Quebec-Based Agropur to Become 5th-Largest Cheese Processor in US

Ross Marowits, The Canadian Press

MONTREAL — Agropur, Canada's largest dairy co-operative, will double its U.S. processing operations with a deal to buy the dairy processing assets of Davisco Foods International, its third acquisition this month.

"With over US$1 billion in annual sales, this acquisition is by far the largest transaction in Agropur's 76-year history," president Serge Riendeau said Tuesday after the purchase was announced.

It follows several recent transactions which together will increase Agropur's annual sales to more than $5.8 billion from $3.8 billion and increase milk processing to 5.3 billion litres at 41 plants across North America.

Agropur will finance the purchase that's set to close Aug. 1 with cash and new credit facilities underwritten by Desjardins Capital Markets, BMO Capital Markets and Rabobank.

The Quebec-based co-operative said it will become the fifth-largest cheese and ingredients processor in the United States.

In the past two weeks, Agropur has also announced the acquisition of the dairy and food distribution assets of New Brunswick's Northumberland Dairy Co-operative and the $356-million purchase of Sobeys milk, yogurt and ice cream manufacturing operations in Western Canada.

Chief executive Robert Coallier said recent acquisitions will help "solidify the development and sustainability" of the co-operative by diversifying its geographic markets and portfolio of products.

"The world dairy industry is consolidating at an accelerated pace and our acquisition of Davisco supports our objective of increasing our global presence."

The U.S. currently accounts for 40 per cent of its revenues.

"This allows us to have a greater critical mass, and at the same time, to become a more significant player in this market," he added in an interview.

Coallier said the acquisition puts Agropur in a stronger position because Davisco already exports its products.

"(The transaction) will provide us with a larger platform to improve our performance in this area," he said.

Jon Davis, CEO of the Minnesota-based family run company which also operate Davis Family Dairies, said Davisco and Agropur have each been built over decades with very similar cultures.

The transaction announced Tuesday will add cheese processing operations in Minnesota, Idaho and South Dakota, an ingredients plant and a retail store, plus sales and distribution offices in the U.S., China, Singapore, Geneva and the Netherlands.

Privately owned Davisco employs 900 workers and annually processes 1.7 billion litres of milk, making more than 170 million kilograms of cheese and 80 million kilograms of whey ingredients.

Founded in 1938, Agropur processes more than 3.4 billion litres of milk a year in its 32 plants across Canada and the United States. It includes 3,554 dairy producer owners and 6,500 employees.

Its brands include Natrel, Quebon, OKA, Farmers, Central Dairies, Sealtest, Island Farms, Olympic and iogo.

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