

Danone buys Clover stake of joint venture

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Dairy company Clover SA yesterday, 10 December 2009, said it would sell its 45% stake in Clover Danone - a local joint venture with French dairy producer Groupe Danone - to the multinational company for just more than R1bn.

The joint venture, created 12 years ago, has a turnover of about R1,4bn accounting for 44% of SA's yoghurt market.

Danone's R1,085bn purchase, giving it full control of the company, will allow it to expand the business and take advantage of a demand for dairy products that is growing as African consumers become wealthier. Danone makes 30% of its sales from joint ventures in emerging markets — although some of these, such as one in China, have led to disputes about revenue sharing.

“Danone would like to focus on Africa and they need 100% of Danone Clover to do that,” said Manie Roode, Deputy CEO of Clover SA.

“We would like to re-capitalise Clover and focus on the dairy business,” he said.

Privately owned Clover, which will continue to supply milk to Danone and other customers, will use the proceeds of the transaction to settle some of its debt, which at the end of the year to June stood at R828,2m.

“The proceeds from the transaction will be used partially to reduce debt and finance projects,” Roode said.

Clover will also relocate some factories closer to the farms that supply them with milk and improve distribution facilities to make them more efficient.

Danone Clover through its brands Nutriday, Activia, Ultramel and Inkomazi, has become a market leader in fermented fresh dairy products and desserts.

Clover remains a big player in SA's dairy market with turnover of about R6,5bn. Its own brands include Super M, Tropika and Manhattan Ice Tea and various clover fresh milk products.

This deal is subject to the Reserve Bank's approval and the companies have until 23 December to hand in all necessary documents. The transaction is due to be completed by 1 January 2010.

Source: Business Day

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