

HD JBS Buys Australian Meat Producer**BY** By Ross Kelly**WC** 828 words**PD** 21 November 2014**ET** 11:21**SN** Dow Jones Institutional News**SC** DJDN**LA** English**CY** Copyright © 2014, Dow Jones & Company, Inc.**LP**

SYDNEY--Brazil's JBS SA, the world's biggest meat producer by sales, agreed to **buy** Australia's Primo **Group** for 1.45 **billion** Australian dollars (US\$1.25 **billion**), as global food companies continue to ramp up their operations to serve rising Asian demand.

JBS said Friday it had signed a conditional agreement to **buy** Australia's biggest producer of ham, bacon and small goods by sales from owners including Affinity **Equity** Partners. The Asian private-**equity firm** bought 70% of Primo in 2011, with the balance remaining in the hands of the founding Lederer family.

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The deal will allow JBS to leverage Primo's growing export operations across Asia, including **China**, JBS said in a statement.

It comes just days after Australia and **China** signed a free-trade agreement that eliminates or phases out tariffs on agricultural imports, including meat and **dairy** products, into the world's second-biggest economy.

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20 Nov 2014 23:43 ET JBS Buys Australian Meat Producer for \$1.25 **Billion** -- Update

By Ross Kelly

SYDNEY--Brazil's JBS SA, the world's biggest meat producer, bought Australia's Primo **Group** in a 1.45 **billion** Australian dollars (US\$1.25 **billion**) deal that will help it sell processed pig meat in **China**, where lax food-quality standards are a long-standing concern.

The agreement to **buy** Australia's biggest ham-and-bacon producer allows JBS to leverage Australia's reputation for high-quality farm produce at a time when **China** has been rocked by a spate of food scandals. Primo currently exports its products to various parts of Asia, including **China**.

The deal also comes in the same week **China** and Australia signed a free-trade pact that will immediately eliminate or phase out a range of tariffs on agricultural imports into the world's second-biggest economy--including those on processed meat.

JBS is buying Primo from Affinity **Equity** Partners, an Asian private-**equity firm** that bought 70% of the Australian **company** in 2011 for A\$519 **million**, and from members of the founding Lederer family, who own the rest.

Rich in protein, pork is currently the most consumed meat in **China**, ahead of poultry: the nation devours more than 50 **million** metric tons of it each year. But concern over conditions in domestic hog farms and the use of additives in the production of pork and other meats have prompted Beijing to push for modernization of the meat sector.

The perception of poor quality control, however, still lingers among **Chinese** consumers, many of whom prize imported brands and foreign labels believed to maintain higher standards. "Quality concerns are a fairly strong line that comes out of **China**," said Angus Gidley-Baird, a Sydney-based animal-proteins analyst at Rabobank. "There's been a couple of scares over there with their pork."

In one highly publicized incident three years ago, hundreds of people fell ill in central **China** after eating meat suspected of containing clenbuterol, an illegal additive that speeds up muscle growth in pigs, but which can cause headaches, nausea and an irregular heartbeat in humans. And last year, the discovery of thousands of dead pigs in local rivers around Shanghai highlighted poor farming methods and sparked several public-health concerns.

What's more, premium-pork products are in high demand among **China's** rising middle class--a factor that spurred Shuanghui International Holdings Ltd. last year to purchase Smithfield Foods Inc. for \$4.7 **billion**, the biggest **Chinese** takeover of a U.S. **company**.

Primo's pork products aren't specifically mentioned in the published version of Australia's free-trade deal with **China**, which still requires approval from each country's legislature. But a spokeswoman for Australia's foreign-affairs-and-trade department confirmed that processed meat was among the products covered in the pact. "The tariffs on pork and processed meat products will be progressively eliminated over four years," she said in an emailed statement.

The deal marks JBS's first real move into Australian pig-meat-product manufacturing, an area where it currently has a limited presence. "There is a vast opportunity for the export of Australian pork-related small goods--an opportunity that has thus far gone largely untapped," said Brent Eastwood, head of JBS's Australian operations, in a statement.

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