

# 4 The merger situation and the companies involved

## Contents

	<i>Page</i>
Introduction.....	60
The transaction.....	60
Events surrounding and reasons for the merger.....	60
Cargill .....	60
Financial performance of Cargill .....	61
Cargill's UK activities .....	61
Cerestar .....	65
Financial performance of Cerestar .....	65
Cerestar's UK activities .....	65
The rationale for the merger .....	69
Other information .....	70

## **Introduction**

4.1. This chapter deals with the events leading up to the merger and describes the parties involved, including the financial performance of Cargill and Cerestar, and in particular the financial performance of their UK operations in glucose syrups and blends. The chapter also deals with the rationale put forward by Cargill for the merger.

## **The transaction**

4.2. Cargill acquired control of Cerestar by purchasing Montedison's majority stake of approximately 56 per cent on 4 April 2002. Completion of the acquisition was conditional on US and EC clearance but not conditional on clearance by the UK authorities.

4.3. On 21 January 2002, the European Commission referred that part of the proposed acquisition which concerns the supply of glucose syrups and blends in the UK to the UK competition authorities under Article 9 of the ECMR. The European Commission had cleared the remainder of the transaction on 18 January 2002.

4.4. The merger was referred to us by the Secretary of State for Trade and Industry on 19 February 2002.

4.5. The US Department of Justice gave clearance for the acquisition on 2 April 2002, and, as a result, following the acquisition of Montedison's majority stake in Cerestar, Cargill launched its follow-on tender offer on 24 April 2002 for the remaining approximately 44 per cent of shares in Cerestar as obliged to do under French securities law.

## **Events surrounding and reasons for the merger**

4.6. Cerestar was part of the EBS group of companies, controlled by the Montedison group. Following the demerger of EBS on 2 July 2001 the shares in Cerestar not owned by Montedison (approximately 44 per cent) were listed on the Euronext Stock Exchange. The demerger was generally perceived as an indication that Montedison wanted to dispose of its interest in Cerestar. Consequently, Cargill made an approach to Montedison in July 2001 regarding the possible acquisition of Montedison's majority stake in Cerestar.

4.7. During the sale process Montedison's bankers investigated who might be interested in acquiring the Cerestar business and made informal approaches to a number of potential purchasers. None of these other parties made an offer to acquire Cerestar. After receiving a preliminary offer from Cargill, subject to the completion of satisfactory due diligence, Montedison granted Cargill some access to Cerestar confidential information in order to carry out due diligence, and agreed not to conduct negotiations with any third party until 15 September 2001. This period was subsequently extended while negotiations over the terms of the share purchase agreement were ongoing.

4.8. On 26 September 2001 Montedison announced that it was in exclusive talks with Cargill regarding the disposal of its stake in Cerestar, and on 30 October 2001 announced that it had agreed to sell its stake to Cargill for €33 per share. Taking account of Cerestar's outstanding debt, which Cargill has assumed, this represents an enterprise value for Cerestar of approximately €1.2 billion (£749 million).

## **Cargill**

4.9. Cargill is an international marketer, processor and distributor of agricultural, food, financial and industrial products and services. Its principal businesses include commodity trading, commodity pro-

cessing, marketing of non-branded food ingredients to the food and beverage industry, and production and marketing of agricultural inputs to farmers. Its European milling and refining activities focus on the efficient and low-cost production of a limited range of starch and sweeteners.

4.10. Cargill entered the glucose syrups and blends market in the USA with the acquisition of a plant in Cedar Rapids, Iowa, in 1967. In order to supply the European operations of Mars, an important US customer, Cargill entered the European market in 1978 by building a plant at Bergen-op-Zoom in the Netherlands, and then bought a partially completed facility at Tilbury (the previous owner was in liquidation). Since then Cargill has grown the business organically to its current size in Europe whilst expanding into Turkey, Russia and Poland.

4.11. Over the next three to five years Cargill plans to accelerate growth by producing value-added products to meet its customers' specific requirements. Cargill stated that its acquisition of Cerestar was very much in line with this objective.

### ***Financial performance of Cargill***

4.12. In the year ended 31 May 2001, Cargill reported profits after tax of \$358 million (£256 million) on turnover of \$49 billion (£35 billion) and gross assets of \$27 billion (£19 billion). Summary financial information for Cargill for the five years ended 31 May 2001 is set out in Appendix 4.1.

### ***Cargill's UK activities***

4.13. Cargill PLC is the UK operating company which is approximately 75 per cent ultimately owned by Cargill.<sup>1</sup> Its principal activities are commodity trading, which accounts for 49 per cent of turnover, and the processing and distribution of foodstuffs.

4.14. Profit and loss accounts and balance sheets for Cargill PLC for the five years ended 31 May 2001 are set out in Appendix 4.2. Cargill PLC's summary financial performance is shown in Table 4.1.

TABLE 4.1 **Cargill PLC: summary financial performance**

	Years ended 31 May					£'000
	1997	1998	1999	2000	2001	
Turnover	1,361,940	1,119,734	989,365	793,772	726,300	
Gross profit	75,662	61,748	46,120	51,871	52,308	
Operating profit	21,148	17,224	6,158	11,886	14,082	
Profit on ordinary activities before taxation	22,704	25,319	18,575	8,656	20,335	

Source: Cargill PLC published accounts.

4.15. Cargill PLC owns one UK plant which is based at Tilbury, east of London. It acquired the plant in 1978 and completed the building of the glucose refinery in 1979. The milling and glucose refining capacities of the plant are [§] tonnes and [§] tonnes a year respectively. The plant is solely maize-based, and the company has spent approximately £[§] million on capital expenditure on it in each of the past five years.

4.16. Table 4.2 sets out the financial performance of Cargill PLC's Tilbury factory between 1997 and 2001. Performance suffered over this period due to declining revenues as a result of lower volumes

<sup>1</sup>The balance of the ownership is in the hands of a Cargill family trust.

sold as well as lower selling prices per tonne. Profits also declined in spite of lower maize costs, the principal raw material. The price of maize fell from £81.84 per tonne in 1997 to £64.08 per tonne in 2001. [ *Details omitted. See note on page iv.* ] Declining revenues from 1997 to 2001 were stated by Cargill to be due to excess capacity in the UK and Europe, and greater imports than in previous years. The upturn in 2001 was because of increased milling and refinery utilization rates mainly due to increased sales volumes to the Continent, and higher sales prices.

TABLE 4.2 Financial performance of Tilbury factory

	Years ended 31 May					£'000
	1997	1998	1999	2000	2001	
Revenue*						
Costs:						
Net maize costs						
Other variable costs						
Contribution						
Fixed costs						
Depreciation						
Profit before interest and tax (operating profit)						
Interest						
Profit/loss before tax						
PBIT margin (%)						
EBITDA†						
EBITDA margin (%)						

*Figures omitted. See note on page iv.*

Source: Cargill.

\*Cargill presents revenues and maize costs net of co-product revenues and presents revenues on an ex-works basis, net of transport costs.

†EBITDA represents earnings before interest, tax, depreciation and amortization.

4.17. Cargill PLC sells co-products which include maize gluten meal, maize gluten feed and maize germ extract. Sales of co-products [£m], as shown in Table 4.3.

TABLE 4.3 Tilbury: sales of co-products

	1997	1998	1999	2000	2001
Value (£m)					

*Figures omitted. See note on page iv.*

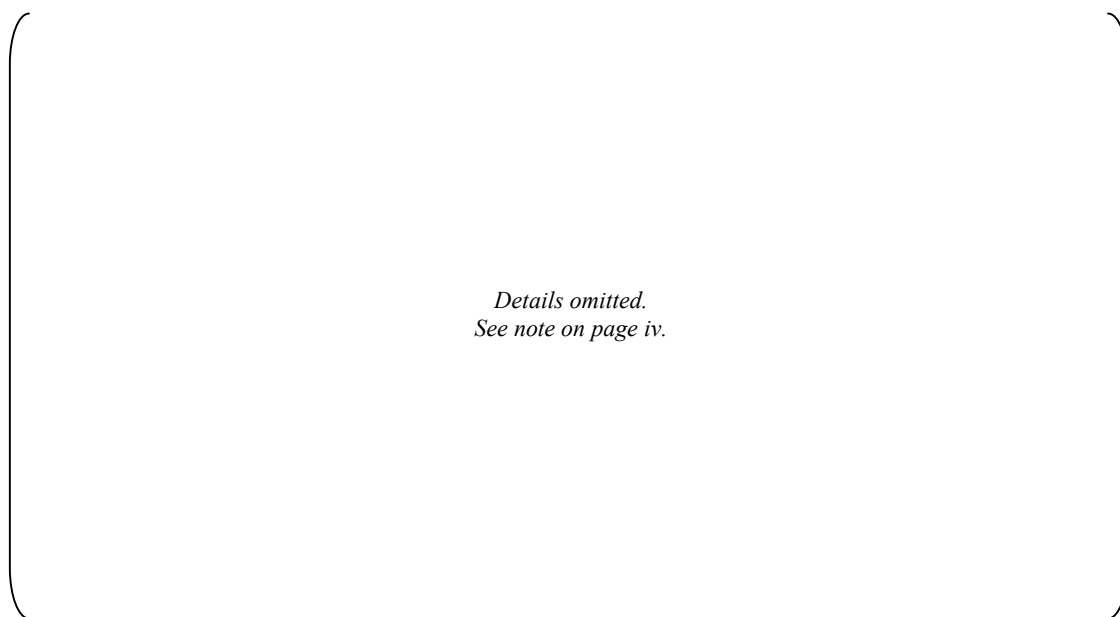
Source: Cargill.

4.18. The starch and starchy products manufacturing business is characterized by high fixed costs and high raw materials costs relative to total costs. Because of the high fixed costs, the higher the capacity utilization rates, the higher the profitability of the manufacturing plant. For example, Table 4.2 shows total costs for the Tilbury plant in 2001 of approximately £[£m] million,<sup>1</sup> with fixed costs (including depreciation) making up [£m] per cent of these total costs. Capacity utilization is a significant driver of profitability, and low capacity utilization rates may result in the plant making a loss or just breaking even. Figure 4.1 shows the milling and refinery capacity utilizations for the calendar years 1997 to 2001.

<sup>1</sup>Total costs for the Tilbury plant of £[£m] million are made up of £[£m] million net maize costs, £[£m] million other variable costs, £[£m] million fixed costs, and £[£m] million depreciation.

FIGURE 4.1

**Tilbury: milling and refinery capacity utilizations**



Source: Cargill.

4.19. The Tilbury plant sources maize solely from cooperatives in the South-West of France who are able to meet the consistent quality and identity-preserved systems which meet Cargill’s customers’ non-GMO requirements. Maize suitable for milling cannot be grown in the UK due to relatively inclement weather conditions. Purchasing of maize is through annual fixed-volume contracts where pricing is agreed up to 12 months in advance of delivery. Cargill’s milling business has not used hedging arrangements to date although these are currently being developed. The value (including freight costs) of Tilbury’s purchases of maize for the last five years is shown in Table 4.4. These figures represent a rising volume trend, given the falling cost per tonne of maize over this period (see paragraph 4.16).

**TABLE 4.4 Maize purchases for the Tilbury plant**

Calendar Year	1997	1998	1999	2000	2001
---------------	------	------	------	------	------

Value (£m) ( *Figures omitted. See note on page iv.* )

Source: Cargill.

4.20. The Tilbury plant produces a range of glucose syrups and blends as well as Spraysweet<sup>1</sup> (a spray-dried glucose product), and supplies starch slurry to the neighbouring National Starch plant under a toll processing arrangement.

4.21. The Tilbury plant can produce all grades of glucose syrups and blends, and although it does not have an isomerization line for the production of blends containing less than 10 per cent fructose, it can produce such blends by blending glucose syrups with either fructose syrups or crystalline fructose (both of which are imported). Table 4.5 identifies which products were manufactured at Tilbury in 2001 and for ease of comparison with Cerestar’s products, uses the classification used by Cerestar in its internal database. As can be seen in Table 4.5, only the top three products represent the [§§] of sales both by volume and by value.

<sup>1</sup>Spraysweet is not a reference product in this inquiry.

TABLE 4.5 Tilbury: sales of glucose syrups and blends for the calendar year 2001

Product	Volume (tonnes)	%	Value £	%
1. >38 acid glucose syrup	<i>Figures omitted. See note on page iv.</i>			
2. >50 DE E/E glucose syrup				
3. Dextrose syrup 90-99%				
4. LB 42 syrup				
5. <=38 acid DE glucose syrup				
6. LB 30-41 syrup				
7. High maltose syrup >45%				
8. Very high maltose syrup >60% DP2				
9. Dextrose syrup 75-89%				
10. Glucose / sugar blends				
11. High DX maltose syrup >30% DX				
12. Glycerol & 70% maltose				
Total				

Source: Cargill.

4.22. Table 4.6 shows the breakdown of the sales of the products produced at Tilbury for the years 1997 to 2001. The large majority of the products manufactured at Tilbury are glucose syrups and blends, the subject of this reference, with only approximately [%] per cent of sales relating to starch products and the Spraysweet spray-dried glucose product.

TABLE 4.6 Analysis of turnover of Tilbury

	Years ended 31 May					£'000
	1997	1998	1999	2000	2001	
Glucose syrups and blends	<i>Figures omitted. See note on page iv.</i>					
Starch						
Spraysweet						
Total						

Source: Cargill.

4.23. In 2001, around [%] per cent of Tilbury's production was exported, principally to customers in France and the Benelux region, notably [ *Details omitted. See note on page iv.* ]. Cargill PLC also imports small volumes of glucose syrups and blends from its plant at Bergen-op-Zoom in the Netherlands.

TABLE 4.7 Analysis of turnover at Tilbury by source and destination of product, 31 May 2000

	£'000			Total
	Tilbury made	Co-products	Imports from other Cargill plants	
Sales within UK	<i>Figures omitted. See note on page iv.</i>			
Sales to Republic of Ireland				
Intercompany supply				
Exports to third parties				
Total				

Source: Cargill.

## **Cerestar**

4.24. Cerestar was part of the EBS group of companies, ultimately controlled by the Montedison Group.

4.25. Cerestar is a producer of starch and sweeteners made from maize, wheat and potatoes, including native and modified starches, maltodextrins and spray-dried glucose, glucose syrups and blends, dextrose, isoglucose and polyols. The company also produces vital wheat gluten, crude maize oil and raw materials for animal feed as by-products of its starch and sweetener processes.

4.26. Cerestar has its headquarters in Neuilly, Paris, and has 17 operational centres throughout the world, including one plant in Manchester, UK.

4.27. Cerestar has its origins in the American company Corn Products Company (CPC) which was established in 1902 and produced starch for commercial purposes. In 1987, the Ferruzzi group bought the European industrial division of CPC and renamed it Cerestar. In 1995, Cerestar acquired the US company American Maize Products Company, which it renamed Cerestar USA.

4.28. The parties stated that Cerestar (and its predecessor companies) had been a major European producer of glucose syrups and blends, and other starchy products (such as spray-dried products, dextrose, caramel, polyols, and native and modified starch) since the beginning of the last century. In recent years, however, Cerestar has lost market share, specifically in the market for glucose syrups and blends. Since 1990 Cerestar estimated that its share of the EC market for glucose syrups and blends had declined from around 33 per cent to 26 per cent in 2000.

4.29. The parties stated that Cerestar's overall business strategy was to focus on worldwide operations capable of serving international key customers with high-quality products in an efficient and profitable way.

4.30. The parties stated that, under Cargill's ownership, Cerestar would seek to maintain its market position in Europe in starchy products and develop sales of higher value-added products with a service-oriented approach, and stop further erosion of its overall market share for starchy products by exploring opportunities to develop markets for starch-derived products and increase sales of speciality products. The parties stated that there were opportunities to improve cost structures with particular regard to glucose syrups and blends by maximizing the sourcing of wheat for their plants in Northern Europe and through implementing cost rationalization programmes.

### ***Financial performance of Cerestar***

4.31. In the year ended 31 December 2000, Cerestar reported a pre-tax loss of €38 million (£24 million) on turnover of €1.7 billion (£1 billion) and net tangible assets of €1.4 billion (£874 million). Profit and loss accounts and balance sheets for Cerestar for the three years ended 31 December 2000 are set out in Appendix 4.3.

### ***Cerestar's UK activities***

4.32. Cerestar UK is the UK operating company which is 100 per cent ultimately owned by Cerestar. It is engaged, inter alia, in the manufacture of starch and glucose for a wide range of basic food and chemical industries. Profit and loss accounts and balance sheets for Cerestar UK for the five years ended 31 December 2000 are set out in Appendix 4.4.

4.33. Cerestar UK has one production facility in the UK, based at Manchester. The present milling plant was built in the 1950s, although the glucose refinery was rebuilt in 1989. This plant is currently the largest milling plant in the UK, with total milling and refinery capacities of around [§] tonnes and

[§] tonnes a year respectively. The company has invested £[§] million in capital expenditure in the plant over the past five years, including £[§] million investment in milling and £[§] million in the refinery.

4.34. The plant produces native starches, crystalline dextrose and caramel, as well as a range of glucose syrups and blends. It also sells the maize co-products from the production process, such as maize gluten feed and maize crude oil.

4.35. Table 4.8 shows the make-up of Cerestar UK's turnover in 2000. Sales of product from the Manchester plant make up almost [§] of UK turnover and [§] of this product is sold to UK customers, with approximately [§] per cent exported. Just over [§] of UK turnover is made up of imports from group companies sold to third party customers in the UK and Ireland.

TABLE 4.8 Analysis of Cerestar's UK turnover in 2000

	<i>Manchester made</i>	<i>Imports from other Cerestar plants</i>	<i>£'000 Total</i>
Sales within UK	<div style="font-size: 4em; vertical-align: middle;">(</div>	<div style="font-size: 4em; vertical-align: middle;">)</div>	
Sales to Republic of Ireland			
Intercompany supply			
Exports to third parties			
Total			

*Figures omitted.  
See note on page iv.*

Source: Cerestar.

4.36. Table 4.9 provides an analysis of products manufactured at the Manchester plant, including exports. In 2000, [§] of the turnover related to glucose products.

TABLE 4.9 Analysis of turnover of Manchester

<i>Years ended 31 December</i>	<i>£'000</i>				
	1996	1997	1998	1999	2000
Glucose	<div style="font-size: 4em; vertical-align: middle;">(</div>	<div style="font-size: 4em; vertical-align: middle;">)</div>	<div style="font-size: 4em; vertical-align: middle;">)</div>	<div style="font-size: 4em; vertical-align: middle;">)</div>	
Dextrose					
Caramel					
Starch					
Co-products					
Total					

*Figures omitted.  
See note on page iv.*

Source: Cerestar.

4.37. Table 4.10 shows the performance of Cerestar UK in the same format as in paragraph 4.15 which shows the financial performance of Cargill's Tilbury plant, for ease of comparison, and is considered in the following paragraphs.<sup>1</sup>

<sup>1</sup>The revenues and maize costs are shown gross of revenues from co-products in order to reconcile to the published accounts figures, although normally Cerestar would show these figures net of co-product revenues. Revenues are also shown on a delivered basis, ie gross of transport costs, with a separate costs entry for transport costs, unlike Cargill.

TABLE 4.10 Financial performance of Cerestar UK

	Years ended 31 December					£'000
	1996	1997	1998	1999	2000	
Revenue	193,518	174,531	157,316	137,950	141,294	
Costs:						
Gross maize costs						
Other variable costs						
Contribution						
Fixed costs						
Depreciation	<u>-7,098</u>	<u>-7,766</u>	<u>-7,770</u>	<u>-8,507</u>	<u>-9,244</u>	
Profit/loss before interest and tax (operating profit)	21,393	13,039	5,380	-7,009	-4,928	
Interest	<u>-2,324</u>	<u>-1,953</u>	<u>-3,011</u>	<u>-2,460</u>	<u>-2,947</u>	
Profit/loss before tax	<u>19,069</u>	<u>11,086</u>	<u>2,369</u>	<u>-9,469</u>	<u>-7,875</u>	
PBIT margin (%)	11	7	3	-5	-3	
PBIT margin (%)*						
EBITDA						
EBITDA margin (%)						

Source: Cerestar.

\*On the Cargill basis (revenues and costs net of maize costs), for comparison with Table 4.2.

4.38. Between 1996 and 1999 sales and operating profit at the plant declined, and an operating loss was recorded in both 1999 and 2000. The declining profitability was primarily due to falling prices as well as due to a decline in volumes sold, because of customer concerns regarding GM maize. Products manufactured from wheat raw materials were unaffected by the GM issues therefore Cerestar UK's competitors were able to gain volume. In 2000, revenues increased and the operating loss was smaller than in 1999 because of increased volumes and lower maize costs, although selling prices remained broadly the same as in 1999. Since December 2000 there has been a drive in cost reductions across all the UK company's activities and the operation is now regarded internally as being leaner, within the limitations of using maize as a raw material feedstock and the age of the plant.

4.39. Sales of co-products [*Details omitted. See note on page iv.*], as shown in Table 4.11.

TABLE 4.11 Manchester: sales of co-products

	1996	1997	1998	1999	2000
Value (£m)	(	<i>Figures omitted. See note on page iv.</i>			)

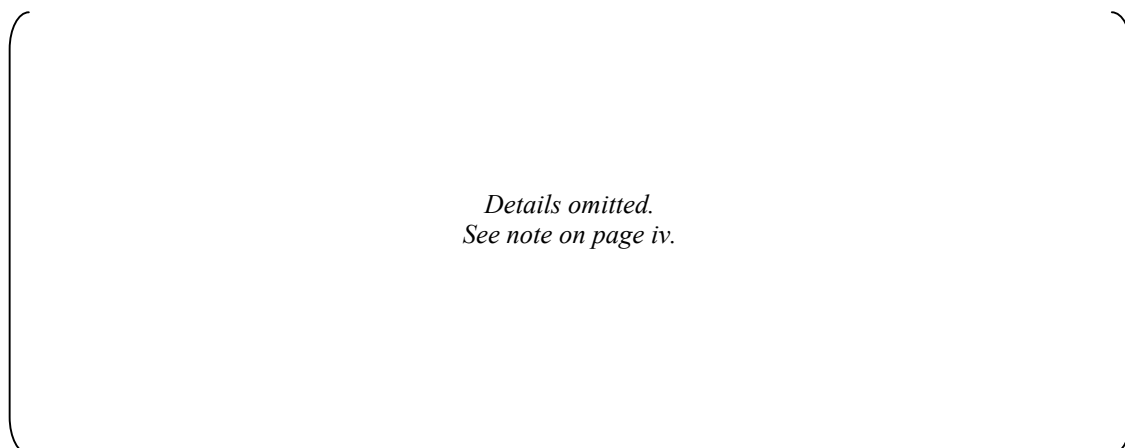
Source: Cerestar.

4.40. As mentioned in paragraph 4.18 relating to Cargill, Cerestar's business is also characterized by high fixed and raw material costs relative to total costs. Because of the high fixed costs, the higher the capacity utilization rates, the higher the profitability of the manufacturing plant. For example, Table 4.10 shows total costs for the Manchester plant in 2000 of £[ ] million<sup>1</sup> (£[ ] million net of co-product revenues), with maize costs representing [ ] per cent and fixed costs (including depreciation) making up [ ] per cent of these total costs ([ ] per cent and [ ] per cent net of co-product revenues respectively). Capacity utilization is therefore a major driver of profitability. Figure 4.2 shows milling and refinery capacity utilizations for the Manchester plant for the last five years.

<sup>1</sup>Total costs for the Manchester plant of £[ ] million are made up of £[ ] million gross maize costs, £[ ] million other variable costs, £[ ] million fixed costs, and £[ ] million depreciation.

FIGURE 4.2

**Manchester milling and refinery capacity utilization**



*Source:* Cerestar.

4.41. Cerestar UK’s Manchester plant sources maize almost exclusively in the South-West of France. Maize is shipped by sea and via the Manchester Ship Canal to the Cerestar UK wharf. [ ] vessels are used each week, with cargoes of around [ ] tonnes. Cerestar UK is the most significant user of the upper reaches of the Manchester Ship Canal.

4.42. Cerestar UK generally purchases maize centrally through its Head Office in Paris. Contracts are placed on an FOB (freight on board) basis at a south-west French port such as Bordeaux or Bayonne, on either a fixed price basis or within a frame contract (where volumes and quality are predetermined with the price determined subsequently by reference to prearranged criteria). The purchase currency is typically euro, with 100 per cent foreign exchange cover normally up to six months forward to cover contracts. The value (including freight and canal tolls) of the Manchester plant’s purchases of maize for the last five years is shown in Table 4.12.

**TABLE 4.12 Maize purchases for the Manchester plant**

	1997	1998	1999	2000	2001
Value (£m)	<i>Figures omitted. See note on page iv.</i>				

*Source:* Cerestar.

4.43. All grades of glucose syrups and blends can be produced at the Manchester plant, although the plants in which Cerestar has a quota for the production of isoglucose are Krefeld (Germany), Martorell (Spain) and Castelmassa (Italy). Tables 4.13 and 4.14 identify which products were by Cerestar in the UK in 2000. Table 4.13 shows the total net sales of glucose syrups and blends, showing that [ ] of sales both by volume and value comes from the top three products, compared with the [ ] for Cargill’s UK plant. Table 4.14 sets out the split of the company’s UK net sales of glucose syrups and blends for 1996 to 2000.

TABLE 4.13 UK net sales of glucose syrups and blends for 2000 (excluding exports)

Product	Volume		Value	
	tonnes	%	£	%
1. High DX / maltose syrup 30% DX	(	)	(	)
2. >38 DE acid glucose syrup				
3. Dextrose syrup 75-89% DX				
4. >50 DE E/E glucose syrup				
5. High maltose syrup >45% DP2				
6. Dextrose syrup 90-99% DX				
7. LB 30-41 syrup				
8. Very high maltose syrup >60% DP2				
9. Low dextrose LB9 <50% DX				
10. <=38 DE E/E glucose syrup				
11. Low maltose syrup <45% DP2				
12. LB 10-19 syrup				
13. LB 42 syrup				
14. 38-50 DE acid glucose syrup				
15. Boiled syrup				
16. <=38 DE acid glucose syrup				
17. Dextrose syrup >99% DX				
18. Dextrose syrup 50-74% DX				
19. LB 20-29 syrup				
Total				

Figures omitted.  
See note on page iv.

Source: Cerestar.

TABLE 4.14 Analysis of UK net sales of glucose syrups and blends (excluding exports)

	£'000				
	1996	1997	1998	1999	2000
Glucose syrups	(	)	(	)	)
Fructose syrups (containing more than 10% fructose)					
Dextrose syrups (high DE syrups)*					
Total					

Figures omitted.  
See note on page iv.

Source: Cerestar.

\*High DE syrups are also known as hydrolysates.

4.44. In 2001 Cerestar UK exported around [8] per cent of its production. It also imports volumes of glucose syrups and blends into the UK, from time to time, from its plants in France, Germany and the Netherlands.

### The rationale for the merger

4.45. The parties emphasized that Cerestar's glucose syrups and blends business in the UK represented only a small part of its total business (less than 5 per cent of worldwide turnover in 2001) and that it was not the driver in Cargill's decision to acquire Cerestar.

4.46. The parties stated that the acquisition as a whole offered Cargill an opportunity to extend its product offerings to customers in the food and non-food sectors. The parties' activities are complementary in several aspects and the key factors driving Cargill's interest in Cerestar were as follows:

- (a) *Geographic presence:* Cerestar's strengths in starches and sweeteners are in the EC where Cargill is a relatively small player: by way of example, the parties estimated that Cargill's share of the EC glucose syrups and blends market in 2000 by volume was 12 per cent compared with 26 per cent in respect of Cerestar. By contrast, Cerestar was a relatively small player in the USA where Cargill was a significant producer.

- (b) *Product ranges:* Cargill's activities in starches and sweeteners are more at the basic end, whereas Cerestar has a broad range of speciality products with associated R&D skills and customer-orientated service offerings. There are increasing downstream pressures (from food ingredients and industrial customers) for starch and sweetener suppliers to develop innovative products and provide applications support. Cargill considered that the acquisition would enable it to respond more effectively to these customer demands.
- (c) *Synergies:* There are significant opportunities for improving efficiencies through combining the parties' operations in Europe and North America, including rationalization of sales and administrative functions and streamlining of production activities.

4.47. From a UK perspective, Cargill stated that both companies expected to integrate their UK management and other systems in order to lower administrative overheads and to streamline their combined production.

4.48. From Cerestar's point of view, it stated that it would benefit from becoming part of a global agro-industrial group rather than remaining a European constituent of a diversified multinational group no longer committed to the agri-food sector. Cargill was interested in Cerestar's global operations whereas other potential purchasers were only interested in discrete parts of the business.

## **Other information**

4.49. Cargill and Cerestar held preliminary discussions in 1999 regarding a possible production joint venture in the UK which would have involved combining their upstream milling activities in order to invest jointly in the conversion of their milling process from maize to wheat. This would have meant closing either the Manchester or Tilbury plant, or closing both plants and building on a greenfield site. These discussions were abandoned in 2000 because of complications regarding lease arrangements and reluctance to take a large book write-down.

4.50. Cargill PLC and Cerestar UK are also parties to a toll-processing agreement for Cargill's Tilbury plant to supply glucose syrup to Cerestar. This agreement was entered into in 1988 and, following various extensions, is due to expire formally in 2002. In practice Cerestar ceased purchasing glucose syrup from Tilbury in 2001.