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Demand down for Costa in December

Australian group experienced subdued demand for tomato, berry and avocado categories during December 2018



A number of factors have caused major Australian fresh produce company, Costa Group's shares to drop 39 per cent.

Lower than expected sales during December 2018 for Costa's tomato, berry and avocado categories were caused by patchy demand causing lower prices, the group said.

"If current trading conditions continue, this, together with short term slippage of the commissioning of the Monarto mushroom facility upgrade in South Australia and the previously announced additional costs from investments such as African Blue, is expected to result in largely flat growth

for the 12-month NPAT-S to the end of June 2019 compared to the prior year," Costa said in a statement. "This compares to our previous forecast of low double-digit growth for that period."

Profits for tomatoes and berries were down, caused by a hefty crop, patchy demand and lower prices. Avocados saw a slight increase but were dampened by supply and quality issues due to a seasonal supply gap filled by New Zealand, according to Costa CEO, Harry Debney.

The Sydney Morning Herald reported the dip had wiped A\$1bn (US\$720m) off Costa's market value following the adjusted announcement that Costa expected flat profit growth.

Debney told the publication supply and demand headwinds were short term and would work themselves out, expecting Costa to report growth in the low double digits for calendar year 2019 due to a boost in exports, a bumper citrus crop and the expansion of its South Australian mushroom operations.

Costa said its ongoing growth plans continue to track well and that the company would provide a further update to guidance at the results release in late February.