



KordaMentha

# Agribusiness Industry Roundup

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## Overview

- The Bureau of Meteorology's latest Drought Statement reported unusual rainfall patterns for March 2009 with above average rainfall for much of central and south eastern Australia but below average rainfall for most of northern Australia. Despite this, Victoria still recorded its third driest January to March period on record. Long term rainfall deficits still persist for the southern regions of Victoria and the south east of South Australia.
- The Bureau in its Rainfall Outlook for the period April 2009 to June 2009 reported a marked change in rainfall outlook with the odds of below average rainfall in South Australia and Victoria rising from around 45% to between 65% and 70%. The Bureau indicated that the shift reflected warmer conditions in the Indian Ocean. Rainfall probabilities fell across much of the rest of Australia apart from the region covering south east Queensland and north eastern New South Wales where the likelihood of above average rainfall remains around 65%.
- News from listed agribusiness companies was limited in March 2009 following on from a busy reporting season in February 2009 although share price indicators fell in March 2009 reflecting negative sentiment for the sector following the mixed results reported in February and market concerns about future performance.

## Listed Company News

### Australian Agricultural Company Limited (AAC)

- AAC announced on 10 March 2009 that it would seek shareholder approval of the proposed acquisition of the Tipperary and Litchfield stations from Dunkeld Pastoral Group.

### Australian Vintage Limited (AVG)

- AVG announced on 31 March 2009, in response to a query from the ASX, that it was not aware of any information not already announced to the market that would explain the movement in its share price from \$0.185 to \$0.35 over the period from 23 March 2009 to 30 March 2009.

### AWB Limited (AWB)

- IMF (Australia) Ltd announced that a court ordered mediation in relation to the class action against AWB had been ordered for 2 July 2009.
- AWB announced on 20 March 2009 that The Australian Financial Review had incorrectly reported that AWB had sold its Landmark Financial Services loan book. AWB advised that it had not sold its loan book but continued to review the funding model presently in place in relation to its loan book.

### Great Southern Limited (GTP)

- GTP announced on 27 March 2009 that negotiations with its Japanese woodchip customers had resulted in no price increases for 2009 with prices maintained at 2008 levels. The outcome of negotiations reflected lower world wood chip demand.

### Ruralco Holdings Limited (RHL)

- RHL announced on 5 March 2009 a profit downgrade with first half NPAT expected to be between 45% and 55% down on the comparative prior year period as lower rural real estate turnover and lowering of demand for its stockfeed and seed products, principally reflecting lower dairy demand, impacted on profitability.



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## Timbercorp Limited (TIM)

- TIM announced on 12 March 2009 that it had raised additional provisions in relation to its loan book of \$24m with total provisions now reflecting \$42m or 8% of its loan book.

## Warrnambool Cheese and Butter Factory Limited (WCB)

- WCB announced on 31 March 2009 that it had secured a mix of debt and equity funding for its acquisition of its 50% interest in Australian Cheese Company which will hold its joint venture with National Foods to operate the former Dairy Farmers cheese business.

## Webster Limited (WBA)

- WBA announced on 2 March 2009 a NPAT of \$0.5m for the six months ended 31 December 2008 compared to a NPAT of \$1.7m for the corresponding prior year first half as equity accounting for losses in Webster Walnuts and closure of the former head office in Hobart impacted on profitability.

## Cotton

- The latest United States Department of Agriculture's Cotton & Wool Outlook forecast that world cotton consumption would fall even further than its last forecast with consumption likely to be down around 10.5% to 109.8m bales. The forecast fall in consumption was the largest percentage year on year fall since the USDA's predecessors began keeping records in 1920.
- World cotton production was also forecast to decline by around 10.2% reflecting reduced production for the US, China, India and Brazil due to shift of production to higher returning crops as well as continuing difficulties in producers funding planting. The USDA also reported that Chinese and Indian government authorities had been buying cotton at guaranteed prices to lessen the impact of lower prices on their producers. World indicator prices have fallen around 40% over the last year.

## Grains

- ABARE's wheat supply and export report showed that wheat exports for February 2009 increased by 0.2m tonnes to 1.4m tonnes compared to exports in January 2009.

## Livestock

- Terra Firma, a UK private equity firm, agreed to acquire 90% of Consolidated Pastoral Holdings which holds around 5m hectares of grazing country across the Northern Territory, Queensland and Western Australia.
- The Eastern Young Cattle Indicator ended March 2009 at 313.25, which was virtually unchanged from the February 2009 figure of 314 although prices did spike in the last week of March before closing flat.
- A number of the independent shareholders of AAC, including IFFCO Poultry which holds around 15% of AAC, have indicated they will vote against the proposed purchase of Tipperary and Litchfield stations from Dunkeld Pastoral Group. The purchase is subject to shareholder approval given it forms part of the disposal of AAC shares being undertaken by Elders Limited (formerly Futuris Corporation Limited).



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## Water

- The South Australian Government has threatened a constitutional challenge to bans by Queensland, New South Wales and Victoria on permanent water trading which South Australia claims is limiting release of permanent water flows to the lower Murray River.

## Wine

- The Australian Wine and Brandy Corporation released figures showing that the volume of wine exported in the year to 31 March 2009 fell by 2% or 15.5m litres with realised prices also falling by 13% to around 337¢/litre.
- ABARE forecast that Australia wine grape production would increase by 14% to 1.8m tonnes over 2009/10 reflecting improved yields although the forecasts assumed minimal increase in net area planted to grapes. Production was expected to increase by around 4.5% in 2010/11 as recently planted vines matured.



# 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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