

## Stock Journal

None

### Elders quits Indonesian abattoir and feedlot

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Poor returns and frustrating business conditions have convinced Elders to cut its last investment ties with the live export sector in Indonesia, selling its 8200-head feedlot and abattoir near Jakarta.

But the farm services business will retain cattle supply relationships to source northern Australian steers for the new Indonesia-Australian joint venture owners.

The abattoir at Bogor on Java will also continue to supply Bos indicus beef cuts for Elders Fine Foods' Indonesian hotel and restaurant customers.

No price details have been released, but the sale to the agribusiness and resources sector consortium PT Pramana Austindo Mahardika is expected by June 30.

It frees up about \$10 million a year in working capital that Elders had tied to livestock held in its Lampung feedlot on Sumatra, plus running costs associated with its Indonesian interests.

The Indonesian asset sale follows Elders quitting the live export shipping game mid last year, selling its North Australia Cattle Company to a management-led partnership with Chinese investors.

Elders still has commercial arrangements to supply cattle to NACC's export trade, which includes the Lampung feedlot.

Elders managing director Mark Allison confirmed the high cost of sourcing Australian cattle, combined with government-enforced beef price ceilings and changing Indonesian government policies for livestock imports, had "adversely affected the performance of our Indonesian business".

While its PT Elders Indonesia business was profitable, return on capital invested was less than 5 per cent, compared with the Australian company's overall return of 26pc last year.

"As with our decision to sell the live export business, return on capital was the primary driver, but we've also found it increasingly difficult to do business in Indonesia," he said.

"Competition from buffalo beef imports from India, changing rules on livestock imports and the beef price cap mean that if your costs rise there aren't many options to protect your margins from being squeezed.

"Elders puts priority on investing and growing business units which generate a consistent return on capital at a level which creates wealth for our shareholders.

"It became appropriate last year to look at divest these assets."

The new ownership group, Pramana Austindo Mahardika, includes private Indonesian investors, financial investors and an Australian livestock exporter, the Brisbane-based Austrex.

Elders will continue to have a presence in Indonesia through its retail meat distribution businesses, established in China and expanded to service high end restaurants and hotels in Vietnam and Indonesia.

The Indonesian operation supplies imported red meat cuts under its Killara and Kooyong beef and Marlee lamb brands to restaurants in Jakarta and Bali.

Kooyong branded lot-fed Bos indicus beef is sourced via the Indonesian feedlot and meatworks and will continue to be supplied by the new owners, although Elders will move its meat portion processing operations to new premises after the sale.

Mr Allison said the food service business in Indonesia, Vietnam and China continued to expand and would be the focus of future business growth.

"We have a clear resolve to realise our objective of continuing the consistent and high quality growth which has underpinned Elders' achievements," he said.

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