

FINANCIAL REVIEW

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HD **STAG Beef's float schedule tweaked**
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Delays in due diligence on rural properties will likely see Keith De Lacy-chaired Staples and Agricultural Global Beef Investment, or STAG Beef, hit the local boards in late January or February. STAG, supported by broker BBY, had initially targeted a sharemarket listing in late 2013 amid a flood of companies seeking to float while the appetite for offerings remained healthy.

The **company** is understood to be seeking to raise about \$70 **million** to acquire several Northern Territory cattle stations and their accompanying breeding herds. However, the due diligence on some properties got pushed back and is still occurring, moving the slated listing firmly into 2014.

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STAG is chaired by former Queensland treasurer Mr De Lacy, who also formerly chaired Macarthur **Coal**.

A pathfinder or draft prospectus has already been lodged with the Australian Securities and Investments Commission, sources told The Australian Financial Review.

The float will mark the largest local agribusiness initial public offering since PrimeAg Australia in 2007.

A November roadshow is thought to have piqued a lot of interest in STAG from institutional investors in **China**, Japan and Indonesia, but winning over retail and institutional investors in Australia remains a challenge.

From a macro-economic perspective, the **company** is banking on rising demand for Australian beef from Indonesia, **China** and Korea, while beef prices are favourable.

STAG has previously said it is looking to **purchase** properties at a time when the average price of property per animal grazed is at its lowest level in 13 years. It is also trying to remove pricing risk by entering into a 12-month contract for the **purchase** of live cattle and narrowing the focus to breeding and rearing cattle until about the age of 18 months.

But the industry is also hamstrung by weather conditions, including a heatwave in parts of Australia in early 2014 which tends to see more cattle put to slaughter. Australia is the world's third-largest beef exporter.

According to the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), the local weighted average saleyard price of beef cattle is forecast to average 3 per cent higher at \$3.05 a kilogram (dressed weight) for 2013-14.

"Higher beef export demand, particularly from emerging markets, and an assumed lower Australian exchange rate are expected to result in improved prices for heavy steers," ABARES said in its December 2013 quarterly report.

However, ANZ Banking Group senior agriculture economist Paul Deane this week warned of the possibility that Brazil would regain access to Saudi Arabia and **China** – two of Australia's fastest-growing beef markets.

His research also noted that Australian beef prices remained cheap relative to the Americas.

Still, local investors are treading carefully in the sector and are closely assessing new offerings. "The agriculture space has delivered mixed returns for investors in recent years in particular with the concerns around the beef industry," Wilson Asset Management chief investment officer Chris Stott said.

The industry has commanded attention in the past six months, more recently with the emergence of Kaplan Partners on the shareholder register of beef giant Australian Agricultural **Company** (AACo), of which it now owns more than 5 per cent.

Despite a turbulent few years, AACo's balance sheet was strengthened by September's **equity** raise. But it is still hunting for a new chief executive.

STAG's managing director is Alain Pillay, while Geoff Wagstaff, who has more than 40 years' experience in the industry, will manage day-to-day **operations**.

CO sgbeef : The Staples and Agricultural Global Beef Investment Limited

IN i4122 : Meat Processing | i412 : Animal Slaughtering/Processing | i010010501 : Beef Cattle Farming | i0 : Agriculture | i01001 : Farming | i0100105 : Cattle Farming | i41 : Food/Beverages/Tobacco | icnp : Consumer Goods | ifood : Food Products | ilsfarm : Livestock Farming

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