

YARA BUYS TERRA

MERGERS: International consolidation in fertilizer business picks up

Yara's fertilizer plant in Glomfjord, Norway.



NORWAY'S YARA INTERNATIONAL has agreed to purchase rival U.S.-based fertilizer producer Terra Industries for \$41.10 per share, a 23.6% premium on Terra's closing stock price on Feb. 12, the trading day before the announcement. The all-cash offer values Terra at \$4.1 billion. The combined company will be the world's largest producer of ammonia and UAN, a solution of urea and ammonium nitrate.

The acquisition comes a month after Terra fended off a yearlong takeover attempt by CF Industries. In January, CF withdrew its bid, which had reached \$36.75 in cash and 0.1034 CF share per share of Terra. Charles Neivert, an agricultural chemicals analyst at Dahlgman Rose, wrote in a note to investors that CF has not closed the door on a competing bid for

Terra, although he considers it unlikely. CF is itself the target of a hostile purchase attempt by Agrium.

In a press conference, Yara CEO Jørgen Ole Haslestad said that lower natural gas prices in the U.S. have made it more cost competitive to produce nitrogen fertilizer domestically for the U.S. market. He added that the high capital costs of building new manufacturing facilities favors Yara's strategy of buying existing capacity.

Yara already has a U.S. presence on the East Coast; the purchase of Terra will expand its reach to a large swath of the Corn Belt. Yara will also gain two pipelines used to transport ammonia from the Gulf of Mexico.

In the U.K., Yara will take over Terra's half of the two firms' GrowHow joint venture. It will also get Terra's 50% share in an ammonia manufacturing venture in Trinidad, where Yara has production facilities.

The combination will give Yara a 30% share of the U.S. fertilizer market and an 8% share of the worldwide market, according to the company. It expects to save more than \$60 million per year in cost synergies.

To help pay for the acquisition, Yara plans to raise up to \$2.5 billion by selling shares. It also plans to sell its stake in Brazilian fertilizer company Fosfertil for \$785 million. —MELODY VOITH