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Financial Week

Midwest now a hotbed of M&A activity

Rise in commodities prices making agribusinesses attractive targets; 'record transaction values'

By Tim Catts

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Several high-profile deals for food companies in the first half of this year helped make the Midwest the epicenter of mergers and acquisitions activity for U.S. consumer retail companies, an analysis by Mergermarket showed.

The 12-state region, stretching from Ohio to Nebraska and from Kansas to North Dakota, accounted for some 84% of all U.S. consumer deals by value, the M&A research firm said.

Three of the five biggest deals in the area involved food companies, including candy maker Mars' \$22.6 billion bid for chewing gum giant Wrigley, agricultural heavyweight Bunge's \$4.4 billion acquisition of Corn Products International and Procter & Gamble's \$3 billion purchase of the Folgers coffee business from J.M. Smucker.

The sixth-largest deal involving at least one company based in the Midwest saw Triarc, owner of Arby's fast food restaurants, buy rival Wendy's International for \$2.7 billion.

Along with the mega-deals involving household names, smaller transactions for agricultural businesses, many based in the Midwest, are also booming. Exploding prices for commodities such as corn and soybeans have fed profits and helped spur dealmaking, explained James Kent, CEO of the Kent Group, a boutique investment bank specializing in those companies.

"We are enjoying great activity and record transaction values, and a lot of that is powered by commodity prices," he said. "The strong prices we have been seeing are the result of higher demand in the near term that is just not going to go away."

The weak dollar is also helping spur acquisitions of U.S. food and farm companies by international buyers, Mr. Kent said. He pointed to recent deals pulled off by Australian agriculture chemical manufacturer Nufarm. The company's Illinois-based U.S. subsidiary purchased Etigra, a pesticide maker, in March and the cotton pesticide business of Dow Chemical in June, both for an undisclosed amount.

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