

Country Bird interested in Sovereign Foods

Chicken producer Sovereign Foods, which is trading under cautionary, has another suitor in the form of SA's third-largest poultry producer, Country Bird.

Country Bird financial director Robbie Taylor said on Friday, 15 May 2009, the companies had not been in discussions and there was nothing in the pipeline yet, but Country Bird wanted to make it known that it may want to "do something" in the future on a non-hostile basis.

Taylor said an announcement made by the company last week did not "constitute a firm intention to make an offer for the balance of the shares" in Sovereign.

"The decision to proceed in that respect is subject to an internal strategic review by Country Bird and appropriate discussions with the directors of Sovereign Foods.

"This in no way constitutes a corporate action with hostile intent; it is simply a strategic investment," said Taylor.

Country Bird, the third-largest integrated poultry producer in the country, has accumulated about 13,4% of the shares in Sovereign Foods for R23,6m through open market transactions since December. Taylor said that, having breached the 5% threshold, the company had to make an announcement.

Country Bird is a holding company incorporating integrated poultry, stock feed and beef businesses in SA, operating as Supreme Poultry, Nutri Feeds and Long Iron Meats respectively, as well as poultry breeding and broiler operations in the southern African region, where it operates as Ross Africa. It is active in SA, Namibia, Botswana and Zambia.

Country Bird was keen on Sovereign Foods as the two companies were complementary, having different geographic markets. In addition, when put together, the two companies would be sufficiently big to benefit from economies of scale, Taylor said.

Country Bird believed Sovereign Foods to be a quality company with an excellent industry track record and good growth prospects. A form of combination of the two companies would be able to compete more effectively with the larger South African poultry producers, the chicken producer said.

In addition, Country Bird was attracted to Sovereign Foods because a joint company would have a broader geographical footprint and would be able to amalgamate the diverse markets the two serve. Taylor said that as both companies farmed the same chicken, integrating the companies would not be too complicated. Both companies are using the Arbor Acres breeding stock.

He said that since Sovereign Foods seemed to be in other negotiations, Country Bird wanted to make its intentions known.

Sovereign Foods said on Friday its board would consider the contents of the announcement and “to the extent appropriate or required, publish a further announcement in this regard”.

The purchase of the shares was a strategic acquisition funded from the proceeds of the sale of Country Bird's investment in Elite Breeding Farms, for which it received R25m from Astral in November last year.

Source: Business Day

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