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J.M. Smucker Co. shareholders to vote on merger with Folgers Coffee Co.

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Shareholders of the J.M. Smucker Co. will vote today on a proposal to merge with the Folgers Coffee Co., a move that would forever change the family-run firm into a major-league food company with top-selling brands across several aisles of the grocery store.

Smucker, best known for its namesake jams, jellies and preserves with the gingham-checked caps, has been on a shopping spree ever since its 2002 acquisition of Jif peanut butter and Crisco oils and shortenings from Procter & Gamble Co. Smucker's pantry of best-selling brands now includes Smucker's, Jif, Crisco, R.W. Knudsen, Europe's Best, Eagle Brand, Carnation, Bick's and Robin Hood.

But buying Procter & Gamble's Folgers brand, valued at \$3.3 billion, is the largest and most ambitious transaction Smucker has ever attempted.

If approved, the deal would add 1,250 P&G employees and nearly double sales to almost \$5 billion. It would also transform a 111-year-old company that traces its roots to hand-signed crocks of apple butter into one of the largest coffee companies in the world.

Despite that, of course, Smucker officials hope shareholders approve the deal.

"Folgers is an excellent addition to the Smucker family," Timothy Smucker, chairman of the board and co-chief executive of the company his great-grandfather started in 1897, said in an e-mail.

"As the No. 1 retail coffee brand in the United States, there is no doubt Folgers is the perfect strategic fit for Smucker. Like Smucker, Folgers has a rich heritage, high-quality product offerings and strong consumer loyalty."

The all-stock transaction, expected to close before the end of

2008, is designed to be tax free to Smucker and P&G shareholders. The companies structured the transaction so that it is considered a reorganization of P&G rather than an acquisition of Folgers Coffee Co. by Smucker. Smucker, which is acquiring just the Folgers brand, will assume about \$350 million of Folgers' debt and pay shareholders a one-time special dividend of \$5 per share as part of the deal.

But not everyone sees the combination as so seamless.

"Despite the spin that coffee goes with dessert and breakfast, coffee's a different category," with different customers and different competitors who don't sell their products only in grocery stores, said David A. Fields, managing director of Ascendant Consulting LLC in Ridgefield, Conn.

The other major concern is the behind-closed-doors clash of two corporate cultures, Fields said.

"Procter & Gamble is populated by Type A personalities, Harvard graduates and totally aggressive hotheads doing things the P&G way," he said. "Smucker's is a little bit more flexible and a little more easygoing. Smucker is a more laid-back kind of culture."

A company can't keep its culture completely intact when it doubles in size, said Mary Kay Plantes, a corporate strategist in Madison, Wis., and author of "Beyond Price: Differentiate Your Business in Ways That Really Matter." "The key for leaders is to identify the best attributes in both cultures and build a new culture that captures them."