

Incitec's business **BOOM**

By GREGOR HEARD
and ANDREW MARSHALL

THE lucrative mining explosives market is playing a big part in the success of farmer-built fertiliser company, Incitec-Pivot, but plant nutrition will continue to be good business, says its fertiliser division boss.

"There certainly are challenges surrounding fertiliser manufacturing, but we believe we have a strong manufacturing asset that really underpins the fertiliser business as a whole," said Incitec Pivot's fertiliser general manager, Gary Brinkworth.

Just a few years after buying the Dyno Nobel explosives operation for about \$2.3 billion, the one-time fertiliser co-operative, Incitec Pivot, recently recorded a 12 per cent jump in explosives earnings to \$146.9m helping drive a 15pc lift in revenue to \$1.4b in the six months to March 31.

The fertiliser division's earnings rose a notable 30pc to \$31.7m, but its contribution towards Incitec Pivot's 25pc rise in interim net profit to \$165.6m is being overshadowed by the company's new boom market division.

Last week Incitec confirmed it would focus more development on its explosives business in order to increase business growth – including its \$935m Moranbah ammonia nitrate plant in central Queensland which will be supplying miners by July next year.

While fertiliser's contribution to earnings may diminish, it would still be an important part of ensuring Incitec had a robust business, Mr Brinkworth said.

He strongly believed in an ongoing Australian-based fertiliser business, despite the trend for overseas takeovers absorbing so many key Australian agribusinesses.

He said Incitec Pivot was happy with the space it occupied in the market.

After copping heavy flak from farmer groups in 2007-08 when fertiliser prices ran up rapidly to extreme records, Mr Brinkworth felt the company had now cemented relationships with its customers, both at a farmer and retail level.

"Obviously they have ebbed and flowed over time, but we're trying to rebuild those farmer relationships and rebuild that trust – it's an important investment for our business," he said.

Incitec Pivot was working hard at a research, development and extension level on nutrition issues, investing in agronomy and trial work, and providing relevant information to growers.

"There is a focus to ensure we are more easily available for grower field days as part of a recognition we are part of the same industry," Mr Brinkworth said.

"We are trying to be a responsible partner in nutrient management.

"It's not about us selling you as much fertiliser as we can, it's about finding the right nutrient levels to suit your circumstances.

"It is not in our interest in the long term to get farmers to over-apply nutrients."

Better nutrient management meant more than just ensuring the right nutrients went in the right places.

Soil testing was more sophisticated, helping farmers to know what to apply and when for best results, and giving them more understanding of how nutrients worked.

Better trace element management was helping farmers to get the best leverage from their nutrient application, while precision agriculture and coated fertiliser with lower volatilisa-

tion rates were giving farmers better value for their input dollar.

Liquid fertilisers had "huge scope, especially in parts of Australia where rainfall was less reliable".

"Agriculture is highly competitive, and Aussie farmers need to leverage

every opportunity possible to make best use of our sometimes difficult growing conditions," Mr Brinkworth said.

"This is where really sophisticated nutrient management comes into its own."



No stopping price bumps

FARMERS will have to get used to the supply and price volatility that has tormented the fertiliser industry for the past five years.

"It will continue be a distinguishing feature of the sector in the medium term," says Incitec Pivot's fertiliser division head, Gary Brinkworth (pictured).

"Prices have increased from their lows in the phosphate area, but that appears to have levelled now, with more production on line now from Saudi Arabia and Africa," he said.

"However, solid global demand remains, so you wouldn't expect prices to drop off too much.

"We'd also expect recent movement in nitrogen prices to continue in the future."

Fertiliser market volatility would continue, partly because of artificial price flashpoints, such as Chinese export tariffs, but while values would jump around, the overall trend was firmer prices.

"They are likely to be volatile, but you'd say they will be firming in the near term," Mr Brinkworth said.

