Tyson Foods Posts 2Q Net Income

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NEW YORK (AP) -- Meat producer Tyson Foods Inc. returned to profitability in its second quarter on improvements in its chicken business and higher beef and pork revenue as demand picks up for exports and in restaurants at home.

The results reported on Monday topped analysts\' estimates, and its shares rose 54 cents, or 3 percent, to $19.16 in morning trading.

Shares of poultry producers were stung last week when competitor Pilgrim\'s Pride Corp. said it would raise production by 10 percent in the next two years. That could pressure prices lower and reverse benefits the industry has started to see from cutting production to boost prices.

But Tyson CEO Donnie Smith said he expects his company will do even better in the second half of this fiscal year and likes the way its third quarter is going as the summer grilling season gets started.

"We are very happy with these results, especially because our fiscal second quarter is typically not our best," Smith said in a statement.

He later told investors on a conference call the company is adjusting production based on its own business and not looking at what competitors, such as Pilgrim\'s Pride, are doing.

Tyson, based in Springdale, Ark., earned $156 million, or 42 cents per share, for the three months ended April 3. That\'s a reversal from a net loss of $119 million, or 32 cents per share, a year earlier.

Revenue climbed 10 percent to $6.92 billion from $6.31 billion.

Analysts surveyed by Thomson Reuters predicted lower earnings of 34 cents per share on revenue of $6.54 billion. These estimates normally remove one-time items.

Tyson\'s chicken division, which has been hit by oversupply and consumers\' spending cuts, reported $2.49 billion in revenue compared with $2.36 billion a year ago on increased average prices. Grain costs rose by $19 million in the quarter.

Beef revenue climbed to $2.76 billion from $2.42 billion, helped by higher export sales volume and better operating margins. In the pork segment, revenue increased to $929 million from $844 million partly on improved operating margins.

The prepared foods unit also posted better revenue, as sales climbed to $734 million from $684 million on improved sales volume and increased average prices.

The industry has been trying to reverse a downturn brought on by a combination of high production costs -- because of volatile commodity prices -- and slumping demand as shoppers pulled back on their spending. That crimped profit margins and forced companies to cut production to raise prices and make more money.

Tyson said the contractions in supply are working and prices are rising. Economies are improving, too, and that is increasing demand for exports of beef and pork, which are more profitable than chicken.

Smith also said the company is seeing more demand from restaurants, particularly for expensive items such as beef tenderloin, which "rebounded dramatically" from the same period last year. Casual dining restaurants are a major outlet for that cut of meat, and so seeing it rebound shows people are becoming more confident in spending money in restaurants.

AP Retail Writer Michelle Chapman contributed to this report.

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