

MEDIA RELEASE



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Louis Dreyfus Company's proposed acquisition of Namoi Cotton raises concerns

The ACCC has published a Statement of Issues outlining preliminary competition concerns with Louis Dreyfus Company's (LDC) proposed acquisition of Namoi Cotton Ltd (ASX: NAM).

In Australia, LDC and Namoi both supply cotton ginning, cotton lint classing, logistics and warehousing services. Both LDC and Namoi also engage in the acquisition and marketing of cotton lint and cottonseed.

The ACCC is concerned that the proposed acquisition would be likely to substantially lessen competition in the supply of cotton ginning services in the north of Western Australia and Northern Territory and the supply of cotton lint classing services.

The ACCC is also considering whether the proposed acquisition may substantially lessen competition in the marketing of cotton lint and seed.

The ACCC's concerns regarding the north of Western Australia and Northern Territory stem from the emergence of two new cotton gins in Katherine, NT and Kununurra, WA.

Namoi has been contracted to build and operate the Kununurra cotton gin and is a minority shareholder of this gin's holding company. LDC has entered into a joint venture for the management and operation of the Katherine cotton gin, due to commence operations in mid-2024.

"If this acquisition proceeds, LDC will be involved in operating the only two cotton gins in the north of Western Australia and Northern Territory. We are concerned it would result in LDC being able to reduce competition between these two cotton gins, which may result in higher prices or reduced service levels for ginning services," ACCC Commissioner Stephen Ridgeway said.

"Growers benefit from competition between cotton gins, and once both are operational, the Katherine gin will be by far the closest competitor to the Kununurra gin."

The ACCC is also concerned that the proposed acquisition would be likely to substantially lessen competition in the supply of cotton lint classing services in Australia.

'Classing' occurs at the conclusion of the cotton ginning process when a sample is collected from each bale of cotton lint and sent for grading.

"The acquisition would result in LDC having ownership interests in two providers of cotton lint classing services, ProClass and Australian Classing Services, which together class more than 80 per cent of all cotton lint in Australia," Mr Ridgeway said.

The ACCC is also investigating the impact of the proposed acquisition on LDC's ability and incentive to negatively impact rival merchants' access to cotton lint, and its ability to limit access to or increase prices for warehousing services for the export of cotton out of the Port of Brisbane.

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In addition to considering the concerns outlined in the Statement of Issues, the ACCC is also consulting on a divestment undertaking draft proposal, which has been put forward by LDC to address the ACCC's competition concerns in the supply of cotton ginning services in the north of Western Australia and Northern Territory and the supply of cotton lint classing services.

The Statement of Issues and proposed divestment undertaking draft proposal can be found on the ACCC's public register: [Louis Dreyfus Company Asia Pte. Ltd. - Namoi Cotton Limited](#).

The ACCC invites submissions in response to the Statement of Issues by 30 May 2024.

Background

LDC is incorporated in Singapore and is part of the Louis Dreyfus Company Group. In Australia, it operates in the origination, ginning, classing, storage, and trading of cotton lint and cottonseed, grains and oilseeds.

LDC operates 3 cotton gins located in Emerald and Dalby (Queensland) and Moree (NSW). It supplies cotton warehousing and logistics services with facilities in Dalby and the Port of Brisbane (Queensland) and Moree (NSW).

LDC holds a 20 per cent interest in ProClass, which supplies cotton lint classing services. It also has a joint venture with WANT Cotton for the operation and management of the WANT cotton gin located near Katherine (NT). This cotton gin is expected to be operational by mid-2024.

Namoi is an ASX-listed company with its business comprising ginning, cotton lint classing, cottonseed and cotton lint marketing as well as warehousing and logistics services.

Namoi operates 10 cotton gins at 9 sites across NSW and Queensland. It is also involved in a joint venture with the Wathagar Ginning Company, with a cotton gin located in the Gwydir Valley (NSW).

Namoi has a ~17 per cent interest in the Kimberley Cotton Company, which will operate a cotton gin in Kununurra (WA). This cotton gin's construction is due to be completed in July 2025.

LDC has two joint venture arrangements in place with Namoi - the Namoi Cotton Alliance (NCA), and the Namoi Cotton Marketing Alliance (NCMA). The NCA stores and transports cotton lint bales through its warehousing facilities. It has warehouse facilities in Wee Waa, Warren and Goondiwindi. The NCMA is involved in the trading and marketing of cotton lint. Namoi exclusively supplies all cotton lint bales acquired by it to the NCMA and the NCMA exclusively supplies its services to Namoi.

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