

Dekalb Genetics Reports Second-Quarter Earnings

DEKALB, Ill. — Dekalb Genetics Corporation recently reported improved revenues for the second fiscal quarter, driven by higher sales of U.S. corn and soybean seed, as well as swine breeding stock. However, net earnings for the quarter were lower than the previous year primarily because of higher corn production costs affecting both U.S. and international seed margins.

For the quarter ended February 28, 1994, net earnings were \$5.7 million, or \$1.09 per share, compared with \$7.1 million or \$1.38 per share, in the same period last year. Revenues for the quarter rose 9 percent to \$143.0 million from \$131.4 million. Earnings for the quarter included an after-tax benefit of \$1.0 million, or 20 cents per share, resulting from the company's decision to suspend the defined benefit portion of its retirement program.

"As we have previously indicated, higher production costs relating to last summer's crop have significantly lowered unit margins for U.S. seed corn," said Bruce P. Bickner, chairman and chief executive officer. "These production costs have also affected international results, reducing volume and profitability of U.S.-sourced seed for export markets."

"Although higher corn costs have posed a challenge, we are otherwise very pleased with the

performance of our North American seed business," he said. "We are seeing excellent demand for our seed corn this season, with several varieties having been sold out. In addition, the pace of soybean sales has been exceptional." Bickner noted that North American and European seed results are primarily realized in the second and third quarters. Thus, the combined total of the two quarters is the best indicator of seed results.

"Our swine business is also having a good year, with breeding stock sales running significantly ahead of last year," Bickner said. "Demand continues to be very strong for the product lines we introduced last summer."

For the first six months of the fiscal year, Dekalb reported net earnings of \$6.6 million, or \$1.27 per share, down from \$7.9 million, or \$1.53 per share, in the same period last year. Revenues were up 3 percent to \$183.8 million from \$179.3 million. Year-to-date earnings included an after-tax benefit of \$1.6 million, or 32 cents per share, related to the pension changes. However, Dekalb also recorded an after-tax charge in the first quarter of \$300,000, or 5 cents per share, resulting from the adoption of the new standard for accounting for income taxes. Excluding these non-recurring items, net earnings for the first six months were down \$2.6 million,

or 50 cents per share.

"The single largest factor affecting six-month results was lower earnings in Argentina," Bickner said. "Argentine earnings declined 46 percent from last year's record levels because of lower planted acreage, lower sunflower prices, and higher crop costs. However, these should not be long-term situations. We have an exceptional product line, and we recently completed a major plant expansion, updating our corn drying and conditioning equipment to help support our clear leadership position in the Argentine market."

Second-quarter revenues for the seed business rose 8 percent to \$125.2 million, compared with \$116.1 million in the same period last year. However, segment earnings declined 30 percent to \$9.6 million from \$13.7 million last year.

"Our U.S. seed corn production volume in 1993 was only 50 percent of the previous year, which is the major contributor to lower unit margins," Bickner said. "In addition, our average seed corn price is down because of an unfavorable seed size mix and early cash remittances. These factors combined to cause 14 percent lower U.S. corn unit margins."

Six-month revenues of \$148.4 million were about flat with the previous year's \$147.9 million.

Segment earnings were \$12.4 million, down 28 percent from \$17.2 million in the prior year.

"Clearly, U.S. farmers are planning to plant significantly more corn this spring, as indicated by the recent USDA planting intentions report," Bickner said. "At Dekalb, this is being reflected in increased dealer and sales activity, larger average order sizes and higher cash collections. There are also solid indications that we are continuing to make further progress with large operators — a key focus of our business. These factors lead us to be encouraged about 1994 corn sales. We expect, however, that our seed corn sales recorded in the first half of this fiscal year will represent a smaller portion of full-year sales than was the case in the prior year, when we had an abnormally high rate of returned goods in the last half of the fiscal year."

Revenues for Dekalb Swine Breeders rose 22 percent in the second quarter to \$13.2 million from \$10.8 million. Segment earnings increased to \$900,000 from \$600,000 in the same period last year. For the six months, Dekalb Swine recorded revenues of \$26.2 million, up 23 percent from \$21.3 million the prior year. Segment earnings rose to \$2.7 million from \$1.3 million.

"Breeding stock sales volume

to date is 15 percent over the previous year, and bookings are strong for the months ahead," Bickner said. "However, our cost of sales is higher because of high feed costs and the fact that we are building inventory at new production facilities."

Second-quarter revenues for the company's poultry operation were \$4.6 million, about even with last year. Dekalb Poultry posted a \$500,000 operating loss for the quarter, compared with a \$200,000 loss in the same period last year. Year to date, revenues declined 9 percent to \$9.2 million from \$10.1 million. Dekalb Poultry recorded an operating loss of \$700,000, compared with a loss of \$400,000 in the first six months of last year.

"The lower results are due primarily to reduced exports," Bickner said. "Two situations in particular are taking their toll: an embargo against poultry imports into Venezuela and a lack of U.S. dollars in Bulgaria. Unfortunately, it is difficult to determine when either of these situations might improve."



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\$115	1	1725	E56	5/8	115/208-230	110088
\$135	1½	1725	H56H	5/8	115/230	110089
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