

**HD Minor global agribusiness deals expected**

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A wave of big takeovers in global agribusiness stalled late last year, when the Australian government said no to Archer Daniels Midland's \$3.1bn bid for local grain exporter GrainCorp.

But bankers and executives say more deals are to come - just minor ones.

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New York-listed ADM is keeping its 19.8 per cent **stake** in GrainCorp, saying it is happy with the **company's** proximity to Asia. Meantime, ADM has allocated \$1.4bn for capital spending and "small **M&A**" this year.

Bunge, its rival, recently told investors that **M&A** activity would be focused on "filling gaps" in its global agricultural trading **operations** and expanding in food and ingredients businesses, such as wheat milling.

The **company** is meanwhile considering a **sale** of its sugarcane mills, one of several Brazil-based **operations** to struggle with low sugar prices and policies adverse to making ethanol.

Cargill has signalled it would invest more in its own assets and less in substantial deals after the \$2.1bn **acquisition** of animal nutrition **company** Provimi, its largest ever. Recent takeovers have been too modest to make headlines, including an olive **oil company** in India and a dog treat manufacturer in California.

Glencore Xstrata has also moved into agriculture through the \$6.1bn **purchase** of Viterra, a Toronto-listed grain trader. However, it remains a relatively small player in the industry with a narrower geographic focus than many of its rivals. According to analysts, Glencore has holes in two critical areas for agriculture, the US and Brazil, and the only way it can fill them is via acquisitions.

The US Department of Agriculture projects world trade in "coarse grains" used to feed livestock - such as corn and barley - will rise 25 per cent to 179m tonnes in the next decade. Soyabean trade will grow almost half to 152m tonnes.

This requires stronger links between regions of fast-rising demand, such as **China**, with areas of surplus grain supply such as Australia, Brazil, Canada, Russia, Ukraine and the US.

In trading and processing businesses, where profit margins are measured in pennies per pound, consolidation can make sense as a way to maximise the capacity of silos and ships. Cargill, CHS and ConAgra are awaiting antitrust approval to form a three-way joint-venture in US flour milling.

However, many of the bigger potential deals have already been realised. What is left are smaller traders such as The Andersons, a \$1.6bn-market capitalisation **company** based in Ohio.

In some fertile regions it can be tough to do business. International traders have fought tax evasion complaints in Argentina, while Russia declared a cereals export ban in 2010. One Ukraine oilseed and grain merchant to catch the eye of foreign executives is Warsaw-listed Kernel, but the country's uncertain regime makes it difficult to evaluate, industry advisers and investors say.

One possibility that is rarely discussed is one of the big global traders merging with another, perhaps involving a western behemoth and one of the rising houses based in Asia. This would undoubtedly raise competition concerns, but one adviser suggests that given the success of recent cross-border deals, these may be surmountable.

"There's not a lot to buy unless you go very, very big," he says.

**CO** arch : Archer Daniels Midland Company

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