

# BTNB December 2016

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## Fyffes-Sumitomo deal changes the global banana map

The tropical fruit world woke up on Friday 9th December 2016 to the news from Dublin that Fyffes, Europe's largest banana trader (now also a producer in its own right), had agreed to sell out to Japanese corporate conglomerate, Sumitomo, a major global trading company, active in the banana industry since the 1960s. Sumitomo's fully integrated business model covers 800 subsidiary companies with interests that range from plantation operations in the Philippines to retail distribution across Asia.

It may sound trite to state that the banana world will not be the same again. But if we look for a positive side from the market analyst point of view, then it is that we cannot carry on seeing the world banana market in separate compartments: the Latin America & the Caribbean and Africa into Eurasia and North America on one hand, and the Philippines into East Asia and the Middle East.

Asian producers and exporters already compete head to head in the high-consuming and volatile Middle Eastern markets with operations based in the Americas. When USA-based Dole Food sold its Dole Asia operations to another Japanese conglomerate, Itochu, in 2012, the banana world saw a geographical reconfiguration that tended to reinforce the notion that Asian production and trade took place in a separate trading world. But with the Sumitomo-Fyffes deal that illusion has been dispelled for good.

Four of the largest tropical fruit companies in the world are now fuelled by capital controlled from Japan, Brazil or the United Arab Emirates. Only Dole Food remains based in one of the two major consumer blocs. Europe itself is bereft of an operator that controls capital capable of investing in the global banana trade.

### The financial construct and what remains to be seen

The deal announced from Dublin would give Swordus Ireland Holding, a wholly-owned subsidiary of the Sumitomo group, all Fyffes shares, at a price of nearly 50% above their traded value at the close of the exchanges on the evening of 8th December, and 37.6% higher than the all-time highest Fyffes share price earlier in the year (when the Irish company acquired the Canadian mushroom operations of Highline Produce). Fyffes will continue to be an Irish-based company and run as a separate business unit, in the same way as Sumitomo's other hundreds of operations, notably Sumifru, its tropical fruit producing and