

## FRANCE: Danone sales hit by weakness in dairy, water

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French food giant Danone today (16 April) reported a 2.3% drop in first-quarter sales due to declining revenues at its dairy and water units.

Danone revealed this morning that revenue in the first three months of its fiscal year dropped to EUR3.67bn (US\$4.83bn), down from EUR3.76bn in the comparable period of last year. Like-for-like sales increased just 1% during the period, the company said.



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The company's fresh dairy business, which accounts for over half of group sales, saw total revenues fall 2.8% to EUR2.12bn. On a comparable basis, sales dipped 1.2%. Danone's waters unit saw sales fall 11.7%, or 3.9% on a like-for-like basis, to EUR614m, from EUR695m last year.

However, pricing action drove gains at the group's baby food business, which posted sales gains of 5.9%, or 10.5% on a comparable basis, to EUR723m. Sales at Danone's medical nutrition unit totalled EUR216m, up 6.4%, or 10.8% on a comparable basis.

*"The once robust growth drivers of fresh dairy and water look particularly weak. It is, moreover, somewhat of concern that the baby nutrition business, normally price-insensitive and immune to economic cycles, has grown... primarily due to price increases and not volumes," James Amoroso, director and consultant of Amoroso Strategic Insights, told just-food.*

The company said that the "continued difficult economic environment" and a "historical high comparable basis" in the first quarter of last year had hit the business.

*However, Amoroso suggested that "unusual negative effects from trade behaviour", such as inventory reduction, might also have dented the figures. "This will have compounded any consumer behaviour and bodes well for subsequent quarters as the trade effect diminishes," he said.*

Looking to the full year, Danone reiterated previous guidance of a 10% increase in EPS on a constant currency basis, sales growth just shy of its medium-term guidance and like-for-like improvement in EBIT. The company added that it anticipates consumption patterns to remain relatively stable "with no significant improvement or dramatic breakdown" during the fiscal year.

"The initiatives that we have started to implement since the end of 2008, in order to rapidly adapt our proposition, are starting to deliver results in various important markets where volumes and market shares are starting to rebound since the beginning of this year. We will extend these initiatives in the coming months," chairman and CEO Franck Riboud said.

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Seneca House, Buntsford Park Road, Bromsgrove, Worcs, B60 3DX, UK.

Tel: Intl +44 (0)1527 573 600. Toll Free from US: 1-866-545-5878. Fax: +44 (0)1527 577 423.

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