

Brazil's Sadia Wants to Take Over Perdigão. Offer Too Low, Says Perdigão

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Brazilian food company Sadia has decided to purchase stock control of Perdigão, their main competitor. Sadia plans on buying 100% of Perdigão's shares for 3.7 billion reais (US\$ 1.76 billion), creating Brazil's fourth biggest exporter.

The new company would also generate in exports alone US\$ 5.5 billion, becoming the world's fourth largest meat processor behind Tyson Foods, Smithfield Foods and Pilgrim's Pride Corp., all from the US.

They would be a giant with 81,000 employees, using 16,00 rural producers, 38 distribution centers and 26 food-processing plants. Sadia/Perdigão would slaughter every year 1.2 billion chickens, 31.9 million turkeys and 7.4 million pigs.

Sadia's objective is to become an important competitor in the international market. The greater part of the money to be used in the purchase - R\$ 2.7 billion (US\$ 1.28 billion) - comes from a loan by the bank ABN Amro. The company has R\$ 1 billion (US\$ 476.92 million) in cash for the operation.

Analysts predict that Perdigão's shareholders will accept the offer that's been presented as a "voluntary offer" by Sadia. Perdigão is controlled by seven Brazilian pension funds.

Nildemar Secches, Perdigão's president, however, called the 27.88 reais (US\$ 12,61) per share offer "extremely low" and commented on the "voluntary" classification: "All over the world this kind of offer is called hostile."

The deal would be the biggest fusion in the Brazilian industry since July 1999, when beer and soft drink company Brahma bought its competition, Antarctica, to create AmBev.

The purchase will need not only the approval of Perdigão's shareholders, but also the OK from Brazil's Antitrust Authority, the CADE (Conselho Administrativo de Defesa Econômica).