

# THE LAND

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HD **Cheap fert rush helps, and cuts, Incitec result**  
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FERTILISER sales are up strongly, however unusually low global prices late last year have taken the gloss off crop nutrient earnings opportunities for explosives and fertiliser **business** Incitec Pivot Limited (IPL).

Despite drought eroding summer crop sales in IPL's northern region, total volumes **sold** by the **company** increased eight per cent in the past six months, compared with the same period last year, as farmers rushed to lock in cheap fertiliser orders.

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Urea prices for the six month period were down almost \$US100 a tonne to \$US332 contributing to \$14m being shaved from the **company**'s fertiliser division earnings.

However, a lower dollar did help recoup some of the losses on imports.

Releasing its first-half results for the 2013-14 year last month, Incitec Pivot also reported strong activity growth in its pasture and **dairy** market volumes - up 31pc on the previous year.

It posted a **group** net profit after tax (NPAT) of \$115.7 **million** for the half-year to March 30, up seven per cent on the same time last year.

Favourable early season weather conditions, improving **milk** prices and early sales activity in the single superphosphate market helped lift superphosphate volumes by about 50,000t in spring and summer.

Cheap prices also prompted early winter crop sales to be stronger than the year before, while improved weather conditions since March, particularly in southern Australia have boosted the winter crop outlook setting the scene for average second-half crop fertiliser sales.

Much of IPL's overall net profit growth was fuelled by the explosives market, particularly a focus in the emerging industrial growth opportunities in Asia while its traditional fertiliser **business** recorded a marginal \$49.8m (2pc) lift in earnings before interest and tax (EBIT).

This compared with EBIT for the entire **company** rising 14pc, to \$193.1m.

Earnings per share rose 7pc to 7.1 cents/share and the **company** will pay a partially-franked interim dividend of 3.5c/share - up 3pc on the same period last year.

Managing director James Fazzino said the half-year result confirmed the strength of IPL's strategic focus on driving returns from the existing operations while growing the **business** in line with a strategy to develop revenue in the world's two largest economies - **China** and the US.

Industrialisation and urbanisation in **China** and the US "shale gas revolution" represented compelling value, built around improving the businesses IPL already owned, he said.

"We are focused on optimising the performance of IPL's existing manufacturing assets, lifting productivity and concentrating on costs," he said.

Earnings before interest tax depreciation and amortisation (EBITDA) rose 20pc (\$50m) to \$302.6m, primarily driven by cashflow from the Moranbah ammonium nitrate plant in Central Queensland and management action on costs and productivity.

He said lower average global fertiliser prices eroded local market income opportunities, but returns were partially offset by the weaker Australian dollar and a continuing drive for **business** efficiencies.

Overseas fertiliser marketing division Southern Cross International enjoyed an EBIT increase of \$12.7m **million** to \$37.9m.

The **company's** \$20m overhead reduction program was on track to deliver \$11m in savings, despite one-off implementation costs of \$8m.

**CO** pspcop : Incitec Pivot Limited

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