



KordaMentha

Agribusiness Industry Roundup

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Overview

- The Bureau of Meteorology's latest Drought Statement reported that rainfall was very much below average across Australia during May 2009. Victoria and the south west of Western Australia are suffering from severe short term rainfall deficits and have recorded near record dry spells so far in 2009. Victoria has recorded its third driest start to a year since 1900. There was also an early end to the northern wet season. The recurrence of short term rainfall deficits has also reinforced the long term rainfall deficit affecting the lower Murray Darling basin.
- The Bureau's rainfall outlook for the period from June to August 2009 reflected an increased likelihood of drier conditions with only average rainfall forecast for northern Australia. The likelihood of below average rainfall for the lower Murray Darling basin and the south west of Western Australia is now approaching 60%.
- News from listed agribusiness companies was mixed in May 2009 with CSR and GrainCorp providing profit upgrades but profit warnings being issued by ABB, AWB, PrimeAg and Warrnambool Cheese & Butter. In addition, Great Southern was placed in receivership reflecting the fall from favour of MIS schemes after the failure of Timbercorp in April 2009.

Listed Company News

Australian Agricultural Company Limited (AAC)

- AAC announced on 11 May 2009 that it had terminated discussions with Primary Holdings International Group regarding a proposed joint venture involving the sale of five of its properties together with an ongoing joint venture for raising cattle on those properties.

ABB Grain Limited (ABB)

- ABB announced on 19 May 2009 that it had entered into an implementation agreement with Viterra pursuant to which Viterra would acquire ABB at a valuation range of \$9.11 to \$9.41 a share comprising a mix of cash, Viterra shares and a special fully franked dividend.
- ABB announced on 19 May 2009 a NPAT of \$29.7m for the six months ended 31 March 2009 down 9% from the prior year first half NPAT of \$32.7m due to stock write downs and losses of \$9.8m after tax in ABB's fertiliser business. ABB attributed the losses to substantial falls in world fertiliser prices.
- ABB announced a profit warning on 20 May 2009 with its expected underlying NPAT for the year ending 30 September 2009 being \$53m to \$63m compared to its original expectation of underlying NPAT of \$63m to \$73m.

AWB Limited (AWB)

- AWB announced on 12 May 2009 a profit downgrade with NPAT for the six months ended 31 March 2009 expected to be in the range of \$8m to \$9m compared to previous expected NPAT of \$10m to \$12m. In addition, a management review had identified accounting errors which would reduce previously reported NPAT for the year ended 30 September 2008 by \$4m. AWB attributed the downgrade in performance and prior year accounting adjustments to its Brazilian operations.
- AWB announced on 20 May 2009 a NPAT of \$8.5m for the half year ended 31 March 2009 down 62% on the prior year first half NPAT of \$22.3m.



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Elders Limited (ELD) (Formerly Futuris Corporation Limited)

- ELD announced on 11 May 2009 the sale of its remaining 19.99% of AAC through an institutional book build at a price of \$1.60/share realising gross proceeds of \$84.5m.

Costaexchange Limited (CHQ)

- Trojan Equity Limited announced on 26 May 2009 that it had entered into a conditional agreement to sell its 5.6m shares in CHQ for \$0.75/share.

CSR Limited (CSR)

- CSR announced on 13 May 2009 that its Sugar Division had reported EBIT of \$83.7m for the year ended 31 March 2009 up 17% due to improved realised prices for raw sugar and higher profitability from its refining and ethanol operations despite a lower crop due to rain.

GrainCorp Limited (GNC)

- GNC announced on 13 May 2009 an upgraded profit guidance of NPAT of \$37m to \$42m for the year ending 30 September 2009 compared to its previous guidance of \$23m to \$28m.
- GNC announced on 18 May 2009 a NPAT for the six months ending 31 March 2009 of \$32.3m compared to a loss of \$6.5m for the prior year first half reflecting significantly higher grain receivables, carry-in of grain stored and higher export volumes.
- GNC also announced on 18 May 2009 an institutional share placement of 9.65m shares at \$6.25/share to raise approximately \$60m.

Great Southern Limited (GTP)

- GTP announced on 18 May 2009 that it had appointed voluntary administrators with this announcement followed by notification of appointment of receivers on 19 May 2009.

Maryborough Sugar Factory Limited (MSF)

- MSF announced on 12 May 2009 that the merger discussions previously announced with Tully Sugar had been terminated as the parties could not agree appropriate merger terms.

PrimeAg Australia Limited (PAG)

- PAG announced on 1 May 2009 a profit warning with its full year profit guidance expected to range from a pre-tax loss of \$2.0m to a pre-tax profit of \$1.0m.

Ruralco Holdings Limited (RHL)

- RHL announced on 26 May 2009 a NPAT of \$6.3m for the six months ended 31 March 2009 down 40% on the prior year first half NPAT of \$10.6m. RHL attributed the reduction in NPAT to disappointing performances in its Tasmanian wool and livestock division, its real estate division and its stockfeed, seed and grain division.

Warrnambool Cheese and Butter Factory Limited (WCB)

- WCB announced on 28 May 2009 that due to continuing impacts of weak global dairy prices, the stronger Australian dollar, loss of milk supply and costs associated with the Australian Cheese Company joint venture with National Foods Limited that it expected its previously announced loss guidance of \$10m to \$12m to be exceeded.



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Cotton

- The latest United States Department of Agriculture's Cotton & Wool Outlook latest forecast reflected forecast world cotton production of 106.3m bales over 2009/10 reflecting steady production compared to estimated production of 107.1m bales in 2008/09. Crop area planted is forecast to remain flat at best due to the uncertain economic outlook and transition by producers to more profitable crops.

Dairy

- Dairy Australia reported that milk production for the month of April 2009 was up 2.3% from the prior year as a fall in the key producing state of Victorian of 2.3% was offset by increases every other state.

Grains

- The USDA's Wheat Outlook latest forecast lowered world wheat production estimates slightly but forecast ending wheat stocks are still expected higher as consumption estimates and upward revisions to opening wheat stocks offset likely production falls. Dry conditions in central Europe, the Ukraine and Canada were expected to limit production but this was expected to be offset by Russian and Chinese production.
- The USDA's Rice Outlook forecast a fifth consecutive year of record rice production with 2009/10 production up 1% to 448.5m tons following upward revision to areas planted to rice in Brazil and Spain. In addition, Brazilian investment in production technologies and infrastructure is forecast to result in substantially higher rice crops from that country.

Livestock

- The Eastern Young Cattle Indicator ended May 2009 at 322.75, which was up 1.9% from April 2009 figure of 316.75 although the index fell 3% mid-month before recovering at month end.

Water

- The Murray Darling Basin Authority latest drought update reported that Autumn 2009 was the ninth year of consecutive below average rainfalls. Inflows in May 2009 were only 90GL which was the lowest recorded May inflow since 1902 when 75GL was recorded. Inflows over recent years have been the worst on record (2006/07), third worst on record (2008/09) and seventh worst on record (2007/08). As a consequence, the Lower Lakes recorded a new record low of -1.04m.

Wine

- The Australian Wine and Brandy Corporation released figures showing that the volume of wine exported in the year to 30 May 2009 increased by 1% or 7.7m litres although realised prices fell by 15% to around 56¢/litre.

About The KordaMentha Research Unit

Background

KordaMentha is an independent professional services firm specialising in corporate restructuring, corporate advisory and real estate services.

Our national practice spans all major cities in Australia and comprises in excess of 180 staff. Internationally, we work in cooperation with AlixPartners, a global restructuring firm covering North America, Europe and Asia.

Our partners, directors and staff have extensive experience across a broad range of industries and our firm has a culture based on creative solutions and implementation. The strength of KordaMentha's experience makes us well placed to monitor, evaluate and comment on issues and developments in industry, and in corporate restructuring, workouts and insolvency generally.

Statement of Direction

The KordaMentha Research Unit aims to:

- develop intellectual property
- share our knowledge of specialist topics with insolvency stakeholders; and
- develop balanced solutions for issues in the industry.

Personnel

The KordaMentha Research Unit is headed by Andrew Malarkey (amarkey@kordamentha.com). KordaMentha Partners and Directors contribute to the KordaMentha Research Unit.

Current Research

In addition to general publications, the KordaMentha Research Unit regularly publishes Industry Roundups and Industry Vitals.

Industry Roundups provide a concise summary of recent news and development, covering a number of industry sectors.

Industry Vitals provide a snapshot of key issues relating to selected industries.

All KordaMentha Research Unit publications can be accessed via our website – www.kordamentha.com

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