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Nothing sweet about cocoa trader's trip into Chapter 11

Ian Wenik

A cocoa trading house is getting roasted in Chapter 11.

Transmar Commodity Group Ltd., feeling pressed by volatility in the bean's prices, submitted a bankruptcy petition in the U.S. Bankruptcy Court for the Southern District of New York in Manhattan on Saturday. A first-day hearing on the debtor's request to access its cash collateral before Judge James L. Garrity Jr. is scheduled for Wednesday.

A U.S. subsidiary of the Transmar Group, the debtor said in court papers that it imports beans and cocoa butter from China, Ghana, Cote d'Ivoire and Ecuador. Its customers include the sweetest names in the chocolate business: Hershey Co. (HSY), Mars Inc. and Nestle SA.

However, the struggles of one of its biggest customers, affiliate Euromar, have left a bitter taste in the debtor's mouth.

Euromar has been entering into unfavorable forward purchase contracts for several years, Transmar CRO Robert J. Frezza said in a declaration. The massive losses on those contracts brought on by fluctuations in cocoa prices pushed Euromar into a German insolvency proceeding on Dec. 2 and left Transmar holding the bag on a \$94 million intercompany claim.

"The intercompany claims were typically reconciled annually by Euromar's assignment of forward contracts to the debtor," Frezza said. "A number of the forward contracts previously assigned to the debtor by Euromar have resulted in losses to the debtor similar to the losses sustained by Euromar."

Euromar's failure caused Transmar to default on its \$400 million senior secured credit facility, Frezza said. Dutch bank ABN AMRO Bank NV is administrative agent on the loan as well as a lender. Societe Generale SA, BNP Paribas, Macquarie Group LTD, Bank Hapoalim, Israel Discount Bank Ltd and the Bank of Tokyo-Mitsubishi UFJ Ltd are also owed money on the facility. Transmar owes \$359.9 million on the credit facility, plus about \$4.7 million in interest.

Private equity firm AMERRA Capital Management LLC is owed \$8.68 million on an unsecured loan. Transmar's other unsecured claims add up to roughly \$40 million and include Theobroma BV (\$7.95 million, disputed), Cocoa Marketing Company Ltd. (\$1.9 million), Swiss Trading Solutions GMBH (\$1.54 million, disputed) and Cooperative Cade Cacao de Vavoua (\$1.52 million, disputed).

Transmar listed assets and liabilities between \$100 million and \$500 million in its petition.

Tracy L. Klestadt, Joseph C. Corneau and Christopher J. Reilly of Klestadt, Winters, Jureller, Southard & Stevens LLP are debtor counsel, as are Joseph L. Schwartz, Tara J. Schellhorn and Rachel F. Gillen of Riker, Danzig, Scherer, Hyland & Perretti LLP.

<http://pipeline.thedeal.com/tdd/ViewArticle.dl?id=13940789>

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