies that there are in the companies in the group distributing through one fleet of vehicles, one channel, sales forces being unified, and a rationalisation of items that's definitely going to impact favourably on costs.

DAVID WILLIAMS: In terms of the risks of the business in uncertain food times - mushrooms obviously very important, fruit juice - does the one carry the other? Are the dynamics different at different times of the year, and the market?

ROBI CASALETTI: The mix we have is that one-third of our turnover is export-driven, one-third is derived from local distribution, and one-third is derived from offshore revenue such as our US subsidiary which generates turnover independently from us - also our Tunisian and Moroccan subsidiaries are going to begin generating offshore...

DAVID WILLIAMS: Which is a nice balance. You also talk about distribution rights to foreign products - and getting exclusive rights to those. A lot of the brand names we might see or the products - we don't know where they come from - give us an idea of how that works...

ROBI CASALETTI: It's an ongoing process to add depth to the range of products that we produce and distribute. We are negotiating key strategic brands for our group, and these are brands of products that are well known in Europe and are addressed mainly to the food services industry, and some to the retail industry. We negotiate exclusive rights, and in some instances we negotiate the rights to produce and manufacture under licence in our facilities.

DAVID WILLIAMS: What about the weather? We've had a very strange summer this year - the worst summer in terms of sunshine that I can remember in Johannesburg - out at Bapsfontein are you affected by the weather?

ROBI CASALETTI: We're in Bapsfontein, KwaZulu-Natal and Mpumalanga - and wet weather is great for mushrooms and absolutely fantastic for agricultural production.

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