General Mills to Cut Costs After 4Q Sales Decline

The Associated Press

NEW YORK (AP) — General Mills announced further cost cuts Wednesday as the maker of Cheerios, Yoplait and other packaged foods reported a sales decline for its latest quarter.

The Minneapolis-based company, which has been struggling to boost its cereal and yogurt sales, said it is looking to reduce overhead costs and that it has started a formal review of its North American manufacturing and distribution network to streamline operations.

The new measures come as General Mills has struggled to fix its cereal and yogurt units. In cereal, the problem is that Americans have so many more options in the morning. Faced with slumping sales, General Mills and rival Kellogg have been trying to find new ways to make cereal appealing. Kellogg, for instance, is positioning cereal as a snack or a nighttime treat.

On the yogurt front, General Mills was slow to catch onto the Greek yogurt craze. The company has since introduced Greek varieties of its Yoplait yogurt, but is still working to catch up to the market leader, Chobani.

For its fiscal fourth quarter, General Mills Inc. posted a higher profit with the help of reduced costs, even as sales fell.

The company earned $404.6 million, or 65 cents per share, for the period ended May 25. Excluding one-time items, it earned 67 cents per share, which was below the 72 cents per share Wall Street expected.

Total sales declined 3 percent to $4.28 billion, which was also below the $4.42 billion analysts expected.

Its stock was down more than 4 percent to $52 in premarket trading.

General Mills said the new cost-cutting initiatives should generate savings of $40 million in its fiscal 2015.

Sales and adjusted operating profit for the year are expected to rise at a mid-single digit rate, boosted in part by the benefit of an extra week. Adjusted earnings per share are expected to rise by a high-single digit rate.

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