Company Offers $18.5M for Bankrupt Peanut Butter Maker

PORTALES, N.M. (AP) — A California company has made a bid to buy a New Mexico peanut-butter plant that went bankrupt after a salmonella outbreak shuttered its operations and prompted a nationwide recall.

The bankruptcy trustee for Sunland Inc. [1], which was the nation's largest producer of organic peanut butter, has requested the court approve selling the eastern New Mexico company to Ready Roast Nut Co. of Hughson, Calif., for $18.5 million.

Sunland's attorneys had estimated the bankrupt firm's assets at close to $50 million in earlier court filings. But lawyers for Sunland's three major creditors, CoBank, Production Credit Association (PCA) and Costco, said they feared Sunland was over-estimating its value, the Portales News-Tribune [2] reports.

The Food and Drug Administration shuttered the plant [3] in September 2012 after its products were linked to 41 salmonella cases in 20 states. Most of those were linked to natural peanut butter the company made for Trader Joe's.

The plant reopened last May. But it filed for bankruptcy and closed in October, apparently unable to recover from the financial hit of an eight-month-long shutdown and lawsuits from the salmonella outbreak.

Sunland processed Valencia peanuts, a sweet variety of peanut that is unique to the region and preferred for natural butters because it is flavorful without additives. The shutdown left many stores scrambling for months to find alternative natural peanut butters.

Among the labels it made natural and organic peanut butter for was Costco, which fronted money to Sunland last year in an effort to keep it afloat.

In late December, U.S. Bankruptcy Judge David Thuma granted Costco's request to retrieve an estimated $12.5 million worth of peanuts it purchased to help the company fill its contracts.

The court filings do not indicate if Ready Roast intends to reopen the eastern New Mexico plant. Company officials did not return phone calls.

Ready Roast, according to its website, has been in business since 2006 and produces "large volumes of oil and dry roasted nuts for the dairy and other food processing industries."

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