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Our ref: IM-72545

12 April 2024

Dear Interested Party

Re: Request for submissions: Olam (Queensland Cotton)'s proposed acquisition of Namoi Cotton Limited

The Australian Competition and Consumer Commission (**ACCC**) is seeking your views on the proposed acquisition of Namoi Cotton Limited (**Namoi**) by Olam Agri Holdings Limited (**Olam**) (the **proposed acquisition**).

Olam, via subsidiaries including Queensland Cotton Corporation Pty Ltd (**Queensland Cotton**), supplies ginning services to growers, and acquires and markets cotton lint and cottonseed. Olam also has a 20% interest in ProClass Pty Ltd, which supplies cotton lint classing services. Namoi's business comprises cotton ginning, cottonseed and cotton lint marketing, and cotton lint classing as well as warehousing and logistics services as part of its cotton marketing activities. Further details are provided at **Attachment A**.

The ACCC's investigation is focused on the impact on competition. In particular, we are seeking your views on:

- the likely impact on prices and service quality in the supply of ginning services
- the likely impact on prices and service quality in the supply of classing services
- the likely impact on prices for warehousing for cotton to be exported from Australia
- whether the proposed acquisition is likely to give Olam the ability and incentive to foreclose its competitors post-acquisition.

Further issues you may wish to address are set out in **Attachment B**.

This matter is public and you can forward this letter to anybody who may be interested.

The legal test which the ACCC applies in considering the proposed acquisition is in section 50 of the *Competition and Consumer Act 2010*. Section 50 prohibits acquisitions that are likely to have the effect of substantially lessening competition in a market.

How to share your views

Please provide your response by **29 April 2024** via email to mergers@acc.gov.au with the

title: *Submission re: Olam's proposed acquisition of Namoi*. If you require more time to respond, please let us know.

If you would like to arrange a time to discuss the matter with ACCC officers, or have any questions about this letter, please contact mergers@acc.gov.au.

Updates regarding the ACCC's investigation will be available on the ACCC's Public Mergers Register at ([ACCC mergers register](#)).

Confidentiality of submissions

The ACCC treats sensitive information it receives during a merger review as confidential, and will not publish your submission. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the *Competition and Consumer Act* 2010. Where the ACCC is required to disclose confidential information, we will notify you in advance where possible so that you have an opportunity to be heard. Therefore please clearly indicate if any information you provide is confidential. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

Yours sincerely



Bruce Mikkelsen
Acting General Manager
Merger Investigations

Attachment A

The proposed acquisition

Olam proposes to acquire 100% of the available shares in Namoi by way of a scheme of arrangement, takeover or a concurrent scheme of arrangement and takeover.

Olam

Olam operates an integrated supply chain for cotton and pulse crops. Its cotton business is run by its wholly owned subsidiary, Queensland Cotton.

Queensland Cotton supplies ginning services to growers, and acquires and markets cotton lint and cottonseed. Queensland Cotton operates 6 gins across Queensland and NSW (set out in **Attachment C**).

Olam has a 20% shareholding in ProClass Pty Ltd (**ProClass**), which supplies cotton lint classing services in Australia.

Olam 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.

Namoi

Namoi's business comprises of cotton ginning, sourcing of cotton lint, cottonseed marketing and cotton lint classing.

Namoi operates 10 cotton gins at 9 sites across NSW and Queensland (set out in **Attachment C**). It has a ~17% interest in the Kimberley Cotton Company, which will operate a multi-user cotton gin in Kununurra (WA) due to be completed in July 2025.

Namoi owns Australian Classing Services Pty Ltd (**ACS**), which provides cotton lint classing services.

Namoi joint ventures

Namoi has 2 joint venture arrangements in place with Louis Dreyfus Company (**LDC**) via:

- the Namoi Cotton Alliance (the **NCA**), and
- the Namoi Cotton Marketing Alliance (the **NCMA**).

The NCA (of which LDC holds a 49% interest, with Namoi holding 51%) stores and transports cotton lint bales through its warehousing facilities. It also provides agricultural commodities packing services. It has warehouse facilities in Wee Waa, Warren and Goondiwindi. All its facilities have rail access.

The NCMA (of which LDC holds an 85% interest, with Namoi holding the remaining 15%) 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.

Attachment B

1. Describe your business or organisation and explain your interest in the proposed acquisition, including any commercial relationship(s) with Olam 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 including the duration and expiry of any contract.

The questions below are divided into different categories, but you are welcome to comment on any question/s in any category.

Cotton gins

2. Identify and describe alternative suppliers of ginning services that compete with Olam and Namoi. Please specify the location/s in which these suppliers compete with Olam and Namoi.
3. Comment on the geographic area over which customers would travel to source cotton ginning services and their ability to source these services from other locations or further away in response to a price increase. In your response, please address transport costs and any other relevant factors.

Cotton classing services

4. Identify and describe alternative suppliers of classing services that compete with ProClass (in which Olam has a 20% shareholding) and Namoi (through ACS).
5. Describe any barriers to entry in relation to supplying cotton lint classing services in Australia. You may wish to comment on costs of entry including the costs of High Volume Instrument machines, time taken to enter, customer loyalty, experience/expertise of staff and any other factors you consider relevant.
6. Describe the importance of visual classing as an alternative to machine classing to the industry.

Warehousing

7. Identify and describe alternative suppliers of warehousing for cotton to be exported out of the Port of Brisbane and Port of Sydney that compete with Olam and Namoi.
8. Comment on the ease and cost of obtaining new warehousing for cotton. You may wish to also comment on the importance of having warehousing in close proximity to ports of export and any unique characteristics of cotton warehousing.

Sellers of cottonseed and/or cotton lint

9. Describe the nature and extent of competition between Olam and Namoi in NSW, Queensland and Australia for the purchase of cottonseed and/or cotton lint from cotton growers.
10. Comment on alternative buyers of cottonseed and/or cotton lint available to cotton growers post-acquisition. You may wish to address:
 - a. whether transport costs impact the viability of different alternatives, and
 - b. whether cotton growers are able to sell to different cotton merchants/purchasers easily.
11. Comment on the ability of cotton growers to negotiate the price for cottonseed and/or cotton lint with cotton merchants.

Vertical effects

12. Comment on the ability and incentive of Olam to limit cotton growers' access to its ginning facilities in NSW and Queensland post-acquisition. In responding, please address:
- a. the current ability of cotton growers to use Olam and Namoi ginning facilities to supply rival merchants, and how this may be affected by the proposed acquisition
 - b. Olam's ability to control the warehousing and distribution of cottonseed and cotton lint after the ginning process, and
 - c. the extent to which a cotton growers' choice of gins is geographically constrained due to transport or logistics issues associated with the distance between a grower and gin.
13. Comment on the ability and incentive of Olam to limit cotton merchants' access to its warehousing post-acquisition. In responding, please address:
- a. the current ability of cotton merchants to use Olam and Namoi ginning warehousing, and how this may be affected by the proposed acquisition, and
 - b. Olam's ability to control the warehousing and distribution of cottonseed and cotton lint after the ginning process.

Other

14. Please provide any additional information or comments that you consider relevant to the ACCC's consideration of the proposed acquisition.

Attachment C

Table 1: Olam operated gins

Gin	Valley/Region
Queensland Cotton Wee Waa	Wee Waa (NSW)
Queensland Cotton Emerald	Emerald (Qld)
Queensland Cotton Moura	Moura (Qld)
Queensland Cotton Dalby	Dalby (Qld)
Queensland Cotton Cecil Plains	Cecil Plains (Qld)
Queensland Cotton Beardmore/St George	Beardmore (Qld)

Table 2: Namoi operated gins

Gin	Valley/Region
Namoi Cotton – North Bourke	Bourke (NSW)
Namoi Cotton – Wathagar (50%)	Gwydir (NSW)
Namoi Cotton – Merah North	Lower Namoi (NSW)
Namoi Cotton – Moomin (75%)	Lower Namoi (NSW)
Namoi Cotton – MacIntyre (1 and 2)	MacIntyre (Queensland)
Namoi Cotton – Trangie	Macquarie (NSW)
Namoi Cotton – Mungindi	Mungindi (NSW)
Namoi Cotton – Hillston	Murrumbidgee (NSW)
Namoi Cotton – Boggabri	Upper Namoi (NSW)
Kimberley Cotton Company Kununurra gin (17%)	Kununurra (Western Australia) (expected for completion in July 2025)