Cargill profits take a tumble

Cargill's fourth-quarter earnings declined 12% on weaker economic conditions in some regions.

Despite improvement in its beef segment, Cargill reported net earnings of $3.77 billion in the fiscal 2014 fourth quarter ended May 31, a 12% decline from $4.33 billion in the year-ago period. The company said fourth-quarter earnings were below the year-ago level due to weaker economic conditions in some countries and the negative impact of the change in Venezuela's effective currency exchange rates.

Cargill's full-year earnings of $1.87 billion represented a 19% decrease from $2.31 billion in fiscal 2013. Full-year revenues declined to $134.9 billion from $147.7 billion in fiscal 2013.

"Cargill plays an important role in helping to feed a growing world, and that inspires us to continuously improve performance," said David MacLennan, Cargill president and chief executive officer. "Though we look back on a year in which overall earnings fell short of expectations, we realized stronger operating results in several businesses, including a turnaround in our global beef operations. We also made good progress on moves designed to sharpen efficiency and support profitable growth in fiscal 2015 and beyond."

Among Cargill's four segments, earnings rose significantly in Animal Nutrition and Animal Protein in the fourth quarter and full year.

Higher results in Animal Nutrition for the full year reflect the positive impact of acquisitions in recent years and a product mix that net diverse customer needs. Performance in Animal Protein was led by the beef business, which was boosted by increased operating efficiency, good cattle feeding results in North America and a strong export of Australian beef. Results for U.S. pork operations rose on improved live production and processing efficiency and steady demand. Poultry operations in Central America, Europe and Thailand posted higher earnings in both periods on a combined basis.

For Ingredients & Applications, earnings decreased in the fourth quarter and fiscal year after four consecutive years of record performance. Sweeteners and starches in North America and Europe and cocoa and chocolate in Europe led the segment's performance.

Origination & Processing results were slightly below last year's fourth-quarter levels. Full-year earnings decreased moderately from fiscal 2013, reflecting the impact of China's rejection of certain U.S. corn shipments, which was reported in the third quarter. Fourth-quarter performance was led by supply chain and service mix, while full-year results were led by supply chains in Brazil, Europe and North America.

U.S. farm services continued to experience limited handling and storage opportunities stemming from last year's drought and higher costs related to raiker shortages.

Outlook

MacLennan said Cargill is making changes to better leverage its operational efficiency, business capabilities and market insights. With respect to processes and technology, this includes accelerating the deployment of enterprise resource planning technology.

Cargill also has begun implementing a multityear shared services approach to providing functional services to its business units globally. Selective measures have been made to Cargill's portfolio this year, including the successful introduction of Ardent Mills, a flour milling joint venture now poised to lead in innovative flour and grain products and services in North America. In its food segment, the company sold a highly specialized texturizing compounds business. In energy, it ceased trading in coal and European power and gas markets.

Cargill continues to invest in acquisitions and expand facilities that connect markets and support customer growth in emerging and developed markets. Cargill has spent $1.3 billion of major food and agricultural facilities under construction today in 13 countries," MacLennan said. "As these facilities come on line, we look forward to delivering value-creating solutions to our food, agricultural and other customers."