

The Battle for Hillshire Brands Continues

NEW YORK (AP) — Hillshire Brands says it will hold separate talks with Pilgrim's Pride and Tyson Foods, as the two meat processing heavyweights engage in a bidding war for the maker of Jimmy Dean sausages and Ball Park hot dogs.

The announcement by Hillshire comes a day after Pilgrim's Pride raised its bid to \$55 per share, or \$6.8 billion, from \$45 per share. That tops Tyson's offer of \$50 per share, or \$6.2 billion, made last week.

Those values are based on Hillshire's 123 million shares outstanding. Pilgrim's Pride puts the total value of its new bid at \$7.7 billion. Tyson Foods values its proposal at \$6.8 billion, including debt.

The takeover bids by Pilgrim's Pride and Tyson Foods are being driven by the desirability of brand-name processed products like Jimmy Dean breakfast sandwiches. Those types of convenience foods are more profitable than fresh meat, such as chicken breasts, where there isn't as much wiggle room to pad prices. While Pilgrim's Pride and Tyson both sell such products, their businesses are more focused on supplying supermarkets and restaurant chains.

Selling a greater variety of products also would give the companies a buffer from volatile price swings of fresh meat. When beef prices rise and shoppers turn to other meats, companies can sell more chicken or bacon, for example.

Both offers are contingent on Hillshire abandoning its plan to acquire Pinnacle Foods Inc., which makes Birds Eye frozen vegetables and Wish-Bone salad dressings. Hillshire, based in Chicago, had been trying to diversify its own portfolio by moving into other areas of the supermarket with the \$4.23 billion acquisition of Pinnacle. But some investors questioned the wisdom of that deal, given the outdated image of some of Pinnacle's brands and the differences in the two companies' product portfolios.

Based in Greeley, Colorado, Pilgrim's Pride Corp. is owned by Brazilian meat giant JBS. Tyson Foods Inc., the biggest U.S. meat processor, is based in Springdale, Arkansas.

Shares of Hillshire Brands rose \$4.93, or 9.2 percent, to \$58.50 before the market open.

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