

Hog Producer AgFeed Seeks Chapter 11 Bankruptcy Protection

Supply Contract With Hormel Is Ended Following Litigation

By Yogita Patel

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Hog producer AgFeed Industries Inc. filed for Chapter 11 bankruptcy protection on Monday after agreeing to wind down its supply contract with its main U.S. customer, Hormel Foods Corp., [HRL 0.49% ▲](#) which purchases weanling pigs and hogs from the company.

AgFeed plans to sell its U.S. operations while under Chapter 11 protection. It also is looking for a buyer for its Chinese units, which aren't included in the U.S. bankruptcy case.

The Hendersonville, Tenn., company has lined up a \$79 million leading bid for most of its U.S. assets from Maschoffs LLC, a Carlyle, Ill., hog production network, according to papers filed with the U.S. Bankruptcy Court in Wilmington, Del. The offer, which is subject to court approval, would be tested at a court-supervised auction.

The company's U.S. operations brought in \$244 million in revenue in 2012, according to court papers.

The company has been involved in a dispute with Hormel that led to an arbitration award of \$7.9 million against AgFeed earlier this year. This decision spurred an event of default under the company's \$68.5 million credit facility, which matured in February and hasn't yet been repaid.

AgFeed and Hormel have since reached a settlement and have agreed to wind down their business relationship by the end of the year. In 2012, the company supplied more than 1.3 million hogs to Hormel's processing facilities in Austin, Minn., and Fremont, Neb., according to court papers.

In January of last year, AgFeed determined it would need to restate financial statements going back to 2007 after a special-committee probe into accounting issues at its animal nutrition and legacy farm hog operations in China. It named Keith A. Maib of turnaround firm Mackinac Partners as chief restructuring officer in May.

AgFeed said it has been "actively marketing" its Chinese assets but hasn't yet reached a deal with a potential buyer.

AgFeed, which listed assets of about \$156.4 million in court papers, was founded in 1995 as a feed producer in China. In 2007, the company expanded its operations in China to the hog production market in order to "establish itself as a larger market participant," according to court papers.

The company, through subsidiaries not included in the Chapter 11 case, maintains 21 commercial farms and five feed mills in China that produce more than 250,000 hogs annually.

In 2010, AgFeed expanded into the U.S. market through the purchase of leading hog producer M2P2 LLC. Its U.S. business, which include the use of 10 sow farms in North Carolina, Oklahoma and Colorado and two feed mills in North Carolina and Colorado, produce more than 1 million hogs each year.

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