

Okomu, Presco, 3 Other Agriculture Companies Generated N35.4bn Profit in 2022

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Okomu Oil Palm Plc, Presco Plc lead three other listed agriculture companies on the Nigerian Exchange Limited (NGX) to declare a sum of N35.4billion profit in 2022 financial, representing an increase of 19 per cent from N29.81billion profit reported in 2021 financial year.

However, apart from Okomu Oil Palm and Presco, three other companies listed in the agriculture sector on the bourse announced losses, attributable to weak revenue, hike in cost of sales and poor corporate governance.

The combination of Ellah Lakes Plc, FTN Cocoa Processors Plc and Livestock Feeds Plc announced N2.27billion loss after tax in 2022 as against N1.61billion loss after tax reported in 2021.

The agriculture sector that comprises of four sub-activities Crop Production, Livestock, Forestry and Fishing contributed 26.46per cent to overall Gross Domestic Product (GDP) in real terms in Q4 2022, lower than the contribution in the fourth quarter of 2021 and lower than the third quarter of 2022 which stood at 26.84per cent and 29.67per cent respectively.

“The total contribution of the agriculture sector in 2022 was 25.58per cent,” according to a report by the National Bureau of Statistics (NBS).

With consistent struggling revenue and losses, these three companies over five years have not declared dividend payout to shareholders.

An investigation by THISDAY revealed that Ellah Lakes and FTN Cocoa Processors for the second consecutive years reported loss after tax, while Livestock Feeds only reported loss after tax in 2022 financial year, over hike in cost of sales and operating expenses.

Ellah Lakes in 2022 announced N1.01billion loss as against N563.3million loss in 2021, while FTN Coca Processors declared N431.199million loss in 2022 from N1.48billion reported in 2021.

Ellah Lakes in 2022 recorded zero revenue as the company revealed that it has not harvested its oil palms nor its cassava tubers but its finance costs continued to mount, reaching N568.59million in 2022 from N229.95million in 2021.

For Livestock Feeds, the company posted N822.22millin loss after tax in 2022 from N429.7million profit in 2021.

Okomu Oil Palm and Presco announced a sum of N37.66billion profit after tax in 2022 from N31.42billion in 2022 as Okomu Oil Palm declared N12 per 50 kobo ordinary share as dividend.

The breakdown revealed that Okomu Oil Palm in 2022 hits N16.2billion profit after tax, an increase of 34 per cent from N12.1billion in 2021, while Presco announced N21.47billion profit after tax in 2022 from N19.32billion reported in 2021 financial year.

Okomu Oil Palm and Presco continued to benefit from federal government policies on palm production as both companies recorded N142.39billion revenue in 2022 from N84.82 billion in 2021.

Prior to 2019 border closure, palm oil producers suffered revenue decline and losses due to the smuggling of cheaper products from neighbouring countries.

This drove the Federal Government to close eight land borders, with domestic palm oil prices rising as high as 50per cent y/y, and consequently improving profit margins for industry players. This trend was, however, short-lived as four borders (Seme, Illela, Maigatari and Mfun) were re-opened a year later after the ravages of the coronavirus pandemic, while the remaining four (Idiroko, Jibiya, Kamba and Ikom) saw a similar fate in the second quarter of 2022.

Commenting, analysts at Vetiva research, said it expected the elevated international prices to reflect in domestic prices, sustaining the bullish momentum of revenue growth.

According to them, "However, the reopening of the borders may give rise to the smuggling of cheaper Crude Palm Oil (CPO) from neighbouring countries and consequently drag anticipated price increases. Also, rising inflationary pressures remain a major downside risk to profit margins in the near term."

Commenting on Presco, Vetiva said, " Looking ahead, our outlook for domestic and international CPO prices remains strong, driven by a weak supply of CPO substitutes. However, we expect global prices to be slightly tempered on the back of increased CPO production.

"That said, a headwind to domestic CPO prices is the reopening of the land borders, which could give rise to smuggling activities. On the cost front, we expect cost lines to remain pressured in H2'22, fueled by the rising cost of AGO, fertilizers and overall inflationary pressures."