

Tiger Brands plans more price increases as margins struggle

By [Ngobile Dlodla](#)

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On Wednesday, 16 February Tiger Brands reported a 1% fall in first-quarter revenue and said it plans more price increases in the second quarter to help ease pressure on margins at South Africa's largest food producer.



Source: Reuters/Siphiwe Sibeko

Consumer goods companies are grappling with a surge in commodities, energy, transport and labour costs. Tiger Brands is particularly exposed because of its reliance on food - where inflation is especially high.

The maker of Jungle Oats and Tastic rice increased prices by an average of 7% in the financial year to 30 September but could not fully offset cost increases.

On Wednesday, Tiger Brands said soaring costs also squeezed margins in the first quarter to 31 December, without giving figures. "This is likely to be ameliorated in the second quarter as selling price increases are being implemented. The impact of these price increases on volumes is being carefully managed," it added.

The drag on revenue in the first quarter was due to significant volume losses in bakeries as a result of intense price competition, compounded by rising cost pressures and illegal work stoppages in October and November.



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Sales were also impacted by supply challenges in its snacks and treats business due to an eight-week labour disruption in November and December and also impacted by significantly deflated rice prices due to a fall in international prices, the group said.

Excluding these three categories, the balance of the portfolio delivered revenue growth of 3%, comprising 1% volume growth and price inflation of 2%.

The impact of the industrial action, at an operating income level, amounted to R120m for the quarter, the company said.

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