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Virus hit to Select Harvest profits

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China on the up but Indian lockdown an issue



SOLID RESULT: Select Harvests managing director Paul Thompson inside the company's production plant.

HIGH water costs and coronavirus-related supply restrictions have led almond producer and processor Select Harvests to record a net profit after tax of \$17.4 million for the first six months of the financial year, down 13.4 per cent.

Earnings before interest and tax were \$34.5 million, down 10.4 per cent on last year.

Select Harvests has almond orchards covering 2670ha in its southern region, from the Riverland to Lake Cullulleraine in Victoria, and 7696ha Australia-wide.

The orchards are a mix of owned and leased properties, representing almost 20 per cent of Australia's total almond acreage.

Managing director and chief executive Paul Thompson said a range of factors beyond the company's control had affected the six-month results.

"While the results are not as strong as last year, we still see them as solid results," he said.

Water costs were a major challenge for the business, especially with the temporary water price hitting a high of \$1000 a megalitre last season.

At the moment, the cost of temporary water is about \$250/ML and a positive outlook for the season should keep water costs down this coming year.

"Good autumn rain and the outlook for above-average winter rain is all good news," Mr Thompson said. The company estimated it would achieve a price of \$8.20 a kg for the 2020 almond crop, 40c less than last year, because of COVID-19 supply-chain restrictions and a looming large US almond crop.

Select Harvests already has 70 per cent of this year's crop committed for sales. Mr Thompson said it was a mixed bag for overseas markets.

"China is not fully back to what it was but it's improving every day," Mr Thompson said.

"The political situation is a distraction but we can only focus on getting our product to customers on time."

Mr Thompson said more concerning were lockdowns in India.

"The Indian lockdown is causing a lack of confidence, particularly because it is the third largest market for the US crop (Australia's biggest competitor)," he said.

"If you look at the outlook for the rest of 2020, almond pricing should stabilise once we know what the US crop looks like, both size and quality-wise, with their harvest starting from late July/August."

Mr Thompson said a focus for the company this year would be building brand awareness for Sunsol, a probiotic muesli line.

"We want to be a leader in better-for-you, plant-based products," he said.

The company announced a 9c fully franked dividend, to be paid on August 3.