

Glencore and AACL negotiate deal

By COLIN BETTLES

AACL has executed an agreement for up to \$28.8 million with Glencore Grain, for pre-payment of grain from this year's Grain Co-Production scheme.

The news delivered welcome relief for the Australian Stock Exchange listed company which was in a trading halt prior to the announcement.

About 200 AACL contracted growers awaiting final payments for their cropping programs were also relieved by the announcement.

AACL was previously in negotiations with CBH Grain to continue an arrangement that started in 2009-10 for pre-purchase of grain.

It was understood AACL had secured another \$50 million deal for the 2010-11 crop, with indications given to the ASX in April.

But that deal went cold last month when CBH announced AACL had not met its conditions for the \$50m, despite continuing negotiations.

In a statement on Tuesday,

CBH Grain managing director Brian Mummie confirmed the co-operative would not be making a pre-payment for the purchase of grain from AACL for the 2010-11 harvest.

"CBH has continued to work with AACL over the last three months in the best interests of growers, in anticipation that all conditions of the initial pre-purchase agreement and the subsequent proposal would be met," he said.

"However, when it became apparent that the conditions of the proposed new pre-payment grain purchase agreement would not be met by AACL, CBH believed that was in the best interests of its grower members to cease further negotiations."

AACL said it had reached agreement on favourable commercial terms and conditions with Glencore but was unable to meet commercial terms with CBH Grain within a suitable timeframe.

The company also said Glencore supported continued growth of AACL's unique Grain Co-Production model which shares production risk and



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rewards between farmers and city investors.

"Following AACL's ASX announcement dated 15 June 2010 concerning ongoing discussions with CBH Grain, AACL was approached by a number of international trading houses to provide alternative funding proposals," AACL said.

"Having assessed the funding options, AACL believed the Glencore proposal represented the best outcome for shareholders, contracted farmers and project investors.

"The new Glencore facility of up to \$28.8 million supplements AACL's existing funding from retail investors of \$24 million to fund Grain Co-Production agreements with approximately 200 farmers across southern Australia."

In the ASX statement, AACL chairman Peter McEwen said completion of the Glencore agreement provided certainty for farmers and shareholders alike and created a strong platform for AACL's growth strategy.

"I am also pleased to say the Glencore agreement means we can resume payments to contracted farmers for the 2010 season this week," Mr McEwen said.

Mr McEwen said AACL understood the significant impact that the uncertainty of funding has had on farmers.

"Unfortunately the ongoing negotiations between AACL and CBH Grain were unable to reach mutually beneficial commercial terms within a suitable timeframe," he said.

Glencore Grain managing director Chris Brooks said he was extremely pleased with the new arrangement and was hoping to have a five-year deal in place with AACL by the end of the year.

"When I heard CBH had withdrawn its funding I picked up the phone and called AACL and had a chat," he said.

"We had the money and they had the grain.

"They wanted access to our marketing expertise and global market reach and facilities.

"I don't know what CBH was offering but I understand our deal was more attractive commercially and that's why it went ahead, because AACL were looking to get a reasonable marketing deal for their grain.

"We are also happy to enter a longer term deal and hope to get a five year agreement in place by the end of this year."

AACL also announced that acting CEO Mike Shields had stepped down from the Board to concentrate on his farming and business interests and that experienced WA and Victorian farmer Trevor Stoney had been appointed a non-executive director.

RURAL STOCKS WATCH LIST

As at July 6, 2010

Company	Code	Last Week	This Week	Movement
AACL Holdings Ltd	AAY	0.080	0.110	▲
Australian Agricultural	AAC	1.480	1.490	▲
Australian Vintage Ltd	AVG	0.200	0.220	▲
AWB Limited	AWB	0.910	0.950	▲
Elders Limited	ELD	0.380	0.415	▲
Fairfax Limited	FXJ	1.330	1.300	▼
FarmWorks	FWA	0.110	0.120	▲
Graincorp Limited	GNC	5.430	5.330	▼
Gunns Limited	GNS	0.600	0.620	▲
Incitec Pivot Limited	IPL	2.890	2.560	▼
Ridley Corporation	RIC	1.175	1.125	▼
Ruralco Holdings Limited	RHL	2.600	2.560	▼
TFS Corporation Limited	TFC	0.870	0.845	▼
Viterra Inc	VTA	7.900	7.810	▼
Webster Limited	WBA	0.360	0.355	▼
Wesfarmers	WES	29.500	27.220	▼

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