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HD Hancock Prospecting eyes expanding cattle ops, exports to China  
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SYDNEY -- Australia's [Hancock Prospecting](#) is boosting investment in the beef cattle industry in an effort to make up for slumping resource prices.

TD On Oct. 9, the Australian natural resources company entered into a bid implementation agreement with domestic cattle station company, [S. Kidman & Co.](#)

Under the plan, Australian Outback Beef, a joint venture 67% owned by Hancock and 33% by Chinese property company Shanghai CRED Real Estate Stock, will acquire 100% of shares in Kidman for 365 million Australian dollars (\$277 million).

"We welcome the significant investment proposed in addition to the purchase price and are confident that the Kidman business will be in good hands," Chairman John Crosby said.

Kidman owns 10 cattle ranches in three states and the Northern Territory. The company raises 185,000 grass-fed cattle for domestic consumption as well as for export to Japan, the U.S. and Southeast Asia.

Kidman is one of Australia's major livestock producers, behind Australian Agricultural Company, or AACo, with 527,000 cattle, and Consolidated Pastoral [Company](#) with 375,000. Kidman has the greatest potential as one of the country's largest, its ranches accounting for more than 1% of Australia's land mass.

Hancock has not explicitly said, but it is clear that the company is mulling exports to China, given the joint venture partner is a Chinese company.

Dutch bank Rabobank predicts Australian beef cattle prices will remain at a high level over the next six to 12 months, due to supply concerns. The bank expects global beef production to increase by 5 million tons, mainly in the U.S., Brazil and Argentina, in the five years through 2020. Of this, 1.5 million tons will be earmarked for exports, but Rabobank analyst Matthew Costello said China has the ability to absorb the entire amount. Beef demand is expected to grow rapidly as Chinese buying power increases.

Hancock Prospecting Executive Chairman Gina Rinehart until this year topped the Forbes Australian millionaires list, with estimated assets of US\$8.5 billion, which includes income from iron ore interests. Rinehart has been increasing her agricultural investments over the past two years in the wake of slumping resource prices.

She has bought ranches and facilities to export cattle in Western Australia and the Northern Territory, which is close to Asian markets. It was also revealed that earlier this month she bought a total of 1,500 full-blood wagyu cattle from well-known Australian breeder David Blackmore, and another supplier.

#### Growing Chinese demand

Known for its flavor and tenderness, wagyu is sold at high prices at upscale restaurants in Asia. All the cattle Rinehart bought are expecting calves. Hancock is expected to become the country's third-largest wagyu producer, after AACo and others.

Meat & Livestock Australia said the country's benchmark eastern young cattle indicator has jumped 28% in the past six months to A\$6.79 per kilogram. Soaring cattle prices are good news for producers, but also make Australian beef less competitive than their cheaper U.S. counterparts. Producers urgently need to bolster their production system.

According to data compiled by the Australian Taxation Office, 13.6% of the country's farm land is owned by foreign companies. By country, the U.K. ranks first, followed by the U.S., the Netherlands, Singapore and China.

When the founding family decided to put [S. Kidman & Co.](#) up for sale 18 months ago, China's Shanghai Pengxin Group and Hong Kong-based Genius Link Asset Management bid for the company. However, Australian Treasurer Scott Morrison blocked this and another Chinese bid for security reasons, saying that these would be contrary to the national interest.

The takeover bid from mining magnate Rinehart was a surprise but also received a positive response, amid growing concerns over the acquisition of Australian farm land by a Chinese company. A rival bid for Kidman from an all-Australian consortium has since emerged, but many market watchers say that the government will give Hancock the green light this time as Shanghai CRED will only have a minority stake.

CO hkpros : Hancock Prospecting Pty. Ltd. | skdacl : S. Kidman & Co Ltd

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