The Moscow Times
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Thailand's CP Foods to Enter Russian Poultry Business

By The Moscow Times

July 24, 2015

BANGKOK — Thailand's largest meat and animal feed producer, Charoen Pokphand Foods, will buy a Russian poultry business from Dutch firm Agro Invest Brinky for $680 million in cash, tapping into strong demand in Russia to offset flagging sales at home.

The deal, announced on Friday, will give CP Foods an entry into one of the fastest-growing markets for animal protein, with an average growth rate of 7.4 percent a year in the past 10 years, CP Foods said in a statement.

The Russian deal comes a year after CP Foods began receiving strong orders for chicken from Russia, which has banned or limited imports of agricultural products from the European Union after facing sanctions.

"Russia has high growth potential. This is a good opportunity as the country is short of meat supply and has to import pork and chicken to serve domestic demand," Chief Executive Adirek

Sripratak told reporters in Bangkok.

He said the Russian government has provided tax incentives for agricultural business and encouraged Thai companies to invest in the country.

CP Foods, the flagship unit of Charoen Pokphand Group (CP) controlled by Thailand's richest man Dhanin Chearavanont, has become more aggressive in overseas deals to offset softer domestic demand.

Two-thirds of its revenue now comes from overseas markets, and CP Foods has been looking for opportunities to buy assets in high-growth emerging markets to achieve its annual revenue growth of 10-15 percent over the next five years.

The firm, which bought swine farming business in Russia in 2013, is also in talks to buy a food processing plant in the country to expand into value-added products, Adirek said. Not including acquisition expenditure, the company planned to spend about 20 billion baht this year, mostly to expand existing overseas operations, he said.

CP Foods has cash of about 30 billion Thai baht ($860 million), half of which is denominated in U.S. dollars, and will use cash to finance the acquisition, he said.

Its wholly owned CPF Netherlands unit, which receives a tax exemption from the Dutch government, has agreed to buy the entire stake in a new Russian company, with annual sales of 11 billion baht, to be set up by Netherlands-based investment firm Agro Invest by Aug. 31.

The initial acquisition of an 80 percent stake is expected to be completed by the end of 2015 with the remaining 20 percent to be purchased by the end of 2018, the company said. CP Foods will start booking revenue from the Russian deal in the fourth quarter, Adirek said.

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