Heinz: Income Is Up, But We're Cutting 1,000 Jobs

Michelle Chapman and Sarah Skidmore, AP Business Writers

H.J. Heinz Co.'s global expansion efforts are paying off, driving its fourth-quarter net income up 16 percent. But the world's biggest ketchup maker said it needs to raise prices and cut jobs to continue its profitable path.

The company, based in Pittburgh, announced Thursday that it will shed up to 1,000 jobs globally in fiscal 2012 as it closes five factories. Heinz has 37,000 workers worldwide. I

The closings will include two factories in the United States, two in Europe and one in the Pacific region. It will shed approximately 800 to 1,000 positions and be left with 76 factories. Heinz did not further specify whichplants would close.

Heinz has looked to emerging markets like China, India, Russia and Brazil to help fuel its growth. The company recently acquired a majority stake in Brazilian food maker Coniexpress SA Industrias Alimenticias, which makes the Quero brand of ketchup and other condiments. In November, Heinz bought Foodstar, a soy sauce manufacturer in China.

Emerging markets made up 17 percent of its revenue in the fourth quarter. Heinz estimates sales in emerging markets will make up more than 20 percent in fiscal 2012.

"This is where the growth is in the 21st century," Heinz CEO William Johnson told investors at its annual meeting Thursday.

Heinz earned $223.9 million, or 69 cents per share, for the quarter. That's up from $192.4 million, or 60 cents per share, a year earlier, but it was short of the 72 cents per share Wall Street anticipated.

Revenue rose 6 percent to $2.89 billion, above the $2.87 billion analysts polled by FactSet forecast.

Heinz also raised its dividend by 7 percent on Thursday and increased its full-year outlook.

Besides the factory closings, Heinz also said it will spend about $160 million to improve its manufacturing and speed up productivity in the fiscal year.

Among those changes is the creation of a European supply chain hub in the Netherlands to consolidate lead procurement, manufacturing, logistics and inventory control.

Heinz also said that commodity costs, which include everything from fuel and

plastic to basic food ingredients, have become such a challenge that improvements in productivity alone will not offset. The company, like most food makers, has already raised prices on some items but will make more increases in the future.

Heinz now expects fiscal 2012 earnings of $3.29 to $3.39 per share, excluding the productivity investments. The forecast is based on projected foreign exchange rates. Analysts predict earnings of $3.33 per share.

For fiscal 2013, Heinz anticipates earnings between $3.60 and $3.70 per share on a constant currency basis.

Shares of Heinz rose 8 cents to $53.47 in midmorning trading.

Sarah Skidmore contributed to this report from Portland, Ore. Michelle Chapman contributed to this report from New York.

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