Reckitt swallows US firm Mead Johnson

LONDON: British consumer health giant Reckitt Benckiser yesterday gobbled US infant and child nutrition specialist Mead Johnson for $16.6 billion in a takeover which targets rapid expansion in Asia. The friendly deal, worth the equivalent of Ä15.5 billion, was pitched at $90 per share and will "significantly strengthen" its presence in developing markets like China, Reckitt said in a statement. The transaction will also take Reckitt, whose brands include Durex condoms and Nurofen painkillers, into the baby-food market for the first time.

The deal, which values Illinois-based Mead Johnson at $17.9 billion including debt, is expected to generate £200 million of annual cost savings within three years of completion. "The acquisition of Mead Johnson is a significant step forward in Reckitt Benckiser's journey as a leader in consumer health," said chief executive Rakesh Kapoor. He described Mead Johnson's "Enfa" baby food brands as "a natural extension" to Reckitt Benckiser's consumer health portfolio. Under Kapoor's leadership, Reckitt has been on the lookout for a major acquisition for some time, and the Mead takeover will boost its US and Asia business and expand its health division. The transaction would strengthen the British group's position in developing markets - which will account for approximately 40 percent of the combined group's sales.

'Tremendous value'

Mead Johnson chairman James Cornelius said the deal would provide "tremendous value" and described Reckitt Benckiser "with its strong financial base, broad global footprint, consumer branding expertise and dynamic business model (as) an ideal partner". Mead Johnson sells 70 products in over 50 countries, including its flagship "Enfa" line. The US company, which booked a net profit of $545 million in 2016 on sales of $3.7 billion, generates nearly half its revenues in Asia.

Mead Johnson belonged to Bristol-Myers Squibb until 2009, when its shares were floated on the stock exchange. It has regularly been the focus of takeover speculation, with food giants Danone and Nestle previously tipped as potential buyers. London-listed Reckitt Benckiser, which generated sales of £8.87 billion in 2015, twice downgraded its forecast for organic, or self-generated, sales growth during last year.

Its diverse portfolio of brands also includes Air Wick air fresheners, Dettol surface cleaners, Finish dishwasher tablets and Strepsils throat lozenges. In early morning London trade, Reckitt's share price rose 0.75 percent to 7,293 pence on the British capital's benchmark FTSE 100 index, which gained 0.54 percent to 7,268.40 points.

Reckitt profits advance

The British company made the announcement alongside its full-year results. Net profit, or earnings after taxation, rose five percent to £1.83 billion in 2016 on a 2.0-percent increase in revenues to £9.89 billion. "2016 was a good year in which we achieved broad-based growth and excellent margin expansion, despite challenging markets and an unusual number of issues," Kapoor added. "In 2017, we expect macro conditions to remain challenging, and for a number of existing headwinds to persist in the first half." The Mead purchase meanwhile remains subject to shareholder and regulatory approvals. The takeover deal represented a premium of 29 percent over Mead's stock closing price on Feb 1, which was the day before the pair confirmed takeover talks. — AFP

Greece lenders move to patch up differences

BRUSSELS: Euro zone lenders and the International Monetary Fund have agreed to put aside differences and present a united front at a meeting with Greece in the latest bailout impasse, a step towards agreeing what Athens must do next. The news was enough to bring investors back into the Greek bond market, but whether Athens will go along with the demands is far from clear. The government is under public pressure not to accept any more austerity.

Euro zone officials said yesterday the lenders would ask Greece to take Ä1.8 billion worth of new reforms by 2018 and another Ä1.8 billion after then. The measures will be focused on broadening the tax base and on pension cutbacks. In Athens, a source said this amounted to 1 percent of the gross domestic product now and again after 2018. Putting forward a united front would put aside the differences held by the two sets of lenders about the size of the primary surplus - which excludes debt payments - Greece should reach in 2018 and then maintain. The euro zone and IMF have also differed over what kind of debt relief Greece needs.

The differences have hindered efforts to unlock further funding for Greece under its latest bailout program. This has driven yields on Greek 2-year bonds above 10 percent, although they dropped 120 basis points to 8.8 percent after news of the lenders' pact. "There is agreement to present a united front to the Greeks," a senior euro zone official said. "What comes out of it, we will see." Another source familiar with the agreement said the lenders reckoned that Greece still needed to complete between three-quarters to a half of so-called prior actions before it can have the 6.1 billion euros due from the latest instalment of aid.

Battered Greeks

Greece has consistently ruled out further cuts to pensions, which have been cut 11 times since the onset of the crisis in 2010. The country has only just emerged from a multi-year recession brought on by the debt crisis and the austerity demanded in exchange for three bailouts. Greece's unemployment rate is 23 percent and while year-on-year economic growth was 1.8 percent last year's third quarter, it fell at a rate of more than 10 percent earlier in the decade.

The first signs of how far apart the sides remain may come later on Friday when Greek Finance Minister Euclid Tsakalotos meets the chairman of euro zone finance ministers and representatives of lenders' institutions to discuss the size of Greece's primary surplus. Jeroen Dijsselbloem, the Eurogroup chairman, sought to play down anxieties that the debt crisis was about to blow up again. — Reuters

Europe feels pinch as Spanish fields suffer

Vegetable prices soar across continent

MADRID: Vegetable lovers across Europe have been making hard choices this winter after storms battered fields in southeast Spain, the continent's main fruit and vegetable patch. Courgette prices are soaring, but shoppers are also thinking twice before shelling out for pricier tomatoes, peppers and aubergines. Some British supermarkets have even resorted to rationing sales of broccoli and lettuce in light of plummeting harvests.

The vast fields along Spain's Mediterranean coast usually stay warm enough to produce year-round, even in winter. But torrential rains hit the region late December, followed by shock snowfalls in January - areas near Murcia, in the heart of the farming zones, had not seen a snowflake in 34 years. For most of the year, Spain supplies around 30 percent of the main fresh fruits and vegetables on European shelves. In winter, this proportion rises to half - and to a whopping 80 percent when it comes to lettuce.

TORRE PACHECO, Spain: Javier Soto, managing director of Agrar Systems, a German capital company specialized in the production of lettuce of different types, shows lettuce devastated by storms on Feb 8, 2017. — AFP

After the bad weather hit, a Spanish federation of agricultural exporters reported a 30-percent drop in European shipments. The COAG farmers' union says output has halved in the worst-hit regions. Some farmers "have lost their entire crop", said Andres Gongora, COAG'S Almeria director. The province of Murcia, which exports two-thirds of Spanish lettuce, a trade worth 423 million euros ($450 million), has been particularly hit.

Young lettuces, growing in open fields after sprouting from seeds in greenhouses, were destroyed. After the foul weather receded, a thick coat of thawed mud held up replanting in many places. "We won't be able to plant here this year," said Javier Soto, manager of spinach and melon growers Agrar Systems near the town of Murcian town of Torre Pacheo, pointing to a field gouged out by a muddy torrent. Adding to the veggie crunch has been heavy snowfall in northern Italy, another major supplier to Europe. Thousands of growers there have lost their crops, with expected losses of to around 400 million euros, according to Italy's main farmers' union.

Luxury lettuce

The double whammy is now being felt in European stores. Lettuce prices have doubled in Germany, and even tripled in Finland. In France, courgettes fetched four to five times their normal price in mid-January. Spanish supplies of iceberg, romaine and other types of lettuce had already been hit by a dry autumn, and artichoke harvests had fallen by a fourth. Many shoppers have vented their anger on social media, using hashtags like #lettucecrisis and #courgettecrisis.

Laureano Montesinos, a marketing director at Fruveg, a producer near Murcia, said British supermarket chains had not immediately grasped how dire the situation was. In Germany and northern Europe, produce stalls are not as packed as usual, but stores have managed to avoid drastic measures. "We've had some supply problems with iceberg lettuce these past weeks. But until now, we've been able to offer enough for our clients", said Kirsten Gess, communications director for the Aldi-Sud discount chain.

Spain's agriculture minister expects production to recover in a few weeks, with producers aiming to be back on track by early March. But for lettuce grown in open fields, the wait could extend into April. For Alan Clarke, a strategist at Scotiabank in London, the price increases could spill over into processed food products, such as veggie burgers and other ready-to-eat meals. "More generally, restaurant prices face upside risks, especially because spring/summer menus are due for imminent update", he added. So even though higher produce prices may prove short-lived once Spain's harvests recover, diners may be paying the bill for months. — AFP