

# Tyson Foods 3Q Profit Jumps As Chicken Sales Rise

LITTLE ROCK, Ark. (AP) — Changes at Tyson Foods Inc. over the past year have begun to help the bottom line of the world's largest meat producer, which posted a strong third-quarter profit on Monday.

Tyson earned \$134 million, or 35 cents per share, compared with \$9 million, or 3 cents per share, a year earlier, mainly through its chicken business.

Earnings from continuing operations were \$127 million, or 33 cents per share, compared with a loss of \$3 million, or a penny per share. The company has closed some operations, cleared excess inventory and put in place other cuts.

Springdale-based Tyson says sales dropped 3 percent to \$6.66 billion from \$6.85 billion on declines in beef and pork sales, but chicken sales improved partly on higher average prices.

Analysts forecast profit of 22 cents per share on revenue of \$6.68 billion.

Starting about a year ago, Tyson began changing the terms of its contracts with major customers, no longer allowing them to lock in long-term low prices. The company took a beating when grain prices spiked last year and it had to fill orders without raising prices.

"We will manage this business on a shorter-term proposition than we had in the past," said Leland Tollett, interim president and chief executive, who was brought in last January in hope of reversing the company's fortunes.

Tollett logged his 40 years with Tyson when chicken was its focus, and it was that segment that was in the most trouble when he returned. He was CEO from 1995 through 1998.

"It's starting to get fun around here, and I don't see any reason it can't continue," Tollett told investors on a conference call.

However, Tollett cautioned that the fourth quarter will not be as rosy as the third. He noted that the company is still seeing signs of a recessionary economy, with sales to retailers holding up better than sales to fast-food restaurants, and sales to fast-food restaurants stronger than those to full-service dining operations.

In afternoon trading Monday, Tyson shares were down 40 cents at \$11.03, a drop of

## Tyson Foods 3Q Profit Jumps As Chicken Sales Rise

Published on Chem.Info (<http://www.chem.info>)

---

3.5 percent.

Tyson weathered a \$1 billion jump in feed costs last year. Though commodity prices have fallen, unexpected developments could still bring sharp price increases, said analyst Brian Hoops, president of Midwest Market Solutions Inc. in Yankton, S.D.

"Weather is always an issue until we get the crop in the bin," Hoops said.

A hot and dry August could result in higher soybean meal and corn prices. An early freeze is more of a danger than usual because crops went in later this year because of bad weather in the spring.

Last year, ethanol as an alternative fuel helped push corn prices up, affecting Tyson and other meat companies. Now, with oil prices much lower, there is less demand for ethanol and thus less pressure on corn prices.

Chicken accounted for 36 percent of Tyson's sales for the quarter at \$2.15 billion. The company was able to reduce inventory and benefited from earlier cost-cutting.

Tollett said each of the company's segments is in good shape, with inventory lower across the board.

"Soft demand for protein is likely to make the fourth quarter more challenging than the third quarter, but I'm feeling much better about our position than I would be if we were sitting on a lot of inventory," Tollett said.

Analyst Akshay S. Jagdale of KeyBanc Capital Markets said in a research note that most of the benefit Tyson will get from lower grain prices will start in the first quarter of 2010.

JPMorgan Securities analyst Ken Goldman upgraded Tyson from "Neutral" to "Overweight." Goldman said in a research note that poultry supply will be constrained by cautious lenders who don't want to overexpose themselves. He also said beef and pork margins are likely to improve.

Also Monday, poultry producer Pilgrim's Pride Corp., which is in the midst of reorganizing after it filed for Chapter 11 bankruptcy protection last year, reported a profit. The Pittsburg, Texas-based company said Monday it earned \$53.2 million, or 72 cents a share, in the quarter ending in June. In the year-ago quarter the company lost \$52.8 million, or 75 cents a share. Sales fell 19 percent to \$1.78 billion from \$2.2 billion. But the company has been shedding production — and along with it idling plants and cutting jobs — to return to profitability.

**Source URL (retrieved on 01/26/2015 - 9:33am):**

[http://www.chem.info/news/2009/08/tyson-foods-3q-profit-jumps-chicken-sales-rise?qt-most\\_popular=0](http://www.chem.info/news/2009/08/tyson-foods-3q-profit-jumps-chicken-sales-rise?qt-most_popular=0)

# **Tyson Foods 3Q Profit Jumps As Chicken Sales Rise**

Published on Chem.Info (<http://www.chem.info>)

---