

Country Foods - Markets growing like mushrooms

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Northern hemisphere's appetite for exotic foods presents opportunities for local exporters. MUSHROOM producer Country Foods aims to tap into a growing appetite offshore for its range of products by boosting export sales, while at the same time bolstering its distribution network to allow it to achieve critical mass.

CEO Robi Casaletti says the group, which specialises in exotic and wild mushrooms as well as fruit juice, expects the US to be its fastest growing market over the next few years. Europe and the Far East are also expected to play an important role in boosting sales of its niche products during a time when the company is benefiting from the weaker rand.

The company, which listed on the JSE's AltX late last year, has three divisions in the food sector. Edulis processes, distributes, exports and imports wild and exotic mushrooms, fruit and vegetables and has distribution subsidiaries in New York, Italy, Tunisia and Morocco. Country Mushrooms grows, distributes and markets fresh cultivated mushrooms and value-added processed mushroom products, while Fruitime manufactures and distributes a range of fruit juices and associated beverages.

Casaletti says Country Foods earns a third of its revenue through export, a third through local sales, and a third through international subsidiaries, which are not considered export sales. It also provides its exotic products to sub-Saharan countries, but these are not considered export sales. Edulis is the company's export arm, with 95% of its product being sent offshore. Most of Edulis's products are exported to the US and Europe, which Casaletti says are important growth markets.

Casaletti says Country Foods is "trying to grow exports as fast as we can". He says the company intends to grow Edulis's market through taking on board other complementary products, such as olive oil, that can fit into its distribution network and give it the critical mass necessary to expand. Country Foods is in negotiations with an olive oil producer, but is also looking at other typically South African products that will fit in with its portfolio.

Casaletti says the division, which will become more efficient through adding products to its distribution range, also aims to take advantage of seasonal products for longer during the year, with the eventual aim being to have seasonal products available year round.

In Europe, the company's largest market by volume is Germany, but countries such as Switzerland and Italy are also significant importers of its products. The US is a "big growth market" and should benefit from a standalone distribution structure and its own storage facilities.

Casaletti says the company has a subsidiary in the US, Forest Products, which imports about 30% of its products from Edulis. The balance of its portfolio is sourced under distribution agreements from the EU and the Far East.

The New York-based subsidiary was established in 2005 to distribute and market the group's products in North America. Forest Products distributes luxury wild, exotic and processed products to wholesalers, hotels, food services and restaurants. It has extended its distribution network and is expected to start distributing several additional products on the east coast of the US.

The US market, although a small base, has been doubling in size each year. Other important markets include the Far East, especially Japan and Singapore, although the company distributes to all of the world's major capitals as well as to 1200 stores within SA. Casaletti says the company will be looking at developing Far East markets as exotic products are popular there.

He says the company has been exporting for over 30 years and has developed a well-known brand name and a good reputation. SA's position in the southern hemisphere has also aided growth, as the company has been able to supply products that would have been off season in the northern hemisphere.

The company, which was established in 1974, prepares its products for the export market through cryogenic freezing, dehydration and processing. It has cryogenic freezing and processing operations in KwaZulu-Natal, Mpumalanga and Swaziland. Last year, its newly commissioned processing facility in KwaZulu-Natal was awarded a certification that will enable the group to increase the supply of finished value-added products directly to supermarkets in SA, the EU and the US. Edulis also recently became the exclusive distributor and producer under licence for some frozen and canned food brands in the EU.

In December, Country Foods Group said most of the 327% leap in revenue in its maiden results was thanks to acquisitions, and that it was in talks with a view to adding further bolt-on operations.

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