

SE **Business**

HD **Equity** firms eyeing big **dairy**

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Farming - Offer for Murray Goulburn's float

Australia's biggest **dairy** exporter Murray Goulburn has already fielded an approach from a private **equity firm** looking to snap up the co-operative's entire \$500 **million** partial float that it is crafting with farmers.

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Murray Goulburn hopes to seek funding from outside its farmer shareholder base for the first time in its 63 years to fund ambitious growth plans aimed at securing a slice of the Asian "dining boom".

Private **equity** firms, which have been traditionally reluctant to invest in the sector, are circling Australian food companies to look for an entry into Asia.

Murray Goulburn managing director Gary Helou declined to comment on investor interest, but Fairfax Media understands there is a strong appetite for the planned float, with several private **equity** firms approaching the co-operative, including one that expressed interest in acquiring the entire \$500 **million** offer.

Investors have few listed options for **dairy** exposure in **China**. New Zealand's Fonterra, the world's biggest **dairy** exporter, only opened its capital-raising to outside its farmer shareholders in 2012 and NSW's Bega **Cheese** raised \$35 **million** when it listed in 2011.

But a float of Murray Goulburn is far from a sure thing. The proposal hinges on a vote among its farmer shareholders, which is expected to be held next January or February.

Murray Goulburn has been working with farmers to draft a model that will not breach the co-operative structure and retain 100 per cent farmer control.

Mr Helou said it has held two "extensive roadshows" in **dairy** regions this year and incorporated farmer feedback into the proposal. It will speak with farmer shareholders again in September and if successful, the partial listing will be launched early next year.

The float will be similar to Fonterra's "trading among farmers" scheme launched in 2012.

This allowed farmers to **buy** or sell Fonterra shares among themselves instead of through the co-op.

Murray Goulburn also plans to follow Fonterra in issuing non-voting scrip to non-farming investors, ensuring that farmers retain control of the **company**.

Although the **equity** raising is being designed to fund its expansion plans - which involve upgrading factories to focus more on making higher-margin products such as nutrition powders to cash in on **China's** seemingly insatiable appetite for baby formula - Mr Helou said the co-operative would fund the investment even if the partial float is unsuccessful.

"We have to do it regardless," Mr Helou said. "The worst case scenario is we will borrow the lot.

Mr Helou said by increasing production of high-value, high-margin goods, farmers would see an increase of \$1 a kilogram for **milk** solids, which is expected from 2017.

CO mryglb : Murray Goulburn Co-operative Company Limited

IN i0 : Agriculture | i41 : Food/Beverages/Tobacco | i413 : Dairy Products | icnp : Consumer Goods | ifood : Food Products

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

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