



Bega shares hit all-time high on Fonterra move

By a staff reporter, with Brett Cole and AAP

Shares in Bega Cheese Ltd surged to a record high after the world's biggest dairy exporter, Fonterra Co-operative Group, bought a six per cent stake in the New South Wales dairy producer.

At 1100 AEDT, Bega shares were 9.3 per cent higher at \$4.82 against a benchmark index fall of 0.35 per cent. In earlier trade Bega shares hit an all-time high of \$4.94.

In a statement, Fonterra said it has acquired a six per cent shareholding in Bega, purchasing 9.3 million shares at \$4.95 per share for a total cost of \$46 million.

Fonterra Chief Executive Theo Spierings said Australia remained an important market for Fonterra and the group was committed to growing its already strong presence here.

"There has recently been a lot of consolidation activity in the Australian dairy industry. It is important that Fonterra participates, and we have confidence in Bega and the strategy it is pursuing," said Mr Spierings.

DataRoom understands the acquisition was done through brokers at Goldman Sachs Group Inc.

Fonterra already licenses the Bega brand and has a cheese supply contract with the Australian company.

The acquisition comes as Bega is embroiled in a takeover battle for Warrnambool Cheese and Butter.

Fonterra, which distributes Bega's brands in Australia, wants its voice heard in the Bega boardroom after the company received clearance by the Australian Competition and Consumer Commission to acquire Warrnambool.

Bega is offering 1.2 of its share plus \$2 cash to Warrnambool shareholders. If Bega's stock does rise above \$5 tomorrow, its takeover offer will be superior to Canada's Saputo Inc. that has offered \$8 in cash for Warrnambool.

But Saputo has to get Foreign Investment Review Board Approval.

More importantly, Bega and Warrnambool's other bidder, Murray Goulburn Co-operative Ltd, together hold about 35 per cent of Warrnambool's shares.

On Tuesday Lion, owned by Kirin Holdings Ltd, purchased 10 per cent of Warrnambool by buying shares on the market through broker RBS Morgan.

These three companies now own about 46 per cent of Warrnambool and are seeking to block a takeover of Warrnambool by Saputo whose offer is conditional on 50.1 per cent acceptance.

Lion, Murray Goulburn and Bega don't want Saputo muscling in on their domestic market or brushing it aside in Asian markets.

Murray Goulburn, which has offered \$7.50 a share to acquire Warrnambool, may not get approval to take over the company.

The ACCC does not want the number of buyers of milk in south western Victoria and eastern South Australia to fall from three to two.

Warrnambool, Fonterra and Murray Goulburn are the major dairy buyers for farmers in those regions.

David Williams, advisor to Bega that launched the takeover battle for Warrnambool last month, has been prescient.

Williams has surveyed and correctly analysed that all Bega had to do was to be patient. Its competitors, Saputo and Murray Goulburn, would face more substantial roadblocks than Bega in their desire to acquire Warrnambool.

Moreover, if Bega's shares continue to rise the company may not have to boost its Warrnambool offer whatever Saputo and Murray Goulburn may do.

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Quick Summary:

NSW dairy producer surges in early trade after Fonterra purchased a 6% stake in it on hopes it would win the battle for Warrnambool.