



KordaMentha

# Agribusiness Industry Roundup

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## Overview

- The Bureau of Meteorology's latest Drought Statement reported above average rainfall across most of Australia in October 2009 with northern New South Wales and the Queensland interior receiving heavy falls. A serious short term rainfall deficit for the four months from July to October 2009 has emerged in south east Queensland but for most other areas of Australia there has been an easing or stabilisation of long term rainfall deficits.
- The Bureau's rainfall outlook for the period from November 2009 to January 2010 indicated that the short term rainfall deficit in south east Queensland was likely to continue and to spread across northern regions of New South Wales. Those areas have a 65% to 70% chance of below average rainfall for that period. In contrast, there is a 60% to 65% chance that rainfall will be above average across the Northern Territory and the northern half of Western Australia.
- Listed agribusiness companies announced a substantial number of capital raisings during the month as restructuring/debt paydown or corporate activity drove companies demand for access to additional capital.

## Listed Company News

### AWB Limited (AWB)

- AWB announced on 5 October 2009 that the US Court of Appeals had dismissed an appeal by Iraqi class action plaintiffs against the original verdict of the US District Court which had also dismissed the class action brought by the plaintiffs against AWB.
- AWB announced on 26 October 2009 that it had completed its equity raising announced in September 2009 with total proceeds of \$459m raised from retail and institutional offers.

### CSR Limited (CSR)

- CSR announced on 26 October 2009 that its Sugar Division achieved an EBIT of \$114.2m for the six months ended 30 September 2009 up from \$27.8m for the corresponding prior year first half reflecting increased volumes and a substantially higher world sugar price. CSR indicated that realised raw sugar prices reflected \$A400/tonne in the year to date compared to last years realised raw sugar price of \$A325/tonne.
- CSR also announced on 26 October 2009 that it was going to raise \$375m through a fully underwritten entitlement offer to facilitate the demerger of CSR and allow appropriate gearing for the demerged Sugar and Renewables business.
- CSR also announced on 26 October 2009 that it had agreed to acquire the balance of 25% held by Mackay Sugar Ltd in their sugar and refining joint venture in exchange for \$100m consideration, payable by way of 8.77% of the demerged Sugar and Renewables business.
- CSR announced on 28 October 2009 that it completed the institutional component of its underwritten entitlement offer raising \$192m of the \$375m announced on 26 October 2009.

### Elders Limited (ELD)

- ELD announced on 9 October 2009 that it would not participate in the capital raising being undertaken by Forest Enterprises Australia and that as a result it would book a write down in the carrying value of its interest in FEA of \$32.2m.
- ELD announced on 15 October 2009 that its shareholders had approved its \$550m recapitalisation plan.

# Agribusiness Industry Roundup

## Graincorp Limited (GNC)

- GNC announced on 6 October 2009 a profit upgrade as it expected its NPAT for the year ended 30 September 2009 to be in the range of \$60m to \$63m compared to its previous NPAT guidance of \$53m to \$63m.
- GNC also announced on 6 October 2009 that it had agreed to acquire United Malt Holdings Group, the world's fourth largest malt producer, for an enterprise value of \$757m with completion of the transaction expected in November 2009. As part of the acquisition funding, GNC announced it would undertake a \$589m equity raising through an entitlement offer and institutional placement.

## Maryborough Sugar Factory Limited (MSF)

- MSF announced on 16 October 2009 a profit upgrade with a NPAT of between \$5.5m and \$6.5m expected for the year ending 30 June 2010 due to increased world sugar prices, higher crushing volumes, refining efficiency improvements and the payment of a special dividend by Sugar Terminals Limited.
- MSF announced on 22 October 2009, in response to media articles, that it was not presently in discussions with Bundaberg Sugar regarding acquisition of Bundaberg Sugar's north Queensland operations.

## Namoi Cotton Co-operative Limited (NAM)

- NAM announced on 20 October 2009 a NPAT for the six months ended 31 August 2009 of \$17.6m down from the corresponding prior year first half NPAT of \$18.6m as lower world cotton prices and reduced volumes impacted on NAM's ginning and marketing business.

## Ruralco Holdings Limited (RHL)

- RHL announced on 9 October 2009 a profit downgrade with NPAT for the year ended 30 September 2009 likely to be between \$7.2m and \$8.8m compared to prior year NPAT of \$16m as lower volumes and prices from its stock feed business, disappointing climatic conditions in key markets and downturn in rural property markets impacted its results.

## Tandou Limited (TAN)

- TAN announced on 7 October 2009 that its director's current view was that shareholders should reject the proportional takeover offer announced in September 2009 by Guinness Peat Group as the offer was considered not to reflect full value for TAN's assets and did not provide shareholders with a premium for control.
- TAN released on 20 October 2009 its Target Statement in which it formally recommended that shareholders reject the proportional takeover offer from Guinness Peat Group.

## Cotton

- Cubbie Group Limited appointed voluntary administrators on 30 October 2009 after the expiry of its funding facilities.

## Dairy

- Dairy Australia reported that milk production for the month of September 2009 was down 7.2% from the prior year as all states apart from New South Wales and Queensland reported lower production. Production in Victoria was down around 61m litres or 9.3% from the prior year.

# Agribusiness Industry Roundup

## Grains

- The latest USDA Wheat Outlook again revised upwards its forecast of world wheat production with forecast production in 2009/10 up another 3.8m tons to 671.9m tons. Upward revisions to production for Russia, the Ukraine and Kazakhstan reflected extremely favourable seasonal conditions in those regions. Although the production increases in the former Soviet Union were partly offset by reductions in the EU-27 and Canada, the increased supply is expected to continue downward pressure on world wheat prices.
- The latest USDA Rice lowered world production forecasts as a consequence of adverse weather in the Philippines, India and South America. The report also noted that India would import rice for the first time since 2000 as a consequence of a disappointing 2009/10 rice crop.

## Livestock

- The Eastern Young Cattle Indicator ended October 2009 down 4% at 304.75 compared to the closing figure for September 2009 of 317.75 with prices falling consistently through the month.

## Water

- The Murray Darling Basin Authorities latest drought update confirmed that inflows for the three months to October 2009 had provided a temporary boost to the River Murray system but that the Northern Basin remained very dry whilst the Darling River had ceased to flow. Although inflows were higher this year than over the last three years, the expected inflows in current water year was still likely to be in the lowest 20% on record. As such, the outlook for irrigators and the river system remained poor.

# 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](http://www.kordamentha.com)

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