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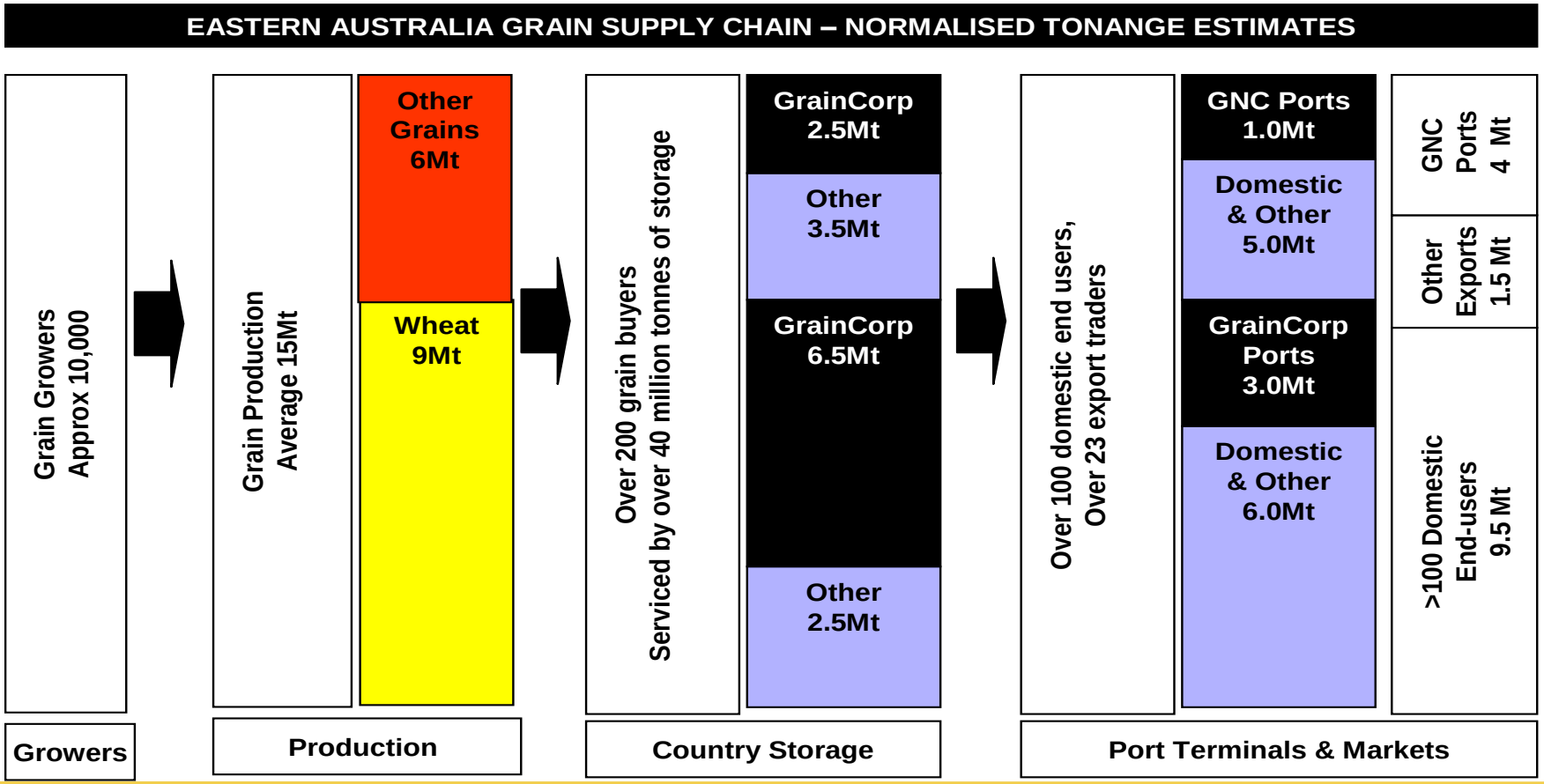
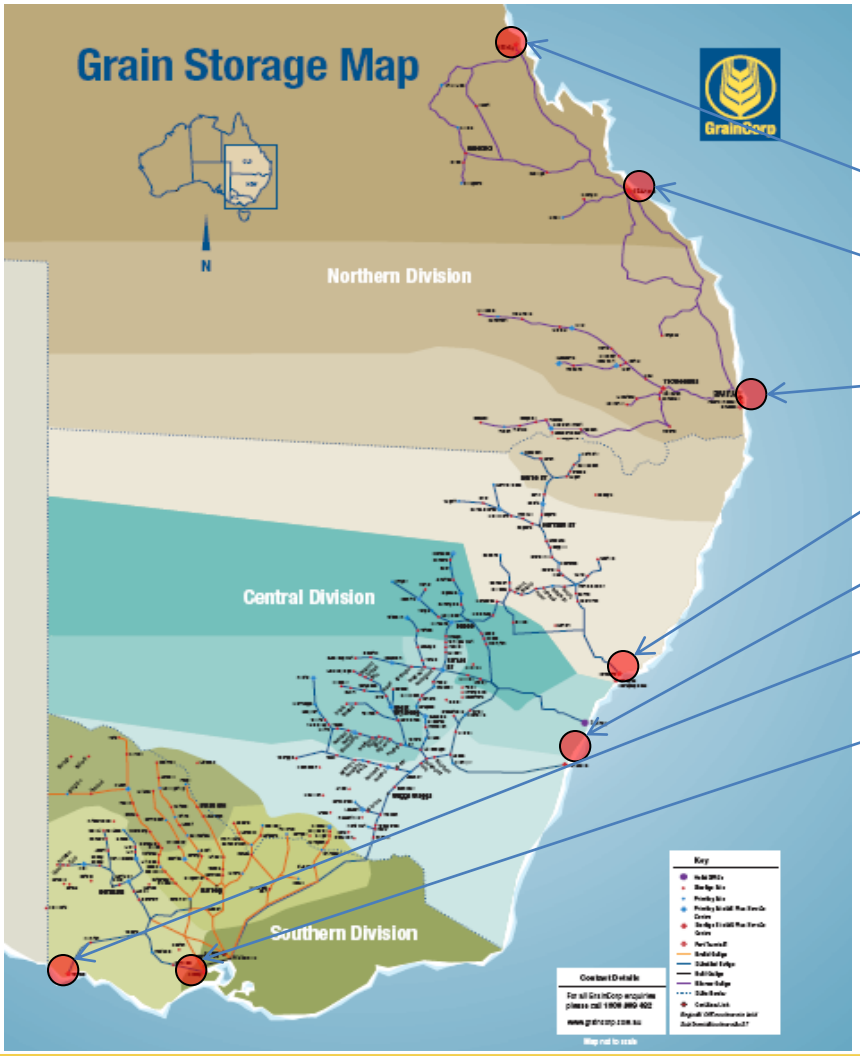
GRAINCORP PORT TERMINALS

Competitive Domestic Market

- The Eastern States market for grain storage, trading and consumption is intensively competitive



GrainCorp Footprint

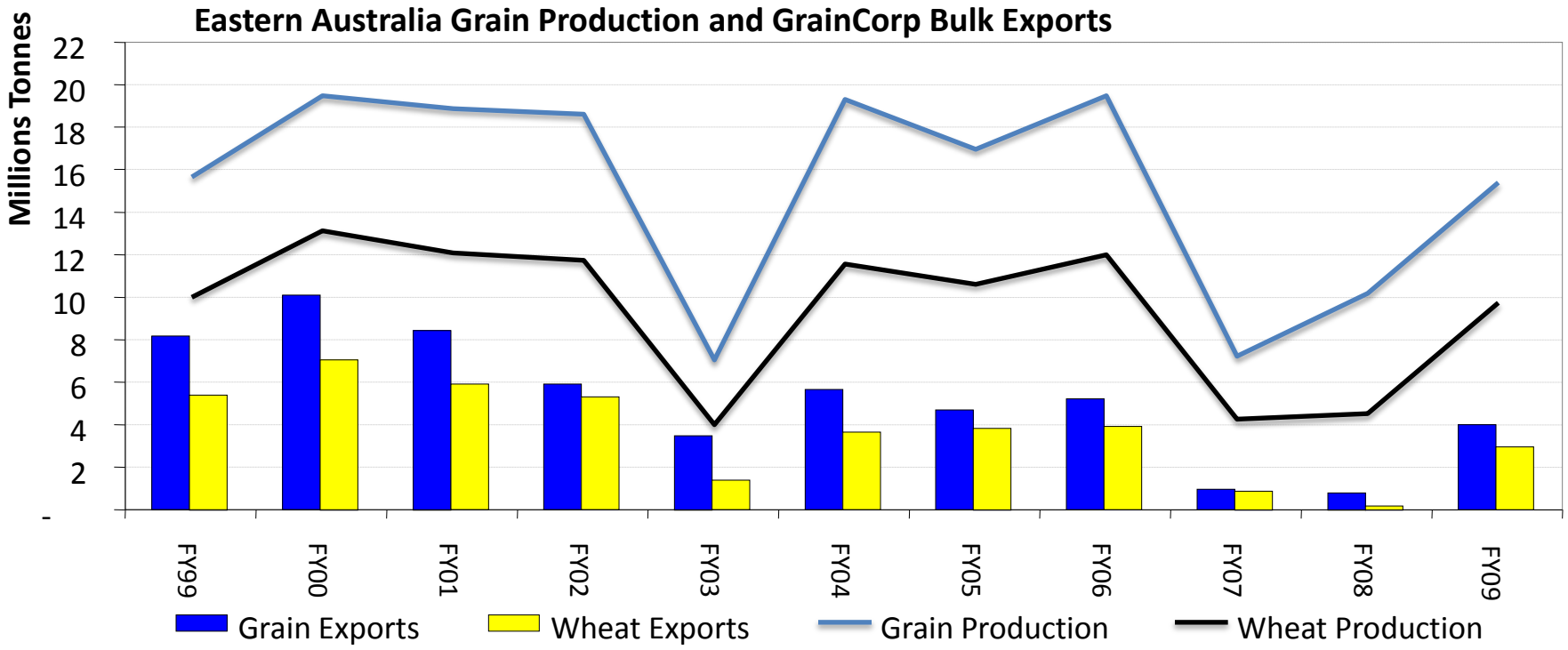


GrainCorp operates 7 bulk grain terminals

- Mackay
- Gladstone
- Fisherman Islands (Brisbane)
- Carrington (Newcastle)
- Port Kembla
- Portland
- Geelong
- Annual maximum shipping capacity up to 20 mmt
- Annual exports avg. 4 mmt

Highly Variable Export Task

- Approximately sixty percent of grain produced in eastern states is consumed in the domestic market
- Exports are 'discretionary' and only occur once domestic demand is filled



Source: ABARE & GrainCorp

High Variability of Export Task

- GrainCorp has to staff and maintain terminals and carry significant fixed costs
- High variability of export task makes port operations financially risky
- Base cost of terminal operations - $40 million PA

(Mill Tonnes)	FY04	FY05	FY06	FY07	FY08	FY09E (2)	Average	Variability (1)
Mackay	0.2	0.1	0.1	0.2	0.2	0.3	0.2	50%
Gladstone	0.2	0.1	0.1	0.1	0.1	0.3	0.1	55%
Fisherman Islands	0.7	0.7	0.5	0.1	0.3	1.5	0.6	76%
Carrington	1.1	1.8	1.2	0.2	0.0	1.0	0.9	75%
Port Kembla	1.2	1.1	1.6	0.1	0.0	0.7	0.8	83%
Geelong	1.7	0.5	1.1	0.3	0.1	0.2	0.6	97%
Portland	0.9	0.5	0.6	0.1	0.0	0.0	0.3	111%
Total	**5.9**	**4.7**	**5.2**	**1.0**	**0.8**	**4.0**	**3.6**	**61%**

(1) StDev/Average
(2) Highside estimate

Port Capacity and Berth Utilisation

- A consequence of the highly variable export task is low asset utilisation
- Average terminal capacity utilisation is 23% and berth capacity utilisation is 10%

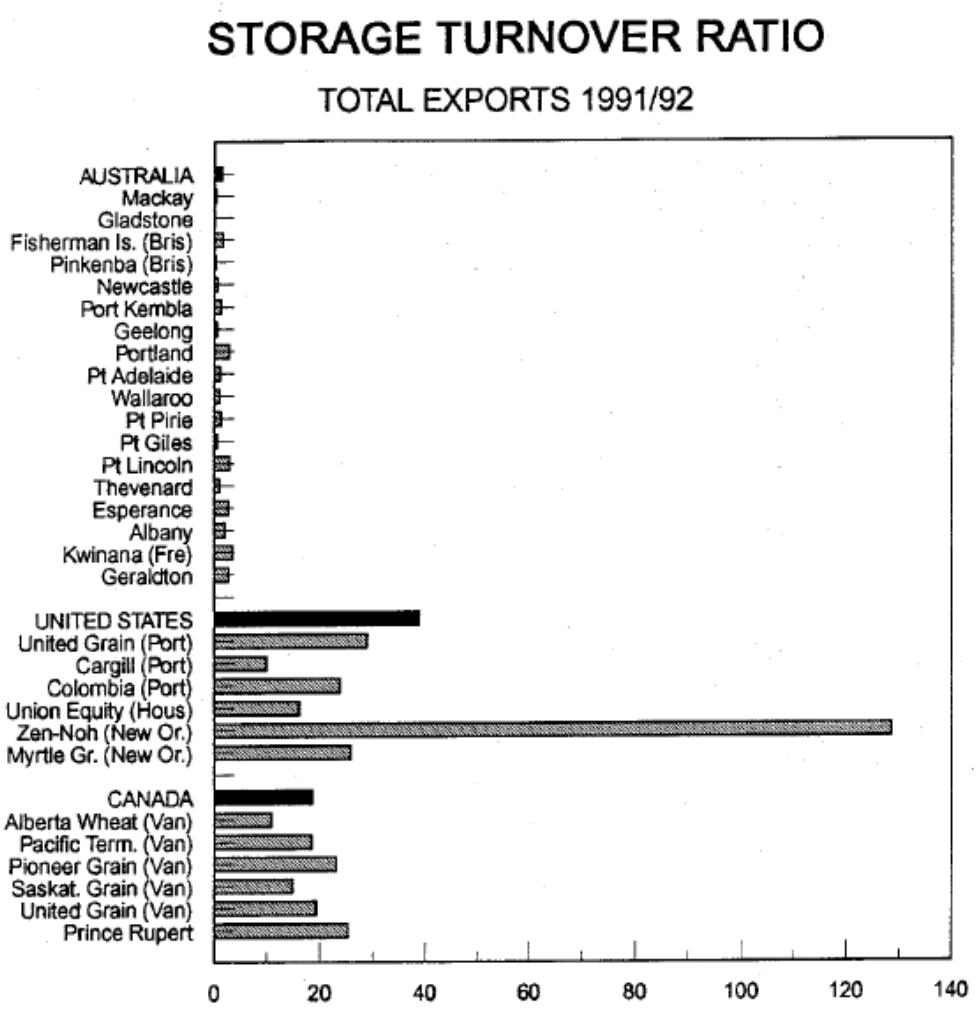
	Exports		Nominal	Maximum Utilisation			Average Utilisation		
Port (Mill Tonnes)	Max	Avg	Capacity	Capacity (1)	Berth (2)	Storage (3)	Capacity	Berth	Storage
Mackay	0.30	0.16	0.9	35%	15%	8.8 x	19%	8%	4.9 x
Gladstone	0.30	0.15	1.0	31%	14%	7.5 x	15%	7%	3.7 x
Fisherman Islands	1.50	0.63	1.5	100%	32%	25.0 x	42%	13%	10.6 x
Carrington	1.84	0.90	2.7	68%	21%	11.5 x	33%	10%	5.6 x
Port Kembla	1.64	0.78	3.8	43%	15%	6.3 x	20%	7%	3.0 x
Geelong	1.64	0.64	2.7	61%	30%	10.9 x	24%	12%	4.3 x
Portland	0.83	0.32	1.5	55%	27%	13.8 x	21%	11%	5.4 x
TOTAL	8.05	3.59	15.8	51%	22%	10.5 x	23%	10%	4.7 x

(1) Exports over nominal capacity

(2) Exports over 50% nominal ship loading capacity @ 12 hours per day

(3) Exports over storage capacity

Terminal Capacity Comparison



- International benchmark for measuring terminal efficiency is “storage turnover ratio”
  - Storage tonnes times tonnes shipped
- Best practice is 15 to 20 times PA
- GrainCorp terminal average is 4 times PA

Terminal Profitability

There is no incentive to deny access to port terminals

- Low margins make terminal profitability reliant on throughput
- Any reduction in tonnage handled reduces profitability
- Average written down asset value of GrainCorp port terminals is $196 m
- Replacement cost of assets 'like for like' is estimated at more than $1 bn (7 terminal times at $150 m[1] each)
- Average EBIT represents annual return of approx. 1.6% PA on replacement value
- Average 8% return on written down value is not 'market competitive' given quantum of capital employed

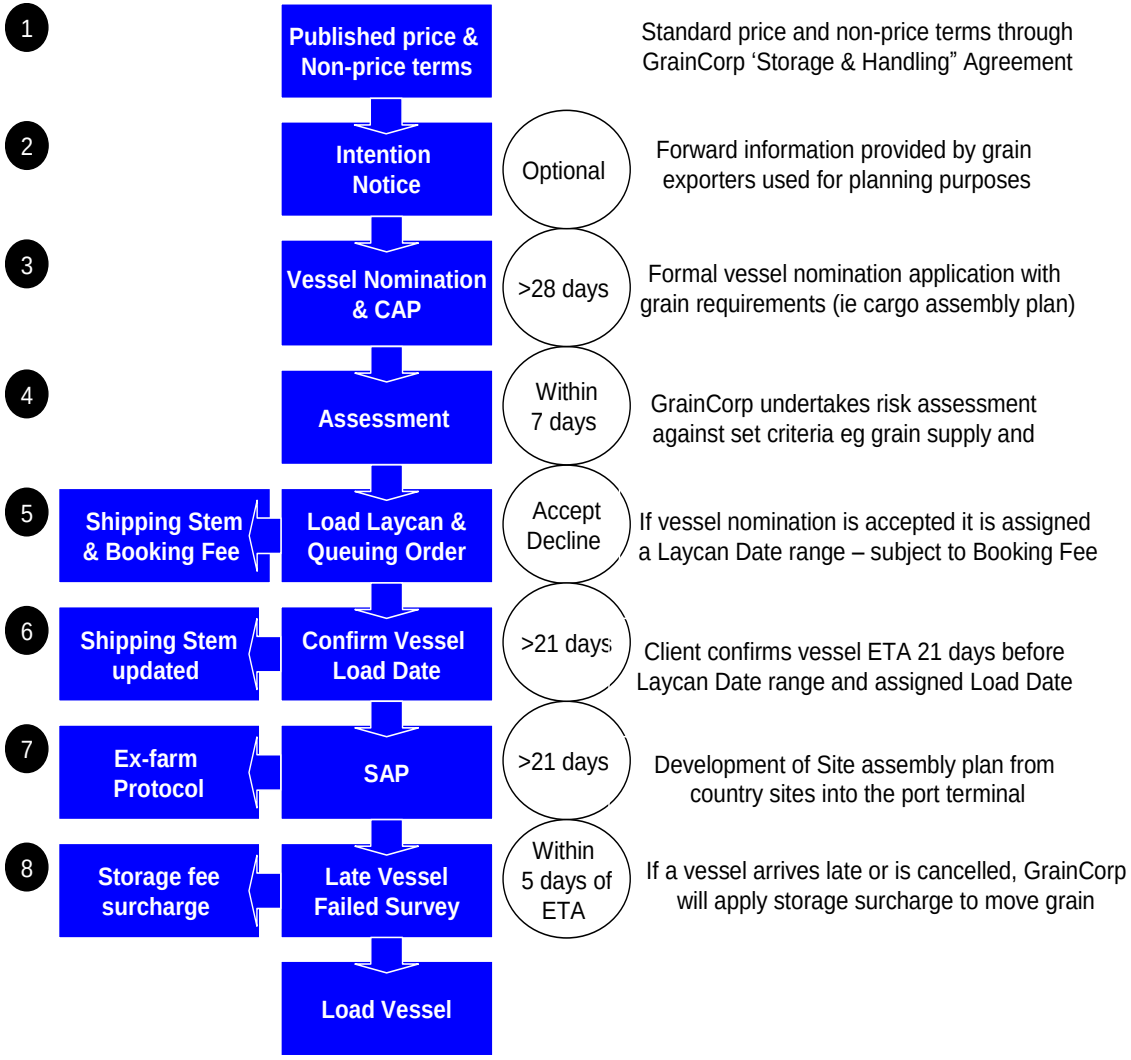
1. This is an estimate only. To replicate terminals to their current capability would require multiples of this level of investment. For example, to replicate the Port Kembla, Carrington and Geelong terminal, the estimated cost would exceed $600 million, per terminal.

Non GrainCorp Exports & Supply Chain

YTD 2009

- 66% of wheat and 95% other grains handled at GrainCorp terminals was on behalf of other exporters
- GrainCorp market share of exports effectively 'capped'
  - Growers determining market share through sales behaviour
  - Need to offer 'best price on day' to 'capture' markets
  - Aggressive buying needs to be supported by equivalent international sales program
  - Impossible to achieve since removal of monopoly and entry of multi national traders into bulk wheat exports
  - Limited capability of GrainCorp to fund grain accumulation beyond current levels

Vessel Nomination Protocols



- Shipping protocols aim to provide a transparent and fair process for booking vessels
- Greater certainty for exporters with new protocols
  - Exporters can now nominate vessels up to 364 days ahead
  - GrainCorp now must respond to nominations within 7 days
- Same vessel nomination rules and charges apply to GrainCorp Trading

Managing Exports Post Monopoly

Behaviours by grain exporters that reduce port efficiency

- Phantom vessel nominations
  - Occupies capacity on the shipping stem that could be allocated to a bona fide cargo nomination
- Slow grain accumulation
  - Creates a knock-on effect for other exporters as terminal storage space is not used efficiently, delays shipping and increases demurrage
- Late vessels and vessels failing survey
  - Booking of poor quality ships reduces exporters shipping costs and increases trading flexibility, leads to dramatic increase in risk of major disruption to other vessels, regularly causes terminals to 'block out' (fill to storage capacity)
- Ex-farm or 'non bulk handler' direct cargo accumulation to terminal
  - High risk of slow grain accumulation increasing storage costs
  - High risk of failing quality, chemical residue and insect free status
  - High risk of grain failing AQIS inspection, failing importing country requirements

Ex-farm Cargo Accumulation

- Older grain terminals designed to receive by rail and out load to vessel large quantities of similar grade commodities
- Road receival is intended to be a supplement to rail receival
  - More road receival = lower efficiency and higher risk / cost to exporters
- Agreeing to all requests to accumulate cargos ex-farm during 2009 would have dramatically increased inefficiency, particularly at Fisherman Islands and Carrington
  - Increased truck queues and delivery delays
  - Loads being rejected for insects and failure to meet quality standards
  - Increased presence of grain fumigant residues at dangerous / illegal levels and other chemical residues failing 'Pesticide Residue Free' standards or importing country Maximum Residue Levels
  - Wide variability of grades ex-farm leads to inefficient use of vertical bin space and disruption to other exporters

Ex-farm Cargo Accumulation Case Study

Fisherman Islands

- Decision to suspend ex-farm cargo accumulation this year was **due to reduced train capacity and resultant increased road receival**
- Average deliveries to FI ex-farm = 3.6% of tonnes shipped PA
- Harristown (Toowoomba) 'pre delivery' quality and insect testing introduced to streamline cargo accumulation from 'non approved' storage significantly reduces the risk of loads being rejected
  - Port of Brisbane may restrict the number of trucks allowed within the port zone

Carrington

- Direct ex-farm accumulation Jan / April caused significant problems
  - High incidence of loads infested with insects
  - High incidence of grain fumigant detection above safe / legal limits
  - Well publicised truck queues caused by arrival prior to scheduled unloading time
  - Terminal 'blocked out' due to fumigation requirements, vessel survey failure

FISHERMAN ISLANDS GRAIN EXPORT TERMINAL

Fisherman Islands Terminal

Grain Operations

- Vertical grain storage capacity of 62,000 tonnes in 12 bins
  - Average 650 kt PA exports
  - Average storage – shipping turnover ratio of 10 times
- Multi commodity conveyor path to vessel

Non Grain Operations

- Woodchip operations
- Cottonseed bunker storage not part of port terminal
  - Bunkers only being used due to shed damage
- Shed storage used for sugar - other commodities
  - Used to manage grain receival surges

Qld. Grain Production and Exports

- Grain production in Queensland is highly variable
- Approximately 55% of all grain grown in Queensland is consumed in the domestic market
- This impacts on the variability of grain exports and the shipping task through Fisherman Islands
- This makes the management of logistics feeding into the port terminal difficult, as long term commitment to base logistical load increases financial risk to terminal operator if this 'commercial' risk is not shared across all infrastructure users

	04/05	05/06	06/07	07/08	08/09	**Avg.**
Total Qld. Grain Production (kt)	2512	2415	1741	2970	3397	**2607**
Exported	45%	40%	33%	44%	64%	**45%**

Grain Supply Chain

There has been a significant reduction of rail capacity servicing FI

- Queensland Rail reduced the number of grain train paths
  - From - 3 trains a day = 5700 mt
  - To - 1 train a day = 1900 mt
- Total rail capacity reduced from 1 mmt to 0.5 mmt PA
- **Result** – Exporters have been forced to rely on road transport into Fisherman Islands
- Current daily grain receival task is split
  - 2/3 road – up to 7500 T/day or 250 trucks
  - 1/3 rail – one 1900 T train
- To reduce the reliance on road transport, the number of rail paths would have to be increased