

Business

Battling bagel producer sues Kellogg's for \$83m

Andrew Clark

Sun 21 Oct 2001 21.45 EDT

A Hertfordshire bagel firm has launched an \$83.5m (£58m) lawsuit against Kellogg's, claiming that "outrageous" behaviour by the US breakfast cereals firm drove it to bankruptcy.

Ridley Bagels claims Kellogg's flouted a joint venture agreement under which they planned to persuade Britain of the virtues of starting the day with a bagel.

The agreement, struck in 1997, established a company called Garden City Bagels. Ridley, of Letchworth, contributed its \$4m bagel factory in return for a 49% stake.

Kellogg's was supposed to commit millions of dollars to fund advertising. But the US firm withdrew from bagels two years later, leaving Ridley high and dry. Kyri Kyriacou, a major shareholder in Ridley, said: "We believe Kellogg's conduct was inexcusable and outrageous."

According to Ridley's lawsuit, the joint venture was highly successful, helping it become the market leader in Britain ahead of its only competitor, New York Bagels. But Kellogg's became frustrated with bakery products because of the poor performance of its bagel firm in the US, Lender's Bakery.

Ridley's lawyer, Gerard Mantese, said: "Prior to the interaction with Kellogg's, Ridley was doing fantastically."

"But Ridley's is now utterly destroyed. It is not in operation any longer." Ridley claims that its shareholding in Garden City was worth more than \$70m, and that it was entitled to at least \$9.5m of profits. It wants a further \$4m to compensate for the loss of its factory.

Kellogg's kept the joint venture at arm's length, setting up a subsidiary company to carry out the transaction. Ridley insists, however, that the deal was with Kellogg's itself, which exercised control from its head office in Battle Creek, Michigan.

Ridley's co-counsel, John Conway, said: "Kellogg's conduct certainly gives new meaning to Kellogg's slogan 'the best to you'."

Kellogg's declined to comment.