

FINANCIAL REVIEW

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HD **STAG Beef reheats quest for capital**
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Former Macarthur **Coal** chairman Keith De Lacy is seeking to revive capital raising plans for agribusiness venture STAG Beef, this time from cornerstone investors, as he moves on from an earlier protracted raising attempt and shelved listing.

Mr De Lacy, also a former Queensland treasurer, told The Australian Financial Review the **company** and its advisers had prepared an information memorandum and was targeting roughly six cornerstone investors. "We are still looking at the opportunity," he said. "We would hope to have everything in place by the end of the year."

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But some industry participants are sceptical about whether STAG, or The Staples and Agricultural Global Beef Investment, will be able to raise funds and execute on its strategy in a still challenging market.

Global beef prices have been rising strongly with exports of Australian beef to the United States soaring due to a shortage of US domestic beef. The key 90CL cow beef indicator averaged \$6.63 a kilogram free alongside ship in September, up from \$4.38/kg FAS in September 2013.

David Farley, a former chief executive of listed beef producer Australian Agricultural **Company** (AACo), said that looking at the global beef commodity cycle, it might be too late for new comers to tap into high beef prices.

"If you haven't got a position on now you've missed the cycle," he said. "Australia will be going into a herd rebuilding process behind everyone else and I think you'll find the red meat cycle has exhausted itself from its high."

Mr Farley pointed to the boom and collapse in **dairy** prices. **Milk** powder commanded more than \$US5000 a tonne for much of 2013, but is now fetching about \$US2600 a tonne.

"It's interesting how quickly the world responds to get prices back in line. The best cure for high prices is high prices," he said.

STAG was to differentiate itself from other listed cattle **operations** by focusing on breeding and rearing cattle only until they were weaned, rather than preparing them for export.

The **company** hoped to snap up four properties in the Northern Territory that were trading at depressed prices and wanted to capitalise on the surge in global meat consumption.

But Mr De Lacy said STAG found it difficult to secure the **purchase** of the properties it had earmarked before raising \$70 **million** in capital via a float, which had been planned for the first half of 2014. Broking house BBY was well progressed on plans for a listing before the offering was scrapped.

The **company** is understood to have taken the concept to a number of investment banks. STAG now believes bringing together a **group** of cornerstone investors is the best way forward.

"There is still plenty of opportunity there and there are high yielding properties for **sale**," Mr De Lacy added, noting that a viable portfolio would amount to \$200 **million**, including debt "It's about identifying the right ones."

He noted that beef prices had improved in recent months but, contrary to Mr Farley, he said they still had "some way to go".

STAG had appointed former Deloitte partner Alain Pillay as managing director, while Geoff Wagstaff was to manage day-to-day **operations**.

STAG's latest capital raising efforts come as Australia and **China** expedite negotiations around a free-trade agreement. The hope is that a deal can be signed when **Chinese** President Xi Jinping visits Australia for the G20 meeting next week.

CO sgbeef : The Staples and Agricultural Global Beef Investment Limited

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