



**Australian
Competition &
Consumer
Commission**

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24 January 2013

Dear interested party

Louis Dreyfus Commodities Asia Pte. Ltd. - proposed acquisitions of certain stock and assets of Namoi Cotton Co-operative Ltd

The Australian Competition and Consumer Commission (**ACCC**) is reviewing Louis Dreyfus Commodities Asia Pte. Ltd's (**LDC**) proposed acquisition of:

- (a) 13% of the capital stock in Namoi Cotton Co-operative Ltd (**Namoi**); and
- (b) 49% interest in Namoi's cotton marketing, packing, and warehouse and logistics services business (collectively, the **Joint Venture Business**).

Background Information

Louis Dreyfus Commodities is part of the Louis Dreyfus Commodities group. The group is a global merchandiser of commodities and processor of a range of agricultural products. In Australia, Louis Dreyfus Commodities, through its subsidiaries, trades and exports various grains and cotton. It provides cotton warehousing and logistics services, both to its own trading and marketing business, and also to third parties.

Namoi's core business is the ginning and marketing of cotton. Its business is conducted through a ginning and warehouse network in cotton growing regions in New South Wales and Southern Queensland. It provides warehouse and logistics services in connection with its cotton marketing activities.

Request for submissions

The ACCC is currently considering the proposed acquisitions under section 50 of the *Competition and Consumer Act 2010* (the Act). Section 50 of the Act prohibits acquisitions that substantially lessen competition in a market, or are likely to do so.

The ACCC is seeking the comments of interested parties to enable it to assess the likely effect of the proposed acquisitions on competition, and, accordingly, invites your submission. Some issues you may wish to address in providing comments to the ACCC are set out in **Attachment A** to this letter.

If the information provided is of a confidential nature, you can be assured the details provided by you will be treated confidentially. That is, the ACCC will not disclose the

confidential information to the merger parties or other third parties, other than advisors or consultants engaged directly by the ACCC, without first providing you with notice of its intention to do so, such as where it is compelled to do so by law. Please note that any information provided by you that you believe to be of a confidential nature should be clearly marked or identified as such.

In order to allow consideration of your response, please provide your response by no later than **8 February 2013**. Responses may be emailed (preferably in PDF format) to mergers@accc.gov.au with the title: *Submission re: Louis Dreyfus Commodities proposed acquisition of interest in Namoi Cotton (attention Lisa Campbell and Andy Gallagher)*.

Updates regarding the ACCC's assessment of this matter will be available on the ACCC's Public Mergers Register at (www.accc.gov.au/mergersregister).

If you have any queries relating to this letter, or would like to discuss a response over the telephone, please contact Lisa Campbell on (02) 9230 9183 or Andy Gallagher on (02) 9230 9129.

Yours sincerely



Rami Greiss
General Manager
Merger Investigations Branch

Attachment A – Questions for market participants

Background

1. Please describe your business or organisation and any relationship you have with Louis Dreyfus Commodities (or its subsidiaries) and/or Namoi.

If you are a supplier or customer of either of the parties please provide details of these commercial arrangements, including the volume and value of products supplied/purchased and terms of the arrangements, such as the duration and expiry of any contract.

Acquisition of cotton

2. Please describe the nature and extent of competition between Louis Dreyfus Commodities and Namoi in New South Wales and Queensland for the acquisition of cotton lint from cotton growers.
3. Please comment on the likely competitive options available to cotton growers post acquisitions, other than supply to LDC or the Joint Venture Business. Such alternative options may take the form of supply to other merchants (such as Olam or Cargill), or direct supply to mills. In responding, please address how transport costs impact on the viability of different supply alternatives.
4. Please outline factors which affect the price paid to growers for cotton lint. In responding, please address:
 - The extent to which international prices for cotton lint are reflected in the price paid to growers in Australia;
 - the extent to which the price paid to a grower is adjusted in consideration of the quality of the lint;
 - whether the price paid to a grower is affected by the location of a grower; and,
 - any other factors which may affect the price paid to cotton growers.
5. Please outline any costs, timeframe or other issues that may impact on the ability of growers to switch supply to different acquirers of cotton lint.

Customers of cotton lint

6. Please comment on the future ability of LDC and/or the Joint Venture Business to raise the price of cotton lint they sell to customers. In your response, please focus particularly on any Australian customers. You may wish to have regard to:
 - The extent to which other suppliers of cotton lint would provide a competitive constraint on pricing; and
 - the extent to which suppliers of man-made fibres may provide a competitive constraint on pricing.

Handling and logistics of cotton

7. Please comment on the future ability and incentive of LDC and/or the Joint Venture Business, to foreclose other cotton merchants from access to their handling and logistics assets (for example, warehousing and cotton packing facilities).

In responding, you may wish to address the current ability and incentive of either Louis Dreyfus Commodities or Namoi to foreclose rival merchants' access to their handling and logistics facilities, and how this ability and/or incentive may be altered by the proposed acquisitions.

Cotton growers' access to cotton gins

8. Please comment on the ability and incentive of Namoi, post-acquisitions, to limit growers' access to its ginning facilities. In responding, you may wish to address:
- The current ability of cotton growers to use Namoi ginning facilities to supply rival merchants, and how this may be affected by the proposed acquisitions; and,
 - the extent to which a cotton growers' choice of gins is geographically constrained, due to any transport or logistics issues associated with the distance between a grower and gin.

Barriers to entry and expansion

9. Please describe any barriers to entry in relation to a new merchant wishing to commence cotton marketing in Australia or a marketer of other grains wishing to expand into the marketing of cotton. You may wish to comment on the following:
- The ease of securing the supply of cotton from cotton growers;
 - the time and capital costs involved with entry;
 - access to warehousing and logistic assets; and
 - potential regulatory barriers, such as accreditation requirements.

Other

10. Please provide any other information or comments you consider relevant to the likely competitive effects of the proposed acquisitions.