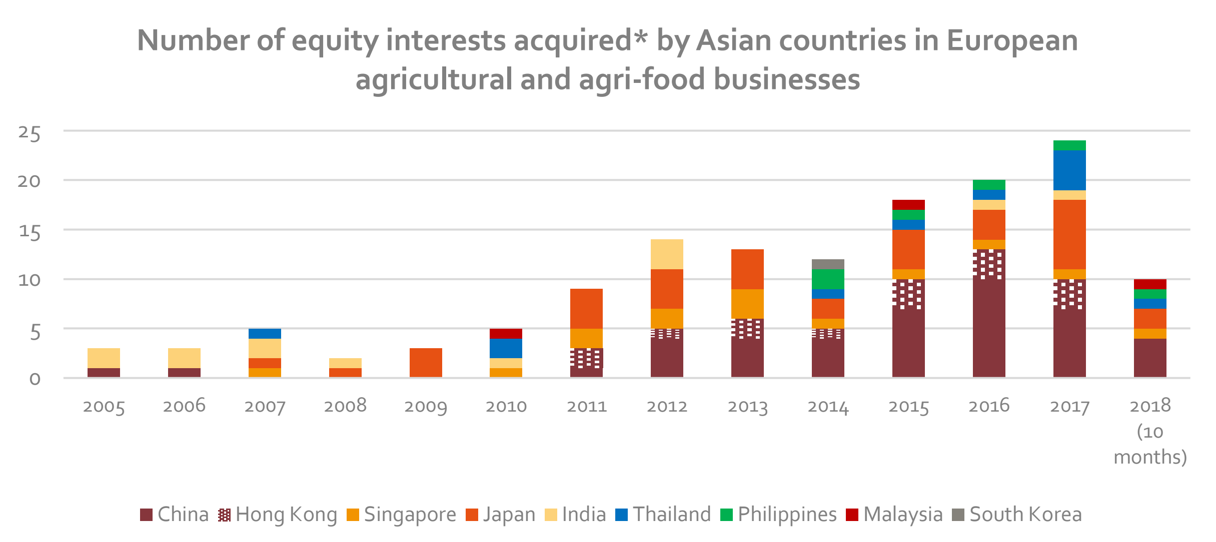
Unigrains – In Brief
Asia has its eye on Western Europe's agricultural and agri-food assets

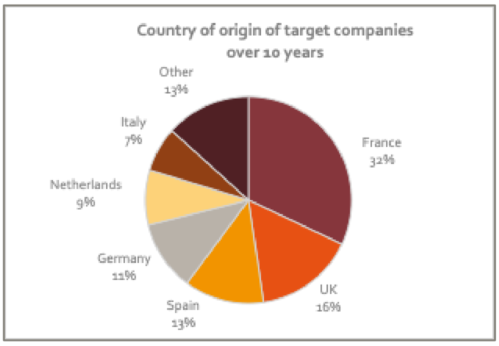


* *Acquisitions of minority and majority stakes in companies in the agricultural (agriculture, trading, inputs) and agri-food sector whose registered office is located in the EU28 (suppliers of agricultural and industrial equipment are not included)*
Source: Unigrains from MergerMarket database

A positive acquisition momentum

- Over the last ten years, Asian companies have been steadily increasing their acquisitions of majority and minority stakes in European agricultural and agri-food businesses. **However, 2018 seems to have marked a break in this trend**, with a significant decline in transactions between January and October after a very active 2017. Could this be a consequence of the tightening of China's policy of public support for foreign investment?
- This momentum is driven by **China** – and Hong Kong – and **Japan**. Together, they account for 70% of deals.
- **Singapore** is also regularly involved in similar transactions, with one to three deals each year, largely carried out by investment fund Temasek and food group Olam.
- Southeast Asian countries such as **Thailand**, the **Philippines** and **Malaysia** have also been expanding their presence in our markets in the last five years.

Western Europe, the focus of all attention



- **Asian** groups target mainly Western European companies. Six Western European countries account for 87% of deals in the last ten years
- **France** is by far the leading target country, with an acceleration in equity investments since 2012 and a peak in 2017.
- That said, there is also an increasing number of deals in **other EU regions**, notably in eastern, but also in northern Europe (Croatia, Poland, Romania, Czech Republic, Lithuania and Sweden).

Authors: Céline Ansart-Le Run & Eric Porcheron – Tel.: +33 (0)1 44 31 16 13/12 – **cansart@unigrains.fr/eporcheron@unigrains.fr**
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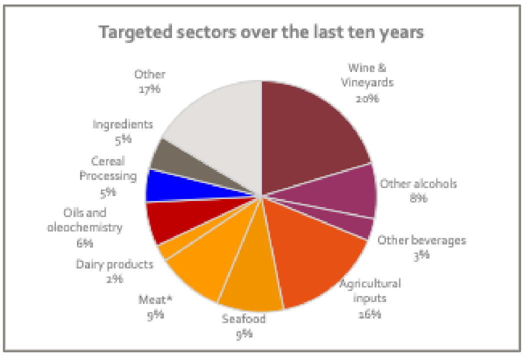
Food, animal products and agricultural inputs, the top three target sectors

The three main sectors targeted are:



** genetics, breeding, animal health, processing and retail*

- **Beverages** (31% of deals), mainly alcoholic, with a large proportion of equity investments in wine-growing and wine retail. This explains why France is over-represented, as the country is particularly attractive to Chinese private and public players.
- **Animal protein** (20%), with seafood accounting for a significant proportion of transactions. The main countries concerned are China (including Hong Kong), Japan and Thailand. In meat, China and Thailand dominated the transactions clinched in 2009-2018.
- **Agricultural inputs** (16%): strong attractiveness for Japanese operators, with a focus more recently on the sector of alternatives to chemical inputs, followed by Chinese players.

Grain processing is in 4th position and is divided equally between oils, a particularity of Malaysian deals, and cereals (breakfast cereals, pastry and bakery, malt).

Unigrains' opinion

An analysis of equity investments in the agricultural and agri-food sectors only gives a partial view of the phenomenon. It does not take into account deals in the field of equipment and materials and overlooks industrial investments abroad, such as those made by Japanese tractor maker Kubota in the Oise department or South Korean bakery chain Paris Baguette, which has plans to build a factory in Normandy.

However, it does reflect a **very real momentum**. While consolidating their positions in the Asia-Pacific region, Asian companies are becoming more outward-looking and are increasingly turning to Europe. For instance, the Japanese, who already have signifiant presence in the United States, are keen to rebalance their portfolio and their risks. For the Chinese, investing in the United States has been more challenging since Donald Trump came to power. The unstable environment in Latin America is curbing any acquisition impulses. Finally, in Africa, while substantial resources are being rolled out, notably by the Chinese, they are geared more towards agriculture.

Transactions concern both **private structures**, such as Japanese international trading conglomerates, or *sogo shosha* (Mitsui, Itochu, Sumitomo) or major agricultural and food companies (Olam, Ajinomoto, Suntory, Asahi, Thai Union Foods, CPF, UPL, etc.), and **public enterprises** (Cofco, Bright Foods, etc.), **private** (Fosun) or **sovereign funds** (Temasek, Citic), with more or less industrial or strategic rationales depending on the type of player. While some groups have succeeded in acquiring leadership status (e.g. Thai Union Foods in fish preserves, Otsuka in health nutrition), these investments have not always been successful (e.g. Bright Foods's failed bid for Weetabix and Pacific Andes' failed bid for Pickenpack).

The **European market's solvency** and the **stability of its institutions**, **traceability** and **production** requirements, the **brand value** of Western European companies, **access to resources** and **know-how**, particularly in innovative areas such as agricultural inputs, and the **proximity of the African market**, are all attractive factors for Asian companies.

Despite a fairly quiet year in 2018, the trend is not about to stop. Clearly, today, Asian players can almost always be found at the table in all major financing rounds.