Quiet Giant Sweetens Empire

By ERNEST BECK
Special to The Blade

> **Two Americans, the Page brothers of Illinois, founded the Anglo-Swiss condensed milk company in Switzerland in 1866, which eventually merged with the Henri Nestle company of Vevey to form the Nestle of today.**
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> **Charles Page, who was American consul in Zuerich at the time, brought to Switzerland many of the ideas for condensed-milk products pioneered by Gail Borden, founder of Borden's in the United States. — E.B.**

BERN, Switzerland — In the first four months of this year, 39 American companies were bought out by foreign firms — four times more than in the same period in 1983.

The unprecedented $2.9 billion takeover bid for the Los Angeles-based Carnation Co. by Switzerland's food giant, Nestle, has become the largest deal of its kind outside the oil sector and is six times bigger than any previous Nestle acquisition.

Although Britain and Holland remain the biggest investors in the United States with about $24 billion each, the generous price tag for Carnation will boost Switzerland's stake in America from its current $4½ billion to almost $8 billion, or 6 per cent of all foreign money in the United States.

THE SWISS currently own 452 American companies — the majority in manufacturing, with trade, insurance and banking accounting for about 10 per cent each. These firms provide 138,000 jobs for Americans, as only about 1,000 Swiss are employed in the United States to work for these companies.

Dollars also flow in the other direction: There are 638 American-owned Swiss companies with a book value of $13 billion and 50,000 employees, 800 of whom are Americans.

In many ways, Nestle is typical of a Swiss multinational which sets its sights outside Switzerland's borders to survive. Only about 3 per cent of its $13 billion worldwide sales are in Switzerland itself. Of that total, a relatively small $2 billion, or 20 per cent, are in the United States.

Nestle already owns more than a dozen American firms, including Libby, McNeill, and Libby Canned Foods, Beech-Nut, and Stouffer's, as well as a citrus grove in Florida, a vineyard in California and Cain's coffee in Oklahoma. In addition, its wholly owned subsidiary in New York distributes Nestle chocolate and instant-drink products.

IF APPROVED by the Federal Trade Commission, Nestle would immediately double its U.S. sales to more than $4 billion a year and in the process grab a big chunk of the growing American food market, making Carnation a sweet deal for the Swiss.

"Overall, the two companies make a nice fit," Nestle executive board member Carl Angst remarked soon after the deal was announced earlier this month.

Although Nestle is a world leader selling milk products, it gave up selling them in the United States after World War I. Carnation remains a strong competitor in this area.

Both companies are product innovators: Nestle brought the world instant coffee; Carnation brought instant milk to the world.

Except for a small overlap in the instant cocoa market, their products are complementary and not competitive. But they share the distinction of being regarded as high-quality items.

THE CARNATION price broke records, but the heavy-handed "coup" to get the company under Swiss control was not altogether unusual for the quiet firm once derided by its bigger-American rivals as "that little Swiss chocolate company."

For more than a century, Nestle has been slowly gobbling up smaller companies and integrating them into its global empire, now stretching to more than 60 countries.

From its small world headquarters in the town of Vevey, a quiet outpost on the shores of Lake Geneva, 1,500 top managers — most of them Swiss — oversee Nestle's transnational operations and 140,000 employees at 282 factories and 700 distribution centers.

NESTLE has carved a place for itself as one of the world's largest food suppliers and is among an elite group of eight manufacturers who provide almost all the nutritional needs in western Europe, the United States and Canada.

It has also been highly successful in the developing nations, where its marketing practices for baby formula have brought it in for criticism and a rebuke from the United Nations World Health Organization.

Nestle's harshest critics contend that the company hides behind its very "Swissness," peddling the purity of its main product — milk — under the facade of Switzerland's image as humanitarian helper to a less fortunate and unsanitary world, while reaping profits and changing the sociological standards of poor nations.

The company is still smarting from the effects of a six-year boycott of its products in the United States, western Europe, and Australia over the baby-formula issue, which ended last year. It admitted some mistakes and agreed to change its ways.

Francois Perroud, Nestle vice president, denies that the move to Carnation is related in any way to the end of the boycott and stresses that Nestle's connections to America are deep for historical reasons and not for purely financial ones.

The majority of the companies are bought outright by the Swiss, with only a few falling under the title of "joint venture," but local management is usually kept on and Americans run the companies, except for American offices of Swiss banks where the Swiss like to keep their eye on things.

Although the Federal Trade Commission objected to Nestle's planned purchase this year of California's Cooper Vision eye-care company. (Nestle eventually backed down from the $500 million deal), Nestle does not expect much trouble this time around from the U.S. regulators.

As one of the quiet giants of the food industry it usually gets its way, and is always on the lookout for new companies — and countries — to conquer.

Ernest Beck, an American, writes and edits at Swiss Radio International.

-THE BLADE: TOLEDO, OHIO, SUNDAY, SEPTEMBER 23, 1984-

Nestle executives have a view like this on Lake Geneva