



■ AACL chairman Peter McEwen

AACL launches Glencore deal

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WA-BASED agricultural investment business AACL has come up with a partner for its flagship Grain Co-Production (GCP) product, filling the void left by CBH, which pulled out of the scheme last month.

It was announced this week that Glencore had an agreement to stump up \$28.8 million for pre-payment of grain as part of the GCP scheme.

The news was welcomed by AACL's 200 farmer clients for 2010-11, split roughly equally between Western Australia and the eastern states, who will now receive all outstanding grower contract payments.

Growers contracted to produce grain for AACL have been left hanging since April, when AACL announced that \$50 million in finance for the 2010 season had been struck with CBH.

But last month AACL returned to the market to say the deal had fallen through because the companies had been "unable to reach mutually beneficial commercial terms within a suitable timeframe".

The news delivered welcome relief for the Australian Stock Exchange-listed company, with a market capitalisation of \$7 million which was in a trading halt before the announcement.

AACL officials said the Glencore deal worked in conjunction with AACL's existing funding of \$24 million raised from retail investors to fund the GCP contracts.

AACL chairman Peter McEwen said the company realised the uncertainty had been difficult for its farmer clients, but said they had been understanding of the situation.

"Unfortunately the ongoing negotiations between AACL and CBH Grain were unable to reach mutually beneficial commercial terms within a suitable timeframe, but we are now very pleased with the deal with Glencore" he said.

Contracted AACL WA grower Darrin Lee, Mingenew, said he had concerns about seeding payment delays, but he had retained faith in the overall Grain Co-Production product despite the recent turbulence. He said he "fundamentally believed" in the AACL Grain Co-Production product, but believed AACL needed to tighten up its business practices if it was to survive long-term.

In spite of the claim the CBH exit had not had an impact on existing clients, Mr McEwen acknowledged AACL would have lower production tonnages in FY10 as a result of the events.

Acreage was likely to come back to between 260,000 and 300,000 hectares and early estimates were for a tonnage of between 350,000 and 400,000 tonnes, down from the 600,000t figure mentioned in the 2010 AACL prospectus.

While the current arrangement is for one year only, Mr McEwen said negotiations were to lock in a medium-term plan with Glencore.

AACL was also looking to settle its senior management team, following the exit of acting chief executive Mike Shields, which came after the mid-June departure of Andrew McBain, the company's long-time chief.

Mr McEwen said experienced WA and Victorian farmer Trevor Stoney had been appointed a non-executive director.