

Kraft 1Q Profits Rise as Competition Ramps Up

NEW YORK (AP) — Kraft reported a higher profit for its first quarter on Thursday as cost-cutting and one-time benefits helped offset a decline in revenue.

The maker of Lunchables, Oscar Mayer and Velveeta partly attributed the lower revenue to the timing of Easter-related shipments, which were pushed into the second quarter this year instead of the first quarter.

CEO Tony Vernon also said in a conference call that the company continued to be negatively impacted by cuts to the SNAP food stamps program in the first three months of the year. He also noted that higher tax bills seem to be hitting middle- to upper-income consumers. Still, Kraft plans to significantly raise prices on a number of products to cover rising costs for ingredients.

More broadly, Kraft is facing intensifying competition for a number of its products. Its namesake macaroni and cheese, for example, is being challenged by smaller players that position themselves as having higher-quality ingredients. Kraft is also working to try and refresh the outdated images of products including Kool-Aid, but the results have been mixed.

Despite the lack of encouraging results for Jell-O so far, Vernon stressed that there was "more to come" on the product line and that analysts and investors should "stay tuned."

Kraft Foods Group Inc., based in Northfield, Illinois, split from Mondelez International in late 2012. The idea was to let each company have a more focused group of products; Mondelez took snacks like Oreo and Chips Ahoy that are seen to have bigger potential for growth around the world. Kraft was left with grocery staples that are sold in the saturated North American market.

For the January to March period, Kraft earned \$513 million, or 85 cents per share. Not including one-time items such as a benefit from hedging activities related to its commodity costs, the company earned 78 cents per share. Wall Street expected 76 cents per share.

A year ago, Kraft earned \$456 million, or 76 cents per share.

Revenue fell 3.3 percent to \$4.36 billion, short of the \$4.47 billion analysts expected, according to FactSet.

In after-hours trading, Kraft shares added 10 cents to \$56.79.

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