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Wilmar's sweet surprise

Palm oil giant agrees to buy biggest Australian sugar producer for \$2b

By FRANCIS CHAN

SINGAPORE'S Wilmar International has stunned market watchers here and in Australia by agreeing to buy the sugar and renewable energy business of Aussie giant CSR for \$1.75 billion (\$2.05 billion).

Wilmar's surprise swoop on Sucrogen effectively means that an earlier offer from China's Bright Food Group for the division has been rejected.

end to the Australian group's association with sugar after more than 150 years.

The acquisition - Wilmar's first move into the lucrative sugar trade - comprises a cash payment of A\$1.35 billion and A\$403 million in assumed net debt. The sale is scheduled to be completed within the last quarter of this year, with few problems expected from the Australian regulators.

The sweetener for Wilmar is that the deal will pair the world's largest palm oil firm with the biggest raw sugar producer in Australia.

Sucrogen's mills produce 45 per cent of Australia's raw sugar and account for about 4 per cent of global trade.

Wilmar chief executive Kuok Khoon Hong said in a statement yesterday that Sucrogen is a "strategic fit" for the firm's aspirations in the sugar business.

management to create synergies and to pursue growth strategies in Indonesia and other high-potential Asian markets, utilising Sucrogen's proven expertise across the entire sugar value chain and market-leading position in Australia."

CSR was founded in 1855 as Colonial Sugar Refining. In 1973, it changed its name to CSR and is now the world's second-largest exporter of raw sugar.

In recent years, the group has diversified and built up a successful business supplying building products.

CSR managing director Jeremy Sutcliffe said yesterday that with the sale of Sucrogen to Wilmar, "CSR can focus on growing its building products business, which already has significant leverage to the Australia/New Zealand residential and commercial construction industries".

Chairman Ian Blackburne said in a statement yesterday that the group had "explored a number of strategic alternatives" for offloading Sucrogen before agreeing to the sale to Wilmar, which matched Bright Food's conditional offer in April.

Although Bright Food had tabled A\$1.75 billion for Sucrogen at the time, the Australian Financial Review reported yesterday that the Shanghai-based

tween A\$1.65 billion and A\$1.7 billion.

People close to the deal do not expect Bright Food to make a counter-bid for Sucrogen, which clears the way for Wilmar.

Analysts told The Straits Times that they were slightly surprised by Wilmar's announcement yesterday.

But most, like OCBC Investment Research analyst Carey Wong, saw it as a positive move for Wilmar, which has been planning to expand its line of products beyond cooking oil, rice and flour products, as well as pushing into larger markets like China and Indonesia.

"It was certainly quite a well-kept secret that they did not publicise at all," said Mr Wong.

"But they are serious about going into the sugar business... as they have toyed with the idea of setting up their own plant in Indonesia, so this deal would basically jump-start their move."

While it is Wilmar's first foray into the sugar business, some say the commodity is in Mr Kuok's blood. He is the nephew of Malaysian businessman Robert Kuok, a pioneer in the Malaysian sugar trade who has been dubbed the "Sugar King".

Last year, Mr Robert Kuok made headlines when he abruptly sold off his stake in Malaysia's sugar industry to a

million).

He also disposed of a 20 per cent interest in another sugar-related company for more than RM200 million, severing all ties with a trade he had dominated since the 1960s.

While it remains to be seen how closely Mr Robert Kuok is linked to the deal, Wilmar's move remains a logical step for a commodities firm looking to diversify into other products.

Severe drought in recent months has cut sugar output for the season that ended in April by more than 3 per cent from the figure a year earlier, to 6.9 million tonnes.

With demand for sugar rising fast, so will the going rate for the commodity.

Last Friday, sugar spot prices closed 0.54 US cent, or 2.46 per cent, higher at 22.48 US cents.

Wilmar shares also went up by 13 cents to \$5.88 yesterday.

