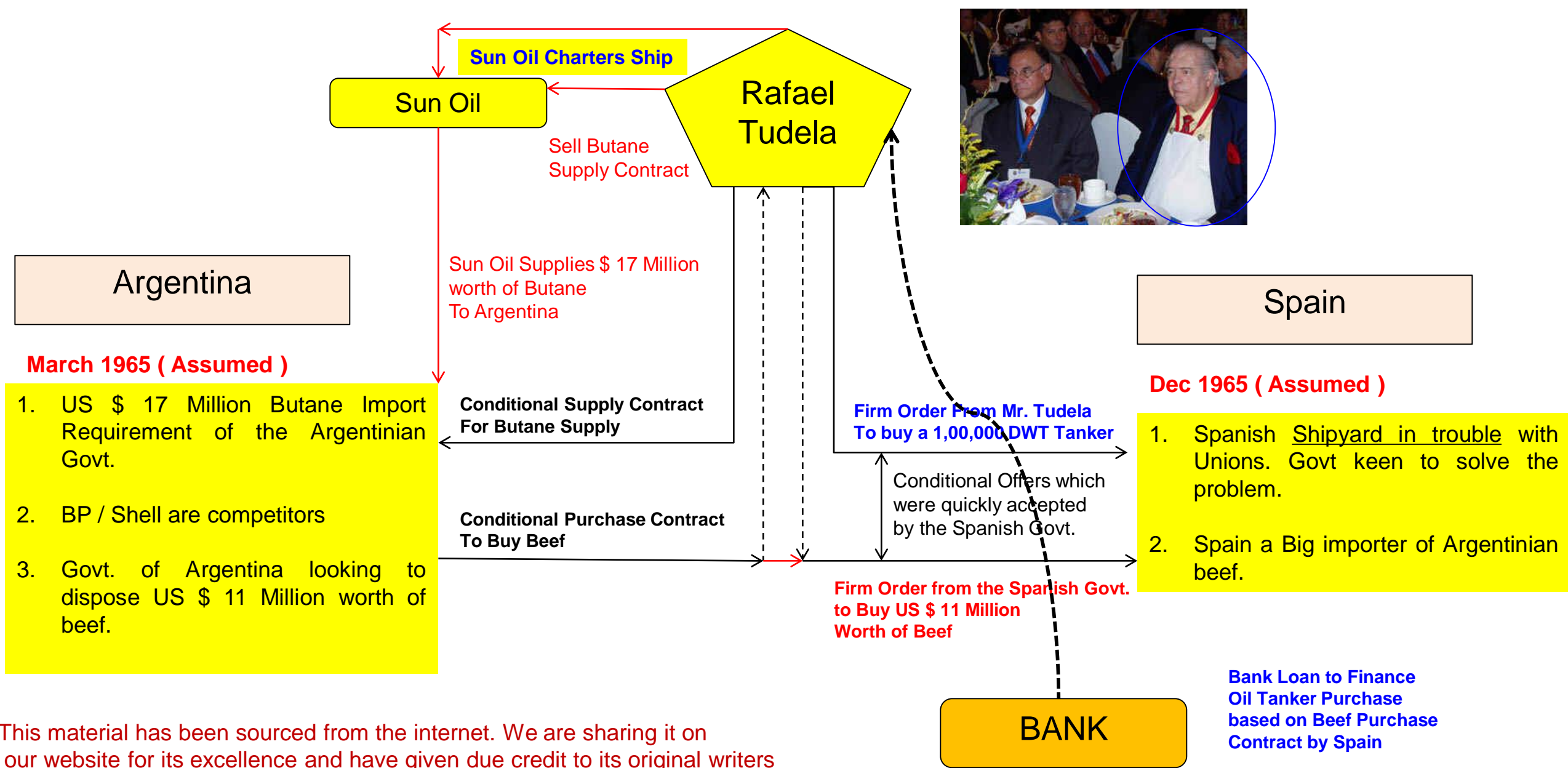


# Innovative Deal Design

## The Butane / Beef / Shipbuild Deal

In the mid-1960s, Rafael Tudela owned a small petroleum company in Caracas, Venezuela. While the business was successful, Tudela yearned to get a bigger piece of the action – to become a real player in international trading. So, when one of his business associates mentioned the Argentinian government was going to be in the market for \$17M worth of butane gas, he got on a plane and flew down.

Unfortunately, when he arrived he realized he was up against the giant companies British Petroleum and Shell Oil. As the owner of a small Venezuelan oil business, he didn't seem to have much of a chance. Instead of getting discouraged, Tudela focused on the few things he could control. All he needed to do was figure out how to secure the butane contract, then he'd figure out how to fulfill the order. But he needed an edge.



Tudela was the master of learning little things about every situation – details that most people would ignore. He would characterize himself later in life as a chess master who thought a few moves ahead. In this case, he found out the Argentinian government had an oversupply of beef, nearly \$11MM worth, and they were trying to find a way to get rid of it. So he used the beef as leverage point. Tudela offered to buy the \$11MM of beef if the government would buy the \$17MM of butane from him, changing what otherwise seemed like a straightforward oil contract into a two-part deal. His offer was now more appealing than either of the offers from the giant companies.

The two sides agreed and Tudela had the butane contract – in principal.

He still had to figure out how to pay for the \$11MM of beef in order to get the contract for \$17MM of butane.

But Tudela had been paying attention. During his negotiations with Argentina, he read about a Spanish shipyard that was shutting down and laying off workers for lack of work. It had turned into a huge political issue, causing a fair amount of unrest. He also knew that Spain was a major consumer of Argentinian beef. So, after getting the Argentinians to consider his beef/butane deal, he flew to Spain and had a meeting with the government officials dealing with the shipyard. He offered to purchase a 100,000-ton Spanish oil tanker, to be made at the shipyard that was about to be shut down, in exchange for \$11MM in Argentinian beef. The Spanish authorities quickly agreed, seeing an easy way to solve their massive political issue.

Once he had the commitment from Argentina that they would give him the \$17MM butane order, Tudela was able to secure the loans he needed to purchase the beef, or rather the 100,000-ton tanker.

To finish off the deal, he called up the Sun Oil Company and offered to sell them the Argentinian \$17MM butane contract if they would charter his 100,000-ton tanker, being built in Spain, to transport it.

When the nine month long deal was completed, he had a \$2MM profit. And more importantly, the small time oil man now had a stake in the international oil & gas trade.

Sometimes what you really need isn't advice or another checklist, but rather just a good story about how someone else made it. Their experiences can give you the little insight you need to make a change in your own business that pushes you to the next level. Over the next few months, we'll be publishing stories of great business deals to inspire you. What other stories should we feature?

-Concluded –

**Deal Source** : Cody Boyle in Axial Forum, 23<sup>rd</sup> Jan ' 2014

<http://www.axial.net/forum/one-entrepreneur-talked-way-2mm-100000-ton-oil-tanker/>