

FINANCIAL TIMES

November 13, 2012 9:29 pm

Carlyle finds cashew group to its taste

By Jack Farthy and Emiko Terazono in London

Carlyle is to lead a \$210m private equity investment in an African agricultural commodity merchant that is one of the world's largest traders of cashew nuts, the latest in a wave of transactions to sweep the agribusiness industry.

The purchase of a minority stake in Export Trading Group will give the Tanzania-based company an enterprise value of more than \$1bn, according to people familiar with the deal. It is currently owned by its management.

Alongside Carlyle, the Pembani Remgro Infrastructure Fund, a South African private equity fund, Standard Chartered and ETG's management will also contribute to the \$210m cash injection. Standard Chartered has invested \$74m in the company.

The deal comes amid a wave of dealmaking among agricultural traders as they seek to profit from rising trade in food commodities due to strong demand in emerging economies such as China.

This year, several multibillion-dollar deals have been announced, including Glencore's purchase of Viterra of Canada for more than \$6bn, Marubeni's acquisition of Gavilon for \$5.3bn and ADM's near \$2.8bn offer for GrainCorp of Australia.

ETG, which has operations in 30 African countries, specialises in trading niche commodities such as sesame seeds, cashew nuts and pulses. With Singapore-listed Olam, it says it is among the world's top cashew nut traders.

The capital injection will be used to fund a programme of investment in processing facilities that produce higher-value products such as vegetable oils, flour or ground coffee. The company's net profits rose 44 per cent to \$47.3m in the year to March.

Ketan Patel, managing director of ETG, said the company was well positioned to capitalise on growing strains in global food supplies.

"The last place that has huge tracts of lands that could potentially feed this population of 10bn we are expecting in the next few years is Africa," he said. "We believe Africa is becoming a more and more important player in the agricultural markets globally."

Carlyle's investment is the first by its new sub-Saharan Africa fund, which is expected to raise about \$500m. Marlon Chigwendge, managing director of the fund, said that the investment was a bet both on rising demand for food commodities and on African growth.

"The broad story of growth across Africa is there and it is not just a commodities story, it is an internal domestic growth story," he said.

The deal is the latest sign that the trend of agribusiness transactions is spreading to second-tier players. Armajaro Trading – the commodities trading group made famous by its co-founder Anthony "Chocfinger" Ward – recently agreed to buy Plexus Cotton, a Liverpool-based trader of the fibre with net assets of just under \$17m.

Industry executives believe that medium-sized traders such as Touton and Sucres et Denrées of France, and Ecom Agroindustrial, a family-owned trading group based in Switzerland, could also be involved in future M&A deals in the sector.

Content recommended for you

Related articles

Cotton merchant rejects price manipulation	ADM's quarterly earnings plunge 60%
Dreyfus maiden interim profits fall 20%	The Glencore shareholder reshuffle
Agribusiness M&A spreads to smaller groups	Optimism spreads among Singapore's traders
GrainCorp battles ADM \$2.8bn takeover bid	ADM /GrainCorp – grain assault
Nigeria seeks to beef up farming industry	Going soft on the commodities supercycle

Printed from: <http://www.ft.com/cms/s/0/5bb7c8fe-2db4-11e2-8ece-00144feabdc0.html>

Print a single copy of this article for personal use. Contact us if you wish to print more to distribute to others.

© THE FINANCIAL TIMES LTD 2012 FT and 'Financial Times' are trademarks of The Financial Times Ltd.