

Sara Lee Sells Coffee & Tea Business To J.M. Smucker

DOWNERS GROVE, Ill. (AP) — Food maker Sara Lee Corp. said Monday it sold a chunk of its North American foodservice coffee and tea operations to The J.M. Smucker Co. for \$350 million.

It's the latest effort to slim down by Sara Lee, which has been selling units to focus on its most profitable food and beverage businesses.

"In recent years, our North American coffee business has been foodservice-based and largely unbranded, which is a challenge in a highly competitive marketplace," said Jan Bennink, executive chairman of the Sara Lee board.

Of the \$530 million in sales generated by the foodservice beverage business, about \$285 million is associated with assets sold to J.M. Smucker.

Sara Lee plans to wind down the rest of its North American beverage business. It will discontinue its Senseo coffee brand in North Americas by March 31. And it will sell or close the remaining assets of the business.

Of the 690 currently employed at Sara Lee's North American foodservice beverage business, 450 will transfer to J.M. Smucker.

The two food makers will also enter into a long-term partnership to work on new liquid coffee drinks. As part of that deal Sara Lee will receive \$50 million over 10 years, plus growth-related royalties, which will help cover its research and development and other expenses.

J.M. Smucker, based in Orrville, Ohio, has been growing its coffee business. It owns Folgers and Dunkin' Donuts coffee brands and acquired the parent of Hispanic coffee brands Cafe Bustelo and Cafe Pilon earlier this year.

"This transaction further strengthens our position as a leading North American coffee company," said J.M. Smucker CEO Richard Smucker.

Sara Lee, meanwhile, has been shrinking over the past decade, selling units like its household and body care and shoe care businesses to focus on food and beverages.

The Downers Grove, Ill.-based company, whose brands include Ball Park, Hillshire Farm, Jimmy Dean and Sara Lee, is planning to split itself into two public companies in the first half of next year. The North American unit will be one company and include brands such as Jimmy Dean and Hillshire Farm. The international beverage business will be another company, and will include brands such as Pickwick and

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Maison du Cafe.

The deal is expected to close near the beginning of 2012.

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