Profits Fall 8% at Brazil's Food Maker Giant Perdigão

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One of the largest food companies in Latin America, Perdigão, had its 2006 financial statements hurt by a weaker export market. Domestic sales, however, compensated in some way for the foreign losses.

The fall in exports was largely the result of a reduction in the demand for chicken meats - due to the spread of avian influenza outbreaks - and the Russian trade ban on imports of pork meat following cases of foot and mouth disease in Brazil.

Perdigão's earnings were also impacted by a 10% appreciation in the Brazilian currency, the real against the American dollar.

In an attempt to compensate for these unfavorable conditions on the international front, the company increased its business in the domestic market through the continued diversification of the product mix with the emphasis on high value-added products.

According to the company, the greater focus on domestic business improved employment rates and mass of real wages levels and Perdigão's start in the dairy-processed product market were reflected in an increase of 20.1% in gross sales to the domestic market, surpassing the US$ 1.7 billion revenues.

On the other hand, exports dipped 13.3% in revenue terms, posting US$ 1.2 billion for the year. With the good performance in domestic market sales, gross sales reached US$ 2.9 billion, a 4% improvement over fiscal year 2005.

The Company reported gross profits of US$ 625 million, a year-on-year decline of 7.9%, the consequence of the unfavorable business conditions for the industry, particularly in the first six months of 2006. EBITDA was down 46.9% for the period.

However, the pace of capital investments was not affected, the company informs. Perdigao says it is maintaining unaltered its projects for expanding capacity and sustaining continued growth.

During 2006, Perdigão invested US$ 306 million (including the acquisitions of Batavia and Fruitier), 127% higher than in 2005.