

MEDIA RELEASE



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Olam Agri Holding's proposed acquisition of Namoi Cotton raises concerns

The ACCC has published a Statement of Issues outlining preliminary competition concerns with Olam Agri Holding's proposed acquisition of Namoi Cotton Ltd (ASX: NAM).

Olam, through its wholly owned subsidiary, Queensland Cotton, and Namoi both supply cotton ginning, cotton lint classing, logistics and warehousing services in Australia. Both Olam 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 Lower Namoi Valley in New South Wales and the supply of cotton lint classing services.

'Ginning' involves receiving raw cotton from growers and separating the cotton lint from cottonseed. Cotton gins are generally located in the cotton growing regions and serve the growers in those regions.

"The proposed acquisition would reduce the number of competing ginning suppliers in the Lower Namoi Valley from three to two, with Olam operating four of the five cotton gins if the acquisition proceeds," ACCC Commissioner Stephen Ridgeway said.

"Post-acquisition, there would only be one alternative cotton gin in the Lower Namoi Valley region operated by Australian Food and Fibre."

"Olam may be able to significantly reduce competition for cotton ginning services, resulting in higher prices for cotton growers in the Lower Namoi Valley who are unlikely to transport their cotton to gins outside of the Lower Namoi Valley due to transport costs," Mr Ridgeway said.

The ACCC is also concerned about the impact on 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 Olam having ownership interests in both 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 concerned that the proposed acquisition would provide Olam with the ability to negatively impact competing cotton merchants from acquiring and marketing cotton lint and cottonseed. This may occur due to Olam's increased ginning presence in certain cotton regions of Australia, including the Lower Namoi Valley.

"This acquisition may give Olam the ability to tie cotton lint and cottonseed purchasing contracts to cotton ginning contracts, as well as limit competing merchants' access to cotton lint and cottonseed from Olam's gins," Mr Ridgeway said.

"If competing merchants struggle to compete against Olam, the proposed acquisition may result in growers being paid less for their cotton."

The ACCC is also investigating the impact of the proposed acquisition on competition for the supply of cotton lint marketing and cotton warehousing services, as well as the risk of coordination in the cotton lint marketing market through Olam and Louis Dreyfus Company's common involvement in the Namoi Cotton Alliance and Namoi Cotton Marketing Alliance.

A further issue being examined is whether the acquisition would enable Olam to increase prices for warehousing services for the export of cotton out of the Port of Brisbane or ports in Sydney.

The Statement of Issues can be found on the ACCC's public register: [Olam Agri Holdings Limited - Namoi Cotton Limited](#).

The ACCC invites submissions in response to the Statement of Issues by 4 July 2024.

Background

Olam is listed in Singapore (SGX: OGL) and operates an integrated supply chain for cotton and pulse crops in Australia. Its cotton business is run by its wholly owned subsidiary, Queensland Cotton Corporation Pty Ltd (Queensland Cotton).

Queensland Cotton supplies ginning services and acquires and markets cotton lint and cottonseed.

Queensland Cotton operates six cotton gins across Queensland and NSW. It also operates its own warehousing facilities in Queensland and NSW for cotton to be exported out of the Port of Brisbane or Port of Sydney.

Olam holds a 20 per cent interest in ProClass, which supplies cotton lint classing services.

Namoi is an ASX-listed company with its business comprising ginning, cotton lint classing through Australian Classing Services, 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 around 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.

Namoi has two joint venture arrangements in place with the Louis Dreyfus Company - 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.

The ACCC is concurrently conducting a [review of the Louis Dreyfus Company's proposed acquisition of Namoi](#). The ACCC's [preliminary competition concerns](#) in relation to the Louis Dreyfus Company's proposed acquisition are addressed in a Statement of Issues published on 16 May 2024.

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