



# Dutch grocery giant buys Allen Foods

BY THOMAS LEE

Allen Foods Inc., a longtime family-owned food distributor in St. Louis, was acquired Thursday by Royal Ahold NV of the Netherlands, one of the world's largest operators of supermarkets and specialty food stores.

Terms of the deal were not disclosed.

Stanley Allen, the company's president, will be president of the St. Louis division of U.S. Foodservice, a subsidiary of Ahold based in Columbia, Md. Richard Allen, Stanley's nephew, will be executive vice president of the new division.

Stanley Allen is the grandson of the company's founder, Louis Allen.

Over the last few years, a wave of consolidation has swept through the food industry as large retailers, distributors and suppliers seek to gain volume and cost efficiencies by acquiring smaller regional companies like Allen Foods, experts say.

Last month, Clayton-based Raskas Foods Inc., a 114-year-old family-owned company and the country's largest maker of private-label cream cheese, was acquired by Schreiber Foods Inc. of Green Bay, Wis. In June, Performance Food Group of Richmond, Va., the third-largest U.S. food distributor, purchased Middendorf Meat Co., another longtime family-owned business in St. Louis.

Founded in 1901, Allen Foods distributes food products and equipment to restaurants, hotels, hospitals and schools. Although the company has some international sales, the bulk of its business rests within a 300-mile radius of St. Louis, from Topeka, Kan., to Terre Haute, Ind. Nearly 40 percent of its business comes from health-care institutions.

The Allen family also owns Halben Food Manufacturing Co., which makes beverage mixes, sauces and dressings under the Lasco brand. That company is run by Joel Allen, Stanley's brother, and Louis Cohen, a brother-in-law. Under the deal, the Allen family will retain control of Halben.

By acquiring Allen Foods, Ahold wants to strengthen its position in the central plains region, a \$3.7 billion food distribution market, said Lloyd Greif, chief executive of Greif & Co., a Los Angeles-based investment bank that advised Allen Foods on the deal.

While Ahold owns distribution operations in Topeka and in Salem, Mo., the company has only a nominal presence in St. Louis, he said. With \$245 million in sales this year, Allen Foods is not only the top distributor in St. Louis but is "nicely profitable," Greif said.

Royal Ahold, which generated nearly \$60 billion in sales in 2001, owns several supermarket chains in the United States, mostly on the East Coast, including Stop & Shop, Giant, Tops, BI-LO, and Bruno's.

Over the last three years, Ahold has bulked up its food distribution business. After acquiring U.S. Foodservice in 2000, Ahold has purchased several regional food distributors, including Parkway Food Service, PYA Monarch, and Alliant Foodservice Inc.

With \$19 billion in sales this year, U.S. Foodservice is the country's second-largest distributor behind Sysco Corp. of Houston.

Ahold is a "good operator" that excels in acquiring and integrating companies, said Phil Lempert, editor of Supermarketguru.com, a Web site that tracks consumer and grocery trends.

To boost profit margins, the company has focused on buying food distributors, which, in turn, can supply its supermarkets more efficiently, he said. Ahold also wants to use its Internet and food distribution operations to increase sales to small businesses, Lempert said.