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GAIN Report

Global Agricultural Information Network

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Cargill buys Australia's largest malt producer

Report Categories:

Agriculture in the Economy

Grain and Feed

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Report Highlights:

On August 5th, 2013 Cargill announced that it had reached an agreement to purchase Australia's largest malt producer, Joe White Maltings (JWM) from Glencore Xstrata for A\$420 million.

JWM is the largest malt producer in Australia with seven malting plants and a total annual capacity of 550,000 tons. With this acquisition Cargill will now control 17 malting plants worldwide with a total capacity of over 2 million tons making Cargill the third largest malt producer in the world behind Malteurop and Soufflet. JWM has been foreign owned since 2009 when Viterro bought ABB which had become the parent company of JWM in 2004. Glencore Xstrata purchased Viterro in 2012.

Australia produces over 800,000MT of malt annually and exports 600,000MT which accounts for approximately one quarter of the world's malting barley trade.

The purchase of JWM is Cargill's third significant Australian agribusiness acquisition in the last three years, after buying the AWB grain trading operations in late 2010 then investing in a joint venture with Teys Bros which is Australia's second largest beef processor and exporter. Cargill already processes over 600,000 tons of canola, cottonseed, sunflower seed and soybeans annually in Australia for use in animal feed and vegetable oil for foods like salad dressings and margarine. Its other activities in Australia include cotton marketing, food ingredients manufacturing, flour milling and risk management. The deal is still subject to Australian regulatory approval but is below the threshold required for Foreign Investment Review Board Approval.

Foreign investment in Australian agribusinesses has received significant attention in recent months due to the proposed takeover of Australia's largest grain handler, Graincorp by Archer Daniels Midland (ADM). While the ADM deal has been subject to rigorous scrutiny by Australian regulators and is opposed by sections of the Australian grains industry it is likely that the Cargill purchase of JWM will progress more smoothly. The primary reason being that JWM is already foreign owned and unlike Graincorp was never a cooperative so does not have the same sentimental attachment for Australian grain growers. Secondly Cargill already has assets in Australia which makes them less of an unknown to the Australian industry. The assets being purchased by Cargill are also only one part of the supply chain compared to the huge proportion of transport, storage, logistics and port infrastructure which ADM hopes to control.