



PGG WRIGHTSON

# Confidence lifts on rural upswing

Alan Wood

While still battling a low share price, PGG Wrightson managing director George Gould says he sees indications of renewed confidence in the rural services firm. Quality staff are joining the company rather than leaving, he says.

Gould was appointed managing director earlier this year after the sudden departure of Tim Miles in October.

He said he put his hand up, suggesting improvements that could be made, particularly more of a management focus on staff and client relationships rather than transactions aimed at "breaking the business up".

Last month's announcement that the firm was taking back control of its wool-broking division rather than selling it to farmers was a sign the firmly Christchurch-headquartered company was returning to core values.

Gould said that the board and its 50.01 per cent shareholder, China-based Agria, were agreed on that strategy, reflecting an ongoing period of "consolidating earnings" over the next couple of years.

Earnings would improve in the financial year to June 30, 2012, and the company had forecast operating earnings of \$58 million to \$60m in the year to June 30, 2011.

Mergers and acquisitions were not a focus. However, it had taken on 11 of Allied Farmers' livestock "reps" recently.

"The big barometer is

whether we're attracting good people; that's the key [now] and we were actually losing good reps ... now we're actually recruiting good people ...

"If we get our staff right - get our staff believing that management know what they are doing, then they'll look after clients well and then there'll be some profit to shareholders hopefully."

Its share price yesterday was steady at 46 cents, near the bottom of its 12-month trading range of 43c-62c.

Gould said while he could not comment on the share price, the company was in a position to benefit from stronger commodity prices, with livestock and wool prices holding up.

The group would continue to operate the New Zealand-centric AgriServices division, including more than 90 rural supplies and fruited stores, as well as livestock, irrigation and pumping, finance, real estate, insurance and wool (which was to soon have Williams & Kettle wool executive Cedric Bayly join the team).

AgriServices had 1200 staff.

The AgriTech division, with 400 staff, would continue to be based around seeds, grain and nutrition businesses in New Zealand, Australia and South America. Agria would open doors for that division but so far PGG Wrightson was not doing much business into China other than live export of dairy cattle from Uruguay.

There had, in the past, been speculation that Agri-

Tech could be spun off. While it might happen in the future, the board at this stage was just "intent on consolidating earnings right across the group". Dairy-farmer-owned Livestock Improvement Corp had loaned Agria Singapore \$10m, which could either be repaid or possibly converted into shares in AgriTech in the future "if there ever is a sell-down of any sort", he said.

Gould said Agria would "inevitably" seek extra board representation, with possible board changes at the 2011 annual meeting.

"Agria are a very supportive shareholder and they share a common objective with the rest of the shareholders in that they want to see a return to sustainable operating earnings and an end to a lot of the problems of the past that have dogged us, such as the Silver Ferns fiasco, the Wool Partners fiasco."

The company's real estate unit, under general manager Stuart Cooper, was rebounding and accounted for 40 per cent of all rural sales, and more than 50 per cent of economic farm (not including lifestyle block) sales.

"The activity report is looking as good as its been for about four years, since 2007 ... farm income is better and the confidence level is there," Gould said.

The group's \$130m of core debt with banks would reduce substantially over the next 12 months as some PGGW Finance loans were paid back.