

Despite notching higher sales year-on-year, Fresh Del Monte Produce posted a sharp reduction in its first-quarter profits due to inflationary pressures and ongoing supply chain constraints.

Net income for the three months ended April 1 was \$25.8 million, down from \$42.7 million in the same quarter last year, while gross profit dropped to \$89.8 million from \$105 million.

Net sales, meanwhile, increased to \$1.137 billion from \$1.088 billion.

"During the first quarter, our net sales increased by \$49 million compared with the prior-year period - a direct benefit of leading the industry in the implementation of inflation-justified pricing actions," said Mohammad Abu-Ghazaleh, Chairman and CEO.

"However, our cost of product sold increased by \$64 million due to across-the-board inflationary pressures, resulting in lower operating income.

"We remained focused on driving incremental operating leverage through product innovation, cost management, and operational efficiencies as reflected in the significant growth in our third-party freight services."

He added that Del Monte had made progress on its strategic initiatives effectively managing the business for the long-term despite "incremental deterioration of already unprecedented supply chain constraints and higher inflation compounded by the war in Ukraine".

Net sales in the quarter benefited from inflation-justified pricing actions implemented in the fourth quarter of 2021. Conversely, sales were negatively impacted by fluctuations in exchange rates mainly versus the euro and Japanese yen compared with the prior-year period.

Importantly, lack of availability of third-party shipping capacity on certain shipping routes, substantially limited the sales of various products.

Despite higher net sales, gross profit was negatively impacted by worsening inflationary and other cost pressures compared to the prior-year period. Higher cost across-the-board including packaging materials, fertilizers, ocean and inland freight, fuel and labor offset higher net sales. Additionally, fluctuations in exchange rates were also unfavorable.