

# Basic Vegetable owners consider selling

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With their King City plant still under siege, the owners of Basic Vegetable Products are considering selling the company to Gilroy Foods, Basic representatives confirmed Friday.

Sources close to the deal say the months-long talks are serious and could wrap up within 30 days. If the deal goes through, Gilroy Foods — a wholly owned subsidiary of national food giant ConAgra Inc. — would have only one rival left in the onion and garlic dehydration business.

Neither Basic nor ConAgra representatives would reveal how much Gilroy Foods wants to pay for Basic, a privately held company. And

## *Strike at King City plant continues*

whether Gilroy Foods will buy the company in the middle of its 16-month strike — and demand a lower price to compensate for the hassle — is still unclear.

But Basic is being squeezed in an industry ripe for consolidation, analysts say. And a sale to ConAgra's Gilroy subsidiary would fit the corporate giant, which they say is trying to diversify into other products.

With \$25 billion in annual sales and the 60th spot in the Fortune 500, the Omaha, Neb.-based company is the No. 2 U.S. food company

behind Philip Morris' Kraft Foods. It has three main segments: refrigerated foods and meat products; packaged foods; and agricultural products. Its brands include Healthy Choice, Butterball, Banquet and Hunt's.

News of the purchase negotiations "doesn't surprise me," said James O'Mealia, managing director of New Jersey-based Fox Asset Management, which owns more than 800,000 shares of ConAgra stock. The Basic acquisition might fit into ConAgra's strategy of reinventing itself through acquisitions, cost-cutting and

new products. This year alone, ConAgra has acquired International Home Foods for \$2.9 billion and Lightlife Foods for an undisclosed amount.

"We applaud it," O'Mealia said.

Industry analyst Jeffrey Kanter of Prudential Securities was less upbeat about ConAgra. Sales growth for the past year has been 3.2 percent — lower than expected, he said. At 19½, the stock is just a few points above a 3-year-low and down from a 52-week high of 26-7/16. Even before the acquisition talks, Kanter suggested that investors hold on to their stock and wait to see how the company develops.

Please see **Basic page B2**

# Basic

*From page B1*

The stock dropped 5/16 on Friday.

Speculation on how Gilroy Foods will approach the strike — Gilroy Foods suffered a strike in the late 1980s, a Basic spokesman said — is mixed. Strike-tainted mergers are rare. But when airlines consolidated in the 1980s, a few buyers eyeing troubled companies struck deals with unions as part of a takeover, analysts said.

Industry analyst Jeffrey Kanter of Prudential Securities said, "Clearly there is a risk" for Gilroy Foods in buying a strike-plagued company. But he added: "That is often reflected in the price one might pay."

Basic attorney Jay Jory disagreed. Although workers picketed for many weeks after the walkout, Basic has since hired 650 "permanent replacements" for the strikers, and about 70 strikers have decided to return to work. An end to the conflict remains "very far" down the road, Jory said, so "a buyer coming into that would feel he had leverage against the union."

Because the company doesn't sell directly to the public, strikers have been pushing a boycott of Basic Vegetable among large companies, counties and school districts that buy Basic products.

The strikers already have earned resolutions endorsing a boycott from the state Assembly and an identical action in the state Senate. They're hoping to enlist Gov. Gray Davis, but Davis has been noncommittal.

Local Teamsters representatives did not return phone calls for comment Friday.

Basic's King City plant is one of its two main processing facilities, the other being in Modesto. Basic has its corporate offices in Walnut Creek as well as a "harvest headquarters" and research facility in Hanford, Jory said.

Gilroy Foods, a ConAgra subsidiary since 1996, is the world's largest supplier of dehydrated garlic, onion, paprika, and pepper products. It also offers frozen foods, spices, sauces and marinades. It has seven plants, including one in King City.

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