Nufarm FY results transcript

Operator: Thank you for standing by and welcome to the Nufarm Limited annual results briefing 2017 conference call. All participants are in a listen only mode. There will be a presentation followed by a question and answer session. If you wish to ask a question you will need to press the star key followed by the number one on your telephone keypad.

I would now like to hand the conference over to Mr Mark Keating, General Manager for Investor Relations. Please go ahead.

Mark Keating: Thank you, Amber, and good morning everybody. Welcome to the Nufarm full year results conference call.

Earlier this morning the Company released its results via the ASX for the 12 months to 31 July 2017. A copy of the presentation we are using this morning was also released to the ASX and can also be found on the corporate website.

Just before we start the call let me just draw your attention to the disclaimer on slide 2, particularly the section on forward looking statements and the non-IFRS information.

Participating in this morning's call are Greg Hunt, Nufarm's Managing Director and CEO; Paul Binfield, Nufarm's Chief Financial Officer and Brent Zacharias, Nufarm's Group Executive for Nuseed. After the presentation we'll be happy to take questions and at that point I'll hand back to Amber to introduce the Q&A process.

Now I'll hand you over to Greg.

Greg Hunt: Thank you, Mark, and good morning and welcome to everyone on the call. Before discussing our results I want to provide you with an update in relation to our ongoing efforts to improve the safety culture in our business.

Improving the safety culture is an important part of our business improvement program. Over the last 12 months we have introduced more consistent standards and reporting requirements for how safety is managed across our business. This slide shows the reduction in lost time injury frequency rate which measures the number of injuries in every million hours worked. We believe it's encouraging to see that the measurement reflects positive progress in this area. The trend is moving in the right direction and we recently achieved 1.2 million hours worked without an injury. The Nufarm Board and senior management is committed to maintaining a relentless focus on safety and we will continue to report on the progress that we are making in future reporting periods.

Also before returning to results in detail I'd just like to make some comments about our journey over the past couple of years.

In early 2015 we announced a commitment to make changes to the business that would result in sustainable improvements and allow Nufarm to compete more effectively in our target markets. Since financial year 2014 we have achieved revenue growth of 19% from $2.6 billion to $3.1 billion, a compound annual growth rate of 8.5%, better quality of earnings with gross margin expansion of close to 300 basis points, an increase in underlying earnings from $200 million in financial year 2014 to just over $300 million in financial year 2017, average net working capital sales down from 47.7% to 36.8% which has released more than $300 million in capital and shareholder returns up from 9.4% in 2014 to currently 13.6%.

We have developed a clear strategy focusing our resources in key geographies and core crops and this focus has delivered revenue growth in all of our nominated hub countries over the past 12 months. We have achieved consistent revenue growth against a backdrop of very tough industry conditions. The global crop protection market has declined by 10% to 12% over the past three years. During that time we have improved the quality of earnings, strengthened the balance sheet and established a sound strategic foundation for the business.

Importantly the 2017 results demonstrate that the improvements and cultural change we are making is now embedded in the day-to-day operations of the business. We don't look at the performance improvement program and cost out as a one-off fix. Rather it has been about developing a culture, a new DNA that is about a permanent commitment to looking for continued incremental improvement and we are now starting to see that in the business.

Turning now to the headline results our financial results for 2017 provide further evidence of the strong progress that we've made in recent years to build a better Nufarm. Our revenue was up 12% on last year and nearly 14% when measured in constant currency. While margins varied across the business we secured market share gains without sacrificing gross profit margin on a group basis. We achieved underlying EBIT growth of 5% and underlying NPAT growth of 25% driven by the higher revenues, the benefits from the performance improvement program and lower net financing expenses.

I'm extremely pleased with the continued gains that we have made in the more efficient management of working capital with, as I said earlier, net working capital to sales down to 36.8%. This was a key objective when we embarked on our change program and is an indicator of the increased discipline that now exists right across the business. The increase in full year dividend which is up 18% on the prior year full year payout reflects confidence on the part of the Board that the business is well positioned to see continued profitable growth.

I'll now hand over to Paul who will go through the financial details.

Paul Binfield: Yes, thank you, Greg.

This full year result really shows the value of maintaining a clear focus on implementation of our strategy. We posted strong organic growth above market in our core geographies whilst maintaining the profit margin. The performance improvement program continues to deliver benefits ahead of our targets. Net working capital result in a high growth revenue environment is excellent. Consistent with the guidance we provided we significantly reduced financing costs, in particular losses on foreign exchange.

As Greg mentioned this result has been achieved against the background of tough competitive conditions with lower global soft commodity prices putting pressure on both demand for and the pricing of farm inputs. The crop protection industry saw little if any growth over the period. Despite these challenges we were able to grow group revenues by almost 12% on the prior year. Underlying EBIT and EBITDA increased by 5% and 9% when measured in constant currency.

Whilst the tough industry conditions led to intense pricing competition in the market we have managed to maintain our gross margin which was in line with the prior year. Underlying net profit after tax was $136 million, up $27 million over that reported in the prior period. Material items included in the FY17 result totalled $23 million pre-tax. All these items relate to restructuring costs associated with the performance improvement program and after deducting post-tax material items of $21 million the reported NPAT for the year is $115 million [sic - see slide 8 $114 million].

We saw a further worthwhile improvement in ROFE in the current year to 13.6% and our medium term target remains at 16% ROFE. Reflecting the confidence in our future growth prospects the Board has declared an $0.08 unfranked final dividend making $0.13 for the full year, an 18% increase over the prior year.

Looking at the primary drivers for the 2017 results they're principally a significant profit contribution from the strength revenue growth, continuing that benefit from the performance improvement program and on the downside a disappointing result in Argentina. I'll take you through each of these individually.

On a more general front foreign exchange rates in the current year have been far less volatile than the prior year especially in key markets such as Brazil. However Australian dollar strength during the year has had an adverse impact compared to last year on the translation to Australian dollars of our overseas earnings. The impact of translation on our underlying EBIT is approximately $10 million.

The excellent organic growth top line growth has been a particularly pleasing element in the 2017 financial year. Our new strategy requires us to focus on core geographic markets and this focus is paying dividends with above market growth and increased market share in all of our hub countries being Australia, the US, Brazil and in Europe France, Germany and Poland. Greg will take you through further detail on these segment results later in the presentation.

In terms of more general market comments independent market analysts Phillips McDougall have reported that in US dollar terms in calendar year 2015 market growth was negative 9.6% and in calendar year 2016 negative 2.5%. Expectations are that market growth for the calendar year 2017 will be flat or slight growth at best with a more positive outlook heading into calendar year 2018.

Moving to the performance improvement program you'll be very familiar with the format of this slide. The performance improvement program continues to deliver benefits and these total $26 million in the 2017 financial year. [Unclear] program has now yielded a yet earnings benefit of over $100 million and is the primary driver of our improved profitability over the last three years. In the coming year we expect net savings to come from projects such as the optimisation of the

Australian sales and marketing function under a single brand, further procurement savings and the simplification of back office processing particularly in Europe where we're in the process of rolling out a shared services model.

We remain confident of hitting our cumulative net benefits target of at least $160 million by next year. However as Greg mentioned we do expect there to be significant further benefits in 2019 and 2020 flowing from this program. For example the optimisation of the back office processing in Europe will not be fully operational until this time next year and the full run rate of benefits will not start to flow until financial year 2020.

The performance improvement program has embedded a culture of continuous improvements in our business which will yield benefits for years to come.

Focusing now on Argentina as raised at the time of our half year reporting we had a particularly difficult year in Argentina. Since the election of a new president late in 2015 there's been a reduction in import restrictions, tariffs on export of agricultural products have been lifted and there are fewer restrictions on capital flows. The liberalisation of the market made it easier for established players to get product into the country and has increased the attraction of this market for new entrants, which has meant that there's been a significant increase in the supply of product.

Excessive rain also delayed the start of the season. This all resulted in a significant demand/supply imbalance and as a consequence falling prices. Whilst volumes ultimately increased substantially profitability slumped. For Nufarm whilst we remain profitable EBIT was $17 million lower than the prior year.

We've taken this opportunity to reshape our Argentinian business and have refocused our route to market in a manner similar to what was implemented in Brazil several years ago. We've undertaken an in-depth review of the capability of our sales function and upgraded the quality of the team where necessary. We've invested further in training for the sales and marketing team. We've segmented the market to focus on those customers where we can bring most value to their business. We've reorganised our back office and reduced the fixed cost base of the business. We're planning a rollout of Salesforce.com which will enhance discipline to our sales and marketing efforts. We're also committed to strengthening our product portfolio in this important agronomic region.

The 2017/2018 season is only just beginning but there are early signs that parts of the market are firming with rising pricing in some key commodity products. We're expecting improved profitability in Argentina this year however we do not anticipate returning to the FY16 levels of profitability over the next 12 months.

Moving on to expenses, whilst the overall expense ratio of SG&A to revenue increased slightly compared with the prior year this was largely due to an increase in head office expenses of over $11 million. I'll provide some more detail on that later. It was however encouraging to see a reweighting of expenses with more being invested in sales and marketing expenses and proportionately less being spent in general and admin. This is consistent with our comments last year where we stressed that we would look to invest in additional customer facing resources to meet our growth aspirations whilst at the same time maintaining tight control over back office costs.

The spike in corporate costs of $11 million has been caused by one-off corporate activity expenses of approximately $4 million, costs associated with a refresh of the executive team of about $3 million and incremental cost of the Company transformation agenda with a focus on improved and standardised processes and procedures and the rollout of more effective technology. We believe that we can do to reduce our operating expenses and this will remain an important objective for management in the year to come.

The underlying effective tax rate was in line with our expectation at 30.2% and I would expect the underlying effective tax rate to be around 30% for the FY18 year.

The continued focus on net working capital management is one of the highlights of this result. Average net working capital over sales at 36.8% is materially better than the 40% target that we set several years ago and reflects the focus on the balance sheet implications has now become a part of the way of doing business for Nufarm. Whilst average receivables increased in line with sales average payables increased at a higher rate. This reflects the benefit of a strengthened procurement strategy on supply terms and improved back office processing.

On a number of occasions we've mentioned that we've embarked on a three year program to strengthen and harmonise the processes and procedures supporting our supply chain process. This project is well progressed and has just been rolled out in its entirety in the ANZ region with all the other regions to follow in the next six months. It's this program that will help us drive average net working capital lower in a systematic and controlled manner and once fully operation in FY18 will progressively reduce working capital further. We expect the average net working capital over sales ratio to track incrementally lower but not at the rate we've experienced in FY17.

Net working capital at 31 July is high at over $1 billion, an increase of $169 million over the prior period. This partially reflects the growth in the business over the last year but most of this increase was driven by the later timing of sales this year compared to last year. Due to delayed seasonal conditions a greater proportion of our sales occurred in the last quarter meaning our yearend working capital is inflated at 31 July. We've already seen this situation partially correct itself. At the end of August 2017 our net working capital balance is already improved by a sum of $50 million compared with the same time last year. As we've consistently said the best measure of our working capital management is the average ratio since this helps to deal with the vagaries of the climate and seasonality.

Last year we discussed how we were looking to optimise the balance sheet by exiting non-core assets. During FY17 we received the proceeds from the sale of our equity stake in the Indian business Excel Crop Care and the sale of non-property assets, in total almost $50 million. Since the end of July we've also sold the freehold of our old manufacturing site in Auckland and expect net proceeds of approximately $7 million in the current financial year.

Moving now to interest and net debt, despite the strong growth in the business the teams did an excellent job in managing working capital during the year. Consequently despite the revenue growth we've seen a reduction in average net debt during the year and a further fall in average leverage, 2.27 times compared with 2.45 times in the prior period.

Our net interest bill for FY17 was in line with guidance and was modestly lower than the prior year at $93 million. We expect a further small decrease in net interest expense in the current financial year.

A really pleasing outcome was the reduction in the net foreign exchange losses for the year, overall a net reduction of almost $28 million. This time last year we outlined the additional resources and controls that were put in place around managing foreign exchange exposures and it's good to see these bear fruit. The majority of the loss was incurred in Latin America and the costs associated with the active management of foreign exchange risk is a cost of doing business in that region. Similar to the guidance we provided last year we expect that the hedging of our exposures in Brazil and Argentina will cost approximately $20 million for the year.

Material items included in the FY17 result total $23 million pre-tax and $21 million post tax. These are asset rationalisation and restructure costs associated with the performance improvement program and specifically relate to the combination of the Australian salesforces and our product range under a single brand, the harmonisation of the back office functions in Europe and the non-cash write-down of interest in two small manufacturing plants, one in India and one in New South Wales.

The cash flow associated with material items in FY17 was a net inflow of $32 million and in FY18 is expected to be largely breakeven. The vast majority of the restructuring work has been completed. The only major project that is yet to be completed is the harmonisation of the back office processing Europe where there'll be some modest additional restructuring costs likely to be incurred this time next year. That will be offset by the profit earned on the New Zealand property disposal I already mentioned.

In terms of cash flow the underlying operating cash flow for the period was an inflow of $73 million compared with $189 million in the prior period. The major contributor to this decline has been the high level of net working capital as at 31 July 2017, $169 million higher than the prior year which as we've discussed is a weakness of the point in time measure.

The underlying business is performing well and the net working capital management has never been better. The weaker cash flow stemming solely from the later timing of the sales in the 2017 financial year and we've already seen this partially correct in the month of August.

For the coming year we expect to improve cash flow performance simply because we expect the net working capital trends to follow prior years and hence there to be a lower balance at 31 July next year.

I'll now pass you back to Greg to take you through the segment results.

Greg Hunt: Thank you, Paul.

Turning to the major segments this slide shows our $3.1 billion revenue by both major product and key geographical markets. The major product split underlies our strength in herbicides and our growing portfolio in other chemistries such as fungicides and insecticides that are targeted at Nufarm's core crops and markets.

In financial year 2017 we had a stronger year in insecticide sales which were up 18% on the prior year. The geographical split of the business again underlines the strength of our global footprint. This is a truly diversified business in terms of market exposure and we think that this is an important risk mitigator given the potential impact of varying seasonal and market conditions in different parts of the world.

Before reviewing each region I wanted to show the sales bridge by region. We grew sales in all regions except Europe at double-digit rate. The 11% revenue growth in Latin America was achieved despite a 26% drop in sales in Argentina which was impacted by a range of issues detailed earlier by Paul. Sales in Australia and New Zealand were up 18% on the prior year and even in Europe where sales were down in Australian dollars, on a constant currency basis sales grew 7% and importantly the increase was in our branded product sales. This consistent growth in our chosen markets is a firm validation of our strategy. Focusing our resources in key geographies is driving the results that we were aiming for.

Turning now to the specific regional markets, sales of $654 million were generated from the Australian and New Zealand crop protection business, up 18% on the previous year. For the ANZ business we are most of the way through a three to four year transformation plan that commenced with the major manufacturing footprint changes and recently saw the merger of the Nufarm and Crop Care sales organisations and brands.

At the end of last year I spoke about the need for the Australian business to work on the volume, price and margin mix in the financial year 2017. As a result we have a targeted campaign to win back some of the volume share of key commodity products. These products including glyphosate and the phenoxy herbicides are important to our customer relationship and provide valuable throughput in our manufacturing facilities. The revenue gains indicate that we have executed well on that objective albeit at the expense of some margin in what remains a very competitive market. Underlying EBIT was $51.6 million compared to the $47 million in the prior year.

Climatic conditions in Australia were below average so make the revenue gains a highly commendable result in such an environment. It is estimated that the winter crop harvest will be down one-third on the previous year's production. The dry conditions reduced product demand which also contributed to the competitive pricing environment. The Nufarm and Crop Care integration has resulted in a single focus sales organisation that will deliver business efficiencies and an improved service to our Australian customers.

The manufacturing footprint restructure for Australia and New Zealand is now complete with all three redundant sites being sold.

In North America crop protection sales grew by 16% to $761 million. Underlying EBIT was $70.3 million compared to the $59.3 million in the prior period, up nearly 19%. This is an outstanding result and a credit to our North American team.

In the US broadacre segment sales volumes grew by 17% driven by the Company's focus on growing share with our channel partners, a strong fall burndown market and increased cotton plantings.

In Canada demand from a higher canola, soya beans and pulse plantings along with well executed marketing plans drove a 28% sales increase on the prior year. We expect the strong momentum and improved customer confidence that has been generated in the North American business over the past two year to continue into 2017/2018.

In Latin America sales grew by 11% to $822 million. Underlying EBIT was $89.4 million compared to the $100.4 million in the prior period. In Australian dollars the Brazilian business grew sales by 20% and earnings by 5%. In contrast the Argentinian business saw sales down 26% on the previous year and earnings down by $17 million. Weather conditions in Brazil were positive resulting in record grain production. Nufarm's local currency sales were up 10% reflecting a gain in market share.

The business continues to enhance the portfolio with several new products launched during the year and Nufarm's channel inventory is at normal levels. More sales and technical support for new product launches and increased expertise in the treasury function resulted in a higher cost base in Brazil. Credit has continued to be tight in the Brazilian market posing a challenge for our customer base but we have maintained a close focus on managing our exposure and we'll continue to do so.

As Paul detailed earlier the Argentinian business had a difficult year suffering from a delayed season and an opening up of the market to new entrants. A modest recovery in Argentinian earnings is expected in financial year 2018.

Turning to Europe sales were below the prior period by 2% at $540 million but were ahead of the previous year by 7% on a constant currency basis. Underlying EBIT improved strongly to $85.8 million ahead of the $73 million posted in the 2016 financial year. Seasonal conditions were mixed with a late start to the season in Western and Central Europe and dry conditions in Southern Europe. Despite this Nufarm grew branded sales in our hub countries of France, Germany and Poland with a focus on high value and differentiated products together with new product launches and pricing discipline contributed to the improved profitability of the business.

The restructuring of the European manufacturing base is also complete. This has strengthened Nufarm's competitive position and lowered the working capital requirements of the business. The new European ERP system and implementation of a shared services model will further strengthen the European business over coming periods.

Finally in Asia crop protection sales were up 11% to $166 million. Underlying EBIT was higher at $24.4 million compared to the $22.8 million generated in the prior period. Sales in Indonesia were well up on the prior year driven by good weather and increased plantings. There was also continued good sales growth into Japan and China.

I'll now hand over to Brent Zacharias who will cover the seed technology segments and provide an update on the Omega-3 project.

Brent Zacharias: Thank you, Greg, and good morning everyone.

The seed technology segment incorporates the Company's seed and downstream beyond yield products which are managed within the Nuseed business as well as the sales of seed treatment chemistry. The segment had an excellent year generating record sales of $168.6 million, a 17.4% increase on the prior year.

Pleasingly EBITDA grew by more than revenues and was up by 27.5%. EBITDA as a percentage of sales also grew by 220 basis points because of price improvement, mix of new products and cost controls enabled by improvement projects in FY16.

The 2017 financial year saw an outstanding performance in our Australian canola business as we capitalised on a significant market growth that was driven by excellent sowing conditions in the canola cropping areas around Australia. Nuseed secured market share gains of hybrids and open pollenated varieties. The total canola volumes increased by more than 50%. Nuseed also achieved stronger endpoint royalty income from farm grain deliveries of proprietary open pollenated.

Continued growth of hybrid canola market share and growth of endpoint royalties should reduce the magnitude of fluctuation in EBIT contribution from the Australian business going forward. However assuming more average market conditions in FY18 we anticipate a reduction in the Australian canola volume and sales but less impact in the reduction of EBIT contribution as seen historically after peak volume years.

The European sunflower performance was based on strong market share growth, cost of goods improvement and improved pricing. Volume increased by more than 40% year-on-year. Nuseed also launched new categories of confection sunflower and signed contracts with downstream users. While the overall sunflower market in the USA was down Nuseed sunflower units increased due to new product launches and distribution expansion resulting in strong market share gains.

[Target] market conditions were very strong in Brazil and mixed in Argentina. Nuseed Latin Americas improved sales market share and EBIT contribution as a result of efficiency gains achieved via the Company's performance improvement program with new commercial and supply chain structures together with the launch of numerous new product lines.

Seed treatment sales overall were in line with the prior year with revenues up in Brazil and the US and down in Europe and Canada.

As we turn to the next slide I would now like to update you on progress relating to our proprietary omega-3 canola program. Regulatory submissions were filed in Australia, the United States and Canada earlier this year and pending approval the

Company is on track to initiate first commercial product in the 2018/2019 financial year with initial cultivation plans currently focused in North America. The production scale-up will be managed under strict compliance and stewardship protocols while we also seek regulatory import approvals in other countries.

The regulatory process is expected to take about 12 months with one of the Australian regulators FSANZ, which regulates food safety in Australia and New Zealand, having completed its assessment of our application and posted it for public comment. Its assessment is supportive and in line with our expectations.

Nuseed's first large scale omega-3 crop is currently being harvested in the United States representing an important milestone in the pre-commercialisation phase of this industry leading program. 3000 acres of the proprietary omega-3 canola have been grown in Washington State in compliance with the USDA notification process. The crop has performed exceptionally delivering strong green and omega-3 oil yields reinforcing the value of this technology and providing a scalable and sustainable additional source of omega-3.

We have contracted a crusher to extract the oil which will be utilised in regulatory and non-commercial downstream industry trials including aquaculture. Important fish feed and nutrition studies are underway and we have strong interest from the customer base. Nuseed and our collaboration partners on this project, CSIRO and GRDC, have jointly secured a strong intellectual property position which facilitates a clear pathway to commercialisation. This position continues to strengthen with ongoing filings of additional patent applications. Nuseed and our partners now hold over 50 granted patents globally and over 100 pending patents covering EPA, DPA and DHA fatty acid technology and plants.

Given the growing demand for omega-3 and the need to secure sustainable alternative supply sources to fish oil several companies aspire to produce alternative sources of a long chain omega-3 including BASF. BASF has chosen to challenge several of our patents without success. Nuseed continues to assess actions against BASF patents in various jurisdictions. This activity is anticipated to continue as a normal course of IP estate management in both companies.

Nuseed remains open to the possibility of cross-licensing relevant intellectual property if this will enhance the value we can generate from this project. Regardless of any such future agreements we are at the forefront of efforts to commercialise a much needed sustainable source of long chain omega-3 and we expect our first [unclear] advantage to help generate substantial value from this project.

Thank you and I'll now hand you back to Greg.

Greg Hunt: Thank you, Brent.

Over a number of years Nufarm has developed a valuable global marketing and distribution platform both from acquisition and organic growth. We now believe that we can drive more value from that platform by focusing on those markets and crops where Nufarm can be most successful. The core geographies that are our focus include markets that are large in terms of crop protection sales. They are markets where we already have established positions and the potential to drive further growth and better returns.

Our hub countries that we talked about before are Australia, the US, Brazil and in Europe France, Germany and Poland. The core crops that are our focus have good growth prospects and reflect the strength in our product portfolio and our market positions. They are soya beans, corn, cereals, pastures and TNVV or trees, nuts, vines and vegetables.

We believe that this more focused and deeper rather than broader approach will continue to deliver better returns. It is particularly pleasing that the 2017 financial year results demonstrate that the strategy is paying dividends by delivering above market growth and increased market share in all of our hub countries. Of note is our performance in Central Europe where we are growing strongly albeit off a small base.

Independent market analysts Phillips McDougall have reported that in US dollar terms calendar year 2015 market share growth was negative 9.6% and in calendar year 2016 was negative 2.5%. Expectations are that market growth for calendar year 2017 will be at best flat or slightly positive with a more positive view heading into calendar year 2018.

Our strategic focus combined with the benefits of the performance improvement program give Nufarm a strong platform to support future profitable growth. We have opportunities to drive growth in the business. We will look to grow relative market share in our hub countries with increased customer facing resources. We will continue to invest in customer engagement tools such as Salesforce.com and Net Promoter Score to improve the service level that we provide to our channel partners.

Growth will also come through our product portfolio. This function is now centre led with appropriate regional representation. We believe that this structure will result in a more targeted approach and better value from the approximately $100 million that we spend on our product portfolio annually. We will address product portfolio gaps in our key crops and we will look at leveraging our current portfolio and we'll also consider partnerships or acquisitions of new products or active ingredients.

We will continue to pursue additional value from our strategic partnerships including with Sumitomo Chemical Company. It is pleasing to note that the Nufarm sales of Sumitomo products reached $229 million in the 2017 financial year which is a 38% improvement on the previous year and the sales have grown at a compound average growth rate of 48% since 2014.

There will be more opportunities to develop alliances with other industry partners and the hard work that we put into improve the quality of our underlying business makes Nufarm an increasingly attractive alliance partner.

Industry consolidation gives rise to opportunity for us to secure assets that will strength our position in core crops and geographies or add new growth platforms in our seeds business. We are actively assessing opportunities but will be very disciplined. We will only look at assets that fit the strategy. The acquisition must be value accretive. We will maintain a prudent approach to our leverage and capital structure and we'll look for opportunities with limited risk around execution and integration.

The last 12 months as Brent has said saw important progress in our canola Omega-3 program. Our regulatory submissions are on track, pre-commercialisation plans are progressing to schedule and the initial commercial production is expected in 2018/2019. The Omega-3 project gives Nuseed the ability to produce a highly reliable and scalable supply of omega-3 oil that will meet the requirements of valuable end markets.

The mantra for our supply chain group is lowest cost delivered to customer. A lot of the hard work has been completed in supply chain with the manufacturing footprint changes, manufacturing efficiency programs and the establishment of a global procurement function. In a continuous effort to improve our systems and processes we are now investing in the implementation of a Company-wide demand and supply branding process at a cost of $28 million. When complete the new supply chain system will give us better visibility over our inventories and when and where product is required.

Our other major business transformation project involves the harmonisation and standardisation of back office processes and the setup of a shared services centre across Europe. We will spend $37 million on this project and the advantage of the project is that the common processes and systems can be applied to other regions. The program is on track for implementation in 2018. The outcome will be more efficient and integrated back office services and support.

It is important that we make these investments to pursue these growth opportunities and to fully leverage the benefits that are being secured from our performance improvement program and the progress that we have made in the last two to three years.

Now let me turn to the outlook. We expect the global crop protection market to remain competitive with low soft commodity pricing prevailing following recent strong harvests. However the supply/demand balance for key soft commodities is stabilising whilst the demand outlook for many agricultural commodities remains high.

The combination of revenue growth, margin expansion and additional cost savings benefits is expected to result in earnings growth in financial year 2018. In Australia a better balance between sales of high margin and commodity products will see sales and production volumes improve. As well the merger of the Nufarm and Crop Care marketing arms will provide further efficiencies and position the business to deliver a better experience for our Australian customers.

As usual spring and summer rains in northern New South Wales and Queensland are needed to generate demand for crop protection products in the summer cropping period.

The Company is well positioned to generate growth in the US where our business will benefit from new product introductions and strong support from our channel partners. In Brazil the area planted to crops and the volume of crop protection inputs are expected to rise. 2018 will see a continued careful management of inventories, positive exposure to stronger market segments and new product introductions. A modest earnings recovery is expected for Argentina.

Europe will also benefit from new product introductions over the coming 12 months with increased investment in marketing and sales staff in our key European markets and savings in back office costs as our shared services model is implemented.

A pipeline of continuous new seed product launches and new seed treatment products combined with the beyond yield strategy should deliver steady earnings growth over the next 12 months for the seed technology segment and as Brent has outlined, the progress that has been made in the Omega-3 canola program.

Growth prospects over the medium to long term remain positive as the Company continues to secure additional benefits from the performance improvement program and the business transformation activities.

In summary and given average seasonal conditions the business is expected to generate an improved EBIT on the prior year driven by the combination of growing revenues, margin expansion and cost savings benefits.

To conclude we remain focused on our goals whilst maintaining the commitment to producing innovative quality products and providing a great customer experience. By building on what has been achieved over the last two years with the performance improvement program and working closely to the focused strategy Nufarm is well positioned to capitalise on the many opportunities evolving with our industry. In many ways our story is just beginning.

Thank you.

Mark Keating: Thank you, Greg, we'll now move onto the Q&A session and I'll hand you back to Amber, our operator, to introduce that session and step you through the process for asking questions. Amber.

Operator: Thank you, if you wish to ask a question please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request please press start two. If you are on a speaker phone please pick up the handset to ask your question. Your first question comes from Mark Wilson from Deutsche Bank. Please go ahead.

Mark Wilson: (Deutsche Bank, Analyst) Thanks very much, Greg. I was just wondering if you could give us an update on the global industry consolidation and some of the opportunities that you are looking at, some quite closely and others that may have passed you by?

Greg Hunt: Thanks, Mark. I think there's been quite a bit of speculation in really over the last 12 months but I guess more particularly in the last couple of months. I think all I can do is repeat that we remain interested and engaged in that process but as we've previously disclosed, we are considering a number of opportunities. However there is no guarantee that we'll reach agreement. But when we have something to update on the market on clearly we will. I think the important point is that anything that we look at does need to align to our strategy. It will need to be EPS accretive. There are clearly some opportunities there and as I say once we've got something definitive and we're able to update the market then we'll do so.

Mark Wilson: (Deutsche Bank, Analyst) Okay thanks, and just elaborating on the financial metrics. You just mentioned one, EPS accretive, is that the sole criteria?

Paul Binfield: No it's not the sole criteria, Mark. Clearly we evaluated all the opportunities in terms of standard [DCF MPV] type of activity. We very much look at how they might impact our capital structure and hence obviously the EPS accretion as well. So we're very focused on ensuring that we meet a strict view in terms of making sure that we take a disciplined approach and looking across the whole range of metrics.

Mark Wilson: (Deutsche Bank, Analyst) Okay thanks Paul, thanks Greg.

Operator: Thank you, your next question comes from Grant Saligari from Credit Suisse, please go ahead.

Grant Saligari: (Credit Suisse, Analyst) Good morning, thank you. Just a couple of questions on the operating segments if I could. It just looked like the second half EBITs out of Asia, so that was down quite a lot more than the revenue line and North America looked fairly flat compared with the revenue increase. Just wondered whether you could comment more on the second half performance in those regions?

Paul Binfield: Perhaps if I can pick up Asia and let Greg deal with North America. In terms of the Asian business, last year we had El Niño having a very significant impact in terms of the Indonesian market which is where our business is largely focused and we actually had quite a favourable sales mix in the sense of less going to Indonesia, more going into high margin markets like Japan. In the second half we had a situation where we had essentially a pretty robust second half for Asia, albeit the margins were probably not quite as high as we would have expected. In terms of looking into next year again I think that the Indonesian market is looking pretty solid again, so again a good outlook for the coming year for Asia.

Greg Hunt: I think just in relation to North America, certainly the performance over the last 12 months we're very happy with. If we consider the way that the season finished, things are quite dry in the Midwest and the north. The recent hurricane is likely to impact negatively on our turn ornamental and citrus business largely in Florida. But I would say in the central mid Corn Belt we do have strong momentum in our row crop business and we would expect that momentum to continue into 2018 with a stronger first half than we had last year.

Grant Saligari: (Credit Suisse, Analyst) The deterioration in EBIT margins in both regions would suggest either an unfavourable mix, shift or some additional pricing pressure in the second half. So which…

Paul Binfield: As I say in terms of Asia it's very much a mix shift in the sense that we've had a stronger performance in our Indonesian business which essentially is a lower margin business than the market such as Japan. In North America it's probably more a reflection of just competitive conditions, Grant.

Greg Hunt: And probably the mix, there are a larger percentage of commodity products that we've sold in the last half of 2017.

Grant Saligari: (Credit Suisse, Analyst) You expect that to revert a bit into fiscal '18, is that what we should take away?

Greg Hunt: Well I think certainly the volume of commodity products we would not like to see drop off. We do have some new product launches coming in 2017, 2018 high value which we would hope would increase our margins particularly in the US. But also there's some new products in Canada that we would hope would improve that margin mix.

Grant Saligari: (Credit Suisse, Analyst) Just one other if I could, just on the sales marketing distribution expense, the sales obviously went up in underlying terms as you've reported it. Maybe just comment on that because we sort of look at the gross margin improvement which is obviously good, obviously then there's an increase in the sales marketing distribution costs. So maybe just comment on that second one if you could.

Paul Binfield: I guess it's really following up on the comments we made at the last, well this time last year and the half again in the sense that we're looking to invest in growth in this business. A key focus there is putting more boots on the ground in terms of physical presence in those key markets. Particularly that's true in Europe; we're looking to expand the sales force quite significantly. Also increase sales and marketing activity to support those sales guides. So for example we've expanded our field activity, promotional activity in Brazil. We've also had some pretty significant and important product launches in Brazil and North America, and that has necessarily required investment in marketing to capitalise on those launch activities.

Grant Saligari: (Credit Suisse, Analyst) And go forward, do you think the sales force stabilised where they are now or do you expect to have to invest more?

Paul Binfield: I think we would expect to see a continued expansion in terms of boots on the ground in Europe absolutely.

Grant Saligari: (Credit Suisse, Analyst) Sorry, just finally, on the one-off costs, unforeseen circumstances aside are we now at the end of any significant items coming through from the transformation program?

Paul Binfield: As I mentioned we expect there to be further fairly modest restructuring costs in terms of our European back office. So the wave one of that project goes live 1 November, wave two goes live in August of next year. So there'll be some increased costs there but expect those to be largely offset by the gain on sale from our Auckland property that will be settled later next month.

Grant Saligari: (Credit Suisse, Analyst) Okay, all right I appreciate the comments, thank you.

Operator: Thank you, your next question comes from Simon Thackray from Citigroup, please go ahead.

Simon Thackray: (Citigroup, Analyst) Thanks very much, good morning gentlemen. I just wanted to ask a question really about the pace of your market share gains across your geographies, the rate of those share gains given the conditions, given what you were talking about before Greg about the global index for crop protection will be bound year-on-year. What's been the pace of share gains to really understand the return on that incremental investment in SG&A which has clearly come through certainly in the Australian result and elsewhere. So can you just give us a bit of colour on the rate of the market share gains you're seeing?

Greg Hunt: Thanks, Simon. Outside of Australia where we have a significant market share, the reality is in all of those other hub markets, Brazil, the US, France, Germany and Poland, we're coming off relatively low market shares. One of the ways that we have been able to do that is to really grow our relative market share of the commodity products and that gives us a relationship with the channel that as we get products that come into the portfolio that are of higher value we can leverage those to improve our overall margins. If you look at the growth that we've had with the Sumitomo products over the last couple of years we've been able to do that in many of those hub countries because of the position that we have with the commodity products.

So it's really a medium to longer term strategy of growing our relative market share and then being able to improve margins as we improve or bring products to the portfolio that have higher margins.

Simon Thackray: (Citigroup, Analyst) So the incremental investment that Paul was talking about in terms of SG&A? I know certainly Europe was called out…

Paul Binfield: In terms of quantifying it, I guess probably the best reference is looking at those market figures that we gave you, so [unclear] down 9.6% in '15, 2.5% in '16, we think '17 expectations are flat or modest growth at best. Over that timeframe we've enjoyed a CAGR of 8.5% and that's largely been in our focus markets. So in terms of is that investment working, I guess the proof's pretty much in the pudding in the sense we are getting substantial growth in relatively flat markets.

Simon Thackray: (Citigroup, Analyst) That seems to be what's reflected in the top line certainly, and I think the amount of margin that's been given up has been quite modest considering the degree of top line growth you're getting. In the context of that, in the context of soft commodity markets globally, what does that do for transaction pricing in terms of M&A? Does it dampen expectations of vendors? Are targets becoming more attractive as you grow your share and take control of those chattels?

Paul Binfield: I think relative market share in key markets is becoming increasingly important. So to that extent you would say that the ability to add scale to an existing infrastructure is probably a valuable step to take where it makes sense economically.

Simon Thackray: (Citigroup, Analyst) Just in terms of capacity, just so I understand the potential scale of these. Vis-à-vis the targeted net debt to EBITDA, how should we be thinking about that versus your capacity to make acquisitions in terms of what would be the size or scale of an acquisition that we should be thinking about?

Paul Binfield: I think if you look at the transactions that are out there in the marketplace there is a broad range of values being attached to them. But all of them it's fair to say would probably have a value north of a couple of hundred million dollars. In that context we are very conscious that we want to maintain a prudent approach in terms of capital management and we will not look to stretch the balance sheet. So our expectation would be in an event that we are successful with a potential transaction we would look to maintain leverage around that two, two and a quarter times and therefore may need to revert to raising equity [to the balance].

Simon Thackray: (Citigroup, Analyst) Okay, that's very helpful, Paul. Then just there's one question quickly for Brent actually, just on I'm not sure if I heard it correctly you call that canola seed growth I think in Australia 50%, is that right, year-on-year?

Brent Zacharias: That's right, or volume grew by more than 50% year-on-year given the excellent conditions.

Simon Thackray: (Citigroup, Analyst) I think did I hear it right that you said that your volume will be down or just won't obviously grow to that extent this year?

Brent Zacharias: Yeah, we wouldn't expect - we had near perfect conditions coming into the sowing period of canola so we did see some record volumes of plantings and we wouldn't necessarily expect that to repeat, therefore we probably have a more considered view for next year. But still we'll see solid earnings growth across [the new seed business] is our expectation overall.

Simon Thackray: (Citigroup, Analyst) Okay that's very helpful. Sorry Paul, just to come back one second, the ROFE target of 16% that's called out, just the timeframe to achieve that? Does the timeframe alter if you pursue M&A?

Paul Binfield: I think the timeframe may need to alter if we consider M&A and that's both obviously positive or negative depending on the opportunities that we look at. I remains an important medium term target that we have for this business. We remain focused on generating strong shareholder returns regardless whether we do M&A or not.

Simon Thackray: (Citigroup, Analyst) Right, so against the [13.9 million] or so I think that you delivered, is there a timeframe that you think in the absence of M&A you'd be hitting that 16% ROFE?

Paul Binfield: We basically set that target in '14 and '15. We didn't anticipate at that time that the overall market would drop some 15% over that timeframe and hence the fact it has taken us longer to achieve that 16% than we would have wanted. We've not come back and put a date on hitting that target, albeit we absolutely remain committed to that 16% target and we can see a pathway to hitting it in the medium term.

Simon Thackray: (Citigroup, Analyst) Excellent, all right, thank you so much for your time.

Paul Binfield: Thanks, Simon.

Operator: Thank you, your next question comes from Niraj Shah from Morgan Stanley, please go ahead.

Niraj Shah: (Morgan Stanley, Analyst) Good morning guys.

Paul Binfield: Hi, Niraj.

Niraj Shah: (Morgan Stanley, Analyst) I just had a couple of questions on the Nufarm and Crop Care brand merger. I just wanted to understand what percentage of ANZ sales were sold under the Crop Care brand and whether those products traditionally attracted a premium or discount relative to the Nufarm branded stuff?

Greg Hunt: Thanks, Niraj. I think if you go back and look at I think it was 2002 when Nufarm bought the Crop Care business and brands, the composition of the portfolio was very different then. If you look at the products today in many ways the Crop Care and Nufarm product offerings were quite similar. So our view was that by putting the two brands together there are clearly efficiencies at the front end and there are obviously some efficiencies at the back end in terms of manufacturing the numbers of labels, the relationships that we have with our customers. Dealing with one organisation was the feedback that we had for them is certainly a lot easier than dealing with the two. I'd think the combined market shares of both operations is probably somewhere in the mid 20%.

Niraj Shah: (Morgan Stanley, Analyst) Okay, you mentioned the front end efficiencies, do you guys expect any potential [dyssynergy] to come out of that? I imagine for example some distributors might want a bit of brand variety and might have to look elsewhere.

Greg Hunt: Look it's certainly the feedback that I've had from the customers that I've spoken to don't see that. The reality is the industry is known that Crop Care has been owned by Nufarm through that period. I think at the end of the day as long as we've got a competitive offering out there and we've got a diversified portfolio, we're delivering a level of service that our customers want, then I think we'll get the support.

Niraj Shah: (Morgan Stanley, Analyst) Just lastly just to understand the timing, just looking at the Crop Care website it looks like there's still products sold under the old branding. When will that all wash through?

Greg Hunt: The brands came together at 1 August. There will be some transitional arrangements as we go through the balance of 2017 and the early part of 2018. But we'd expect all of that to be pretty much done and dusted by the end of the 2018 financial year.

Niraj Shah: (Morgan Stanley, Analyst) Got it, and just quickly switching gears, in some of the result commentary you guys talked about a decline in Phenoxy sales, I was just wondering whether that was price or volume driven?

Greg Hunt: I think that was largely comments around Brazil. If you look at our global Phenoxy sales they are very similar to what they were in the last financial year. I think as we experience growing resistance to other herbicide's chemistries and the launch of the Dow Enlist technologies we would expect the demand for Phenoxy's chemistries over the next year or two to grow.

Niraj Shah: (Morgan Stanley, Analyst) Got it, thank you.

Paul Binfield: Thanks, Niraj.

Operator: Thank you, your next question comes from James Ferrier from Wilsons Advisory, please go ahead.

James Ferrier: (Wilsons Advisory, Analyst) Thanks, Greg and Paul, thanks for your time. The first question's around the costs out. Greg, I think if I heard you correctly you were referring to essentially two elements of the program looking ahead. One being the demand and supply chain planning and the investment around that and the second being the harmonisation of SG&A. The first of those two, I think it was about a $25 million investment you were talking about, the benefits of that, is that primarily around inventory payables or is there a procurement related benefit you would see to the P&L?

Paul Binfield: James, in terms of focus there I think you pretty much hit the nail on the head. The focus really is inventory levels down and therefore lower benefits coming through in the form of lower interest expense. But absolutely this tool is also instrumental in terms of assisting on the procurement fund as well. Also rolling out a product as well for indirect procurement called Ariba. That roll out again is well underway, went live in ANZ a couple of weeks ago. That product again will be very important in terms of continuing to get procurement costs down. So a combination of what we call [link] which is the supply chain which deals with principally raw materials and [agivants] and so forth. The [indirects] to Ariba, those two also will support the procurement activity as well.

Greg Hunt: I think, James, in relation to the harmonisation of the back office services, that's been a program that largely is around Europe but we believe that we can roll that model out into our other regions over time. The basic principle is that as we reduce some of those back office costs we will reinvest in customer facing activities in our hub countries as we talked about earlier in the call. We have put some additional resources into Brazil and Germany over the last 12 months and we will put more resources, boots on the ground in all of our hub countries that will largely be funded by efficiencies in the back office support services.

James Ferrier: (Wilsons Advisory, Analyst) Okay, so collectively is it fair to say that the return in cost out dollars benefit you would expect from these elements in '19 and '20, it seems like a reasonably small amount compared to the $116 million program that you're nearing the end of?

Paul Binfield: I think in terms of the supply chain, expectations would be in the region of $8 million to $10 million of benefit in terms of interest coming through. In terms of the back office program, again it's a slower burn; it'll take longer to deliver those benefits. Expectations are they certainly double digit millions of Euros, James. I think there are still some significant benefits to come through there.

James Ferrier: (Wilsons Advisory, Analyst) Yeah, and just to clarify the timing that European benefit in particular, that's beyond FY18, that's not included in that [116].

Paul Binfield: Correct. In terms of FY18 it probably is going to be like a net mill over that timeframe because we'll start to get some benefits through but they will not be significant. It's going to be really '19 and '20 when those benefits will kick in for [Europe], James.

James Ferrier: (Wilsons Advisory, Analyst) Greg, in response to an earlier question, talking about the US in the first half '18, I think I heard you correctly saying you expected growth in earnings in that region. The fact that the regions cycling a particularly favourable burn down season in the PCP that you're still comfortable that you can cycle that?

Greg Hunt: Yes, look I don't think it's going to be significant, James. I think there'll certainly be - I mean there's pluses and minuses around the cyclone, as we talked about earlier. But I would have thought that we would, you know, a small single digit improvement this year over last.

James Ferrier: (Wilsons Advisory, Analyst) Last question from me is around Australia, again we're cycling this time last year extraordinarily we conditions on the East Coast and what looked like a pretty big fungicide application event. How is Nufarm positioned to cycle over that?

Greg Hunt: Hopefully one of these days we're going to get back to what is a normal or what one might consider as normal seasonal conditions in Australia. As we sit here today things are very dry in most of New South Wales and Southern Queensland. So the reality is if we expect to get a decent summer crop this year we would need to get rainfall in the next four, five, six, eight weeks. The rest of the country generally speaking is averaged below average, and certainly the northern parts of Western Australia are quite dry. Which is why I think you're seeing some of the commentary now that the winter crop this year will be down around 30% on what it was last year.

James Ferrier: (Wilsons Advisory, Analyst) Great, thanks for your time.

Operator: Thank you, your next question comes from Pelen Ji from Macquarie Group, please go ahead.

Pelen Ji: (Macquarie Group, Analyst) Good morning, thanks guys for the run through. Really just two key questions from me. Firstly you guys have mentioned in the release that we are looking at basically the next step change in working capital management. I assume that you guys are referring to the supply chain investment of $65 million or collectively $65 million there. I'm just wondering to what extent do we think about or are we looking to mitigate the swings of potentially another delayed season [via] this investment? That's my first question.

Paul Binfield: Hi, Pelen. In terms of the investment in the supply chain project the figure there is actually $27 million, the back office is I guess completely separate in terms of dealing with principally SG&A costs in Europe. Clearly [vagaries] of climate and seasonal change, that's just part of doing business as far as we're concerned. The supply chain project is all about better balancing through the plant, it's about better ordering, better procurement. Clearly if we have more volumes going through then yes the benefits would be greater, but we don't see there being any significant slowdown in the ability to generate those benefits just because we have significant seasonal shifts. It just is not a huge impact in terms of what's going - how those benefits are derived.

Pelen Ji: (Macquarie Group, Analyst) Understood, thank you for that. So are you able to just help us to understand what could be the net benefits from these supply chain initiatives?

Paul Binfield: I think I mentioned previously the supply chain benefits will largely come through in the form of lower inventories and therefore in the form of lower interest expense. Much of those will start to come through in '18. So we fully rolled out that platform in ANZ as of about a month, six weeks ago, and we'll be going to the other regions but we're well progressed in the other regions, we'll actually be looking to go live in the other regions between now and Christmas. So some of those benefits will be coming through and will be [baked] into that $116 million figure. In terms of the back office harmonisation effort, the first go live there is a small cluster of countries in Europe, principally in Eastern Europe, their go live date is 1 November of this year.

I would expect modest to no benefit coming through in the current financial year, they'll start to come through in '19 but the main go live on that project is in fact 1 August of next year and therefore the more significant benefits won't really hit the run rate until probably '19, '20. Our expectations are around that €10 million mark.

Pelen Ji: (Macquarie Group, Analyst) That's great thank you, and just lastly just in terms of ANZ are you able to share with us where we fit in terms of market share and also comment on our margin outlook or target level?

Paul Binfield: I think, Pelen, as we talked about earlier the Australian business really has been a work in progress. We commenced the plan in early 2015 to fundamentally reset the Australian business. We had progressively lost market share over a number of years and the cost base in the business was exposed and in our view was unsustainable. So the whole review started with the manufacturing review and the closure of the three factories, and as we said that's now complete. The manufacturing efficiency programs have commenced and we are this year investing in both our facility in Laverton in

Victoria and in Western Australia and that's a significant investment, involves an upgrade to our [2,4-D] facility in Laverton and I guess some efficiency investments in Kwinana in Western Australia.

The last part of the whole program really has been the combining of the Crop Care and Nufarm sales and marketing organisation. So the business is now a lot better positioned to compete than it was two or three years ago. So it really has been about - and it is for this year and probably will into next year about maintaining and growing our share, and we believe that margins will improve as we take some additional costs out of the business and we get the efficiencies coming through the manufacturing plants with the investment and the volumes. Over time as we add to the portfolio that's the way that we see that we will improve margins in the Australian business.

Pelen Ji: (Macquarie Group, Analyst) Got it, thank you very much.

Operator: Thank you, your next question comes from Richard Johnson from CLSA, please go head.

Greg Hunt: Hi, Richard.

Richard Johnson: (CLSA, Analyst) Hi, morning, just a couple on Omega 3 from me if that's okay. I was just wondering if you could talk a little bit about the pathway to profits for the product. Obviously you talked about the commercialisation dates, which is helpful, but the pathway to profit from there. Secondly if you could just talk or explain a little bit more how the cross licensing works. I'm particularly interested around whether that has foreshortened some of the patent issues or the patent challenges you may have, so is it a win-win for everybody? How does it work? Do you sit along - would your technology just sit alongside the competing technology or does it replace it?

Brent Zacharias: Richard, it's Brent here. First of all in terms of pathway to profit as we've described on the one slide, we'd expect to have our first revenue from this product in FY18, '19 and then contributing to positive EBIT by FY20, '21 when our production supply chains are forecast to reach full scale. So we'll be launching our first commercial product and planting in '18, '19 and then as we scale up through that period both in terms of volumes as well as further investment in some of the commercial capabilities to fully grow that business we'd expect that we would get to positive EBIT contribution from that business via FY21. We're really not inclined to share more detail than that at this stage as we still are in a product development and product testing phase as we stand right now. We should be able to provide further guidance on the full scale and potential of the business in probably another 12, 18 months from now.

The second part to your question, I just want to be clear we have not entered into any cross licensing agreement at this stage, we've just highlighted that there have been some discussions and negotiations which are confidential in nature and that the market size of Omega 3 is very, very large and attractive to other players that are looking at it. We wouldn't expect that we would be a sole player in that big of a market but we're very focused on a highly differentiated product. We would enter into negotiations and be open to a cross licensing agreement if we felt it added value to our business.

Richard Johnson: (CLSA, Analyst) That's great thanks, Brent. Just going back to the first of those questions, I'm also just trying to get a sense of what sort of costs you're absorbing at the moment with [unclear] once you move into profit in '20, '21?

Brent Zacharias: Right now we're still in the final elements of our research phase which fall into the guidance I think we provided previously in terms of our total R&D spend on this project. As we step out over the next 12, 24 months I guess what we're saying is that we'd expect the increases in some of our spend to be offset by some of the value that we get out of the project as we go through that controlled scale up phase. So we wouldn't expect that you'd see much of an impact in terms of our net P&L impact over the next 12, 24 months.

Richard Johnson: (CLSA, Analyst) Great thanks and then just finally, Greg, those [unclear] [McDougal] numbers you quoted for the market overall, which are obviously significantly down over the last few years, is that all priced?

Greg Hunt: I think there'll be a large chunk of price because most of it would be things like [Glyphosate] took a really major hit in 2015 that sort of timeframe has come back since. So the majority would be priced, Richard, off the top of head.

Richard Johnson: (CLSA, Analyst) Okay thank you very much, that's really helpful.

Operator: Thank you, there are no further questions at this time, I'll now hand back for closing remarks.

Mark Keating: Thanks, Amber. Look thanks everybody for joining us this morning. We'll catch up with a number of investors in the next few days and continue to take Q&A on the results. Thanks for joining us this morning and we thank you for your interest in Nufarm, thanks everybody, good morning.

End of Transcript