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SE MarketWatch

HD **Hive of activity provides a sweet opportunity**

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Capilano Honey (CZZ) $7.05 THE supermarkets' private label brands have squeezed even the big-name suppliers, but the Kerry Stokes-backed Capilano remains queen bee with a 67 per cent market share.

Dry weather means local honey supply has been constrained. To combat this, Capilano opened a second front with its Allowrie and Smiths brands, using imported honey from Argentina and **China**.

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Thus, Capilano has ensured its rivals — notably Beechworth Honey with a 10 per cent share — do not recapture share when supply loosens. As with Capilano's eponymous **brand**, Beechworth only uses local honey.

Happily for all, the nation's bees have taken a leaf out of the **Business** Council's productivity manifesto and again are becoming a hive of activity. But according to CannacordGenuity's chief apiarist, Mark Topy, more rain is needed in NSW and Queensland for yields to return to normal.

On Friday, Capilano reported that earnings for the four months to October had surpassed the $2.45 **million** achieved for the whole of the first (December) half of 2013.

Capilano has managed to pass on the cost of increased honey input prices, which have firmed 20 per cent this year. **Buy**.

Carnegie Wave (CWE) 6.5c DEFYING the oil price slump, Carnegie shares have been firming after last month's commissioning of the wave-power **group**'s CETO 5 unit off Garden Island in Western Australia.

A second facility is due to be installed before Christmas, with first power delivered to the naval base in the New Year.

The sector has been problematic, with Scottish player Pelamis last week following the likes of Australia's Oceanlinx into administration. On the bright side, this raises the prospect of Carnegie picking up cheap assets.

Carnegie chief Mike Ottaviano says displacing diesel for, say, a remote island community is now a little tougher. "But unless oil drops further and stays there for years, it still doesn't deal with the price-risk exposure … nor the energy security or environmental issues,'' Ottaviano says.

As well as having $9.5m of cash, Carnegie has an undrawn $20m loan facility and $18m of undrawn federal government grants.

Spec **buy**.

Hydrocarbon horror THE last time Santos (STO, $9.11) shares plumbed these levels was in early 2007, when oil traded at similar levels but then bounded to a peak of $US135 a barrel.

The difference is that China was booming and the US was not awash with cheap shale gas.

Along with Woodside Petroleum (WPL, $34.20), Oil Search (OSH, $7.29) and BHP Billiton (BHP, $29.27), the South Australian gas stalwart was hammered for a second day yesterday.

Of course, these producers will be around long after the developers have shelved their plans and explorers have hung up their drill bits.

Speaking of which, gravity finally caught up with shares in LNG Limited (LNG, $2.52), the entity that plans to build two North American LNG import plants. Even without the oil price swoon we thought LNG shares were overvalued, ascribing a sell call at $3.76 on July 31.

We were less sagacious about developer Karoon Gas (KAR, $2.67), rating the stock a spec buy at $3.16 last Friday on the assumption OPEC would turn off the taps.

It didn’t. Karoon is now trading well under its cash backing, which means punters are being paid to take the 130 million barrels of Brazilian reserves.

As for BHP, now under $30 a share for the first time since early 2009, its oil and iron ore exposures look as comfortable as the Coalition’s Vic election post mortem.

Still, the dollar is cushioning the commodities pain and we’ll stick with a long-term buy.

Metcash (MTS) $2.24 WITH retailing’s third force losing its zing, new management insists its multi-pronged fix-it plan is bearing fruit. Unconvinced investors have hit Metcash shares by 16 per cent to record lows.

Weak sales from the mainstay food and grocery (IGA) arm belie any benefit from the competition regulator’s move to curtail Coles and Woolies’ petrol discounts.

Instead, the big two simply moved to other discounting mechanisms, such as 85c bread.

The get-fit initiatives include a “price match” guarantee on the Black & Gold home brand, which is also being spiced up.

“Price perception is always a challenge for our networks but I think we are making inroads,’’ CEO Ian Morrice says.

Metcash also has a problem with liquor and we doubt a seven-step program will rectify the woes.

Last December’s long-term buy call at $3.28 a share now looks as appealing as a can of Black & Gold baked beans.

Still, our optimistic take is the remediation efforts create more upside than downside. Spec buy.The Australian accepts no responsibility for stock recommendations. Readers should contact a licensed financial adviser. The author owns Santos and BHP shares.

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