



MEDIA RELEASE

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ACCC consults on Olam's proposed divestiture undertaking

The ACCC is seeking views on a proposed court-enforceable divestiture undertaking offered by Olam Agri Holdings Limited, and its subsidiaries Olam Agri Australia Pty Ltd and Queensland Cotton Corporation Pty Ltd, in relation to its proposed acquisition of Namoi Cotton Limited (ASX: NAM).

Olam and Namoi supply cotton ginning, cotton lint classing, logistics and warehousing services. Olam and Namoi also engage in the acquisition and marketing of cotton lint and cottonseed.

If the acquisition proceeds, and in the absence of the proposed undertaking, Olam would operate four of the five cotton gins in the Lower Namoi Valley. Olam would also have interests in both ProClass Pty Ltd and Australian Classing Services Pty Ltd, which together class more than 80 per cent of all cotton lint in Australia.

On 20 June 2024, the ACCC published a [Statement of Issues](#) which raised a number of preliminary competition concerns, including that the proposed acquisition was 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 Australia-wide.

In response to these preliminary competition concerns, Olam has offered a court-enforceable undertaking that would require Olam to divest its Queensland Cotton gin at Wee Waa in New South Wales and its 20 per cent share of ProClass Pty Ltd.

“In assessing Olam's proposed undertaking, we will need to be satisfied that it will effectively address our competition concerns in the supply of cotton ginning services in the Lower Namoi Valley in New South Wales and the supply of cotton lint classing services Australia-wide, as well as being structured in a way that is practical and effective,” ACCC Chair Gina Cass-Gottlieb said.

Separate to the proposed divestments, the ACCC is continuing to closely investigate the impact of the proposed acquisition on the increased risk of coordination in cotton lint marketing, cotton warehousing and some regional ginning markets.

The ACCC remains concerned that following the proposed acquisition, there will be multiple linkages between Olam and Louis Dreyfus Company (LDC), another key cotton ginner and merchant.

This includes Olam and LDC's joint involvement in the Namoi Cotton Alliance and the Namoi Cotton Marketing Alliance, in addition to their common holding in Namoi itself.

The ACCC is concerned that these linkages may increase the likelihood of tacit or explicit coordination and continues to evaluate the risk and potential impact of less vigorous competition between these suppliers post-acquisition.

“We are still considering the proposed acquisition, including important coordination concerns which are not addressed by this proposed undertaking,” Ms Cass-Gottlieb said.

“While we have decided to publicly consult on the proposed divestiture, this should not be interpreted to mean that this or any other form of remedy will ultimately be accepted.”

The ACCC invites submissions on the proposed undertaking by 11 October 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.

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