Sugar mill chief cans 'tricky' Chinese bid

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THE chief executive of a north Queensland sugar mill has condemned the behaviour of a Chinese group that wants to buy the mill, describing its behaviour as "tricky" and accusing it of trying to mislead growers.

The board of Proserpine Mill yesterday recommended growers accept a takeover offer for the mill from Singapore-based Sucregen ahead of the Chinese government-owned COFCO, despite the latter's offer being $5 million higher.

COFCO, which moved into the Australian sugar milling industry in June when it bought the Tully Sugar Mill for $136m, values the Proserpine Mill at $120m, while the Sucregen offer puts it at $115m.

But Proserpine Sugar chief Ian McBean said there were hidden costs in the COFCO offer, and greater certainty about the timing of the Sucregen payment, which was especially important as the mill needed to reduce a $90m debt to $35m by the end of next month.

"We're very disappointed in COFCO's approach to this," Mr McBean said.

"Four times they've made statements and when we've checked them we've found they're not true.

"Now these relate to an actual offer. You get the feeling they're being a bit tricky."

As COFCO is fully owned by the Chinese government, it needs to get the approval of the Foreign Investment Review Board for any potential purchase, while Sucregen, which is based in Singapore, does not need such approval as the value of the transaction is below $200m.

But industry observers expect COFCO to try to purchase other sugar mills in north Queensland in a push to build up China's food security.

Proserpine is the last sugar mill in Queensland to be running as a co-operative, and — like Tully, which came on to the market earlier this year — the catalyst for the mill being put up for sale was the wet summer, which badly hit the sugar crop.

Proserpine generally crushes 1.75 million tonnes of sugar a year, but crushed only 1.1 million tonnes last season.

This and the the mill's debt overhang from the global financial crisis mean the mill is $78m in debt, including $15m debt owed to Sucregen. The $63m it owes to the banks must be cut to $35m by the end of next month.

Mr McBean said the offer from Sucregen, which last year took over the sugar milling assets of the old CSR and is now the biggest sugar miller in Australia, was detailed about the timing and what the offer involved.

"But with COFCO, it was only a five-page document in which they basically said we'll match anything that Sucregen offers plus we'll give you more money. But there's no indication they know what the Sucregen offer involves, so how can they match it?"

COFCO Australia deputy chairman Keith De Lacy said his group was having difficulty understanding the Proserpine board's objection to the offer.

"The say that there are 'execution problems', but I find that a bit strange, given we were able to negotiate and clarify any issues which arose at Tully," Mr De Lacy said.

However, Proserpine canegrower Glenn Clarke said the situation "is a bit confusing for growers, as COFCO seem to be overstating matters".

"On the face of it, the COFCO offer looks good, but there's no details there," he said.

"I think the fact it's owned by the Chinese government is a bit of a concern for some of our members. They're a bit unproven in Australia, although they certainly do have a large chequebook."

Don't fear foreign investors, Crean tells the regions

THE nation's agricultural regions should not "cower" at threats posed by foreign investment and mining, but instead should embrace new opportunities and diversify from traditional industries.

Regional Affairs Minister Simon Crean has called on the regions — the "patches" in the nation's patchwork economy — to identify different economic opportunities and chase them.

"My first response is . . . understand the opportunity and seize it, don't cower at the threat," he said in an interview with *The Australian*. "The foreign ownership is a furphy. If you look at the amount of foreign ownership of agriculture land, it is minimal. I do not say we should seek to stop it.

"I think foreign ownership has been integral to building the capacity of this nation. It's the envy of the rest of the world and it has happened predominantly in . . . mining and resources."

Mr Crean said the regions should jump at new opportunities and build infrastructure and skills to attract people to the areas.

"Australia's traditional strengths have been agriculture and resources. But where its competitive strength is off agriculture is food processing, land management and agriculture services," he said. "I want the regions, the 'patches', to identify their opportunities, work with us to realise them."

Mr Crean said the economic impact on northern Australia of the ban on live cattle exports to Indonesia showed the precarious nature of being reliant on a single industry.

"You are vulnerable if you rely on one industry and one market. That's the whole reason that diversification becomes the solution," he said.

"The northern Australian beef industry is a real opportunity for a broader diversification within the territory, particularly if we can move to killing facilities there and the packing of meat."

He said the government was involved in a number of studies looking at broadening the industries in the area, including feasibility and the infrastructure that was needed to process more beef in the Northern Territory.

Mr Crean also admitted the Indonesian live export crisis had impacted on Australia's "reliability" as a food source but the country's reputation had been restored by the industry's ability to "bounce back".

The minister said he believed that mining may be able to co-exist with agriculture in the future if it is done below the ground.

But he said the issue of coal-seam gas was a different challenge due to the potential environmental impact on waterways and prime agricultural land.

"This is where we have to encourage state governments to be more careful in granting approvals that the water is not going to be impacted," Mr Crean said. "I think the science must help us, must guide us on that."

He also dismissed suggestions that he would step aside at the next election for Victorian senator David Feeney, who is reportedly on the hunt for a lower house seat.

"I have seen one suggestion in one paper in relation to the need to save a particular senator but it's just not true," Mr Crean said.

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