



Victorian Farmers Federation

25 years - Fighting for Farmers

30 September 2004

Paul Hutchison
Mergers and Asset Sales
Australian Competition and Consumer Commission
PO Box 1199
DICKSON ACT 2602

Dear Paul,

AWB Ltd and GrainCorp Operations Ltd Supply Chain Joint Venture

In July this year we wrote to the ACCC to support the proposed supply chain joint venture between AWB Ltd and GrainCorp Operations Ltd. In respect to the urgent interim authorisation requested by AWB and GrainCorp we reiterate our support.

The Victorian Farmers Federation Grains Group represents 5,000 of Victoria's 6,000 grain growers making the VFF Grains Group the most representative body of its kind in Australia. As such the VFF Grains Group feel it is extremely important to ensure the ACCC is aware of the many positives we believe will come from the Joint Venture proposed by AWB Ltd and GrainCorp Ltd.

As the ACCC are aware the main function of the incorporated Joint Venture is to manage the supply chain for export grain out of Australia for both AWB Ltd and GrainCorp export grains. The VFF Grains Group believe the proposal provides a number of opportunities for Victoria's grain growers to experience reduction in supply chain costs. Therefore the VFF Grains Group strongly support the Joint Venture going ahead.

The benefits of competition for grain at up country sites will be maintained as GrainCorp remains free to offer storage and handling to other parties. Competition in provision of storage and handling services will also be maintained as AWB will be able to continue to use other service providers including those currently owned and operated by AWB themselves.

The VFF Grains Group is confident the Joint Venture company will provide a number of opportunities for savings that should be passed on to growers. Greater cooperation along the export grain supply chain will not only reduce storage and handling costs but should also reduce the occurrence of unnecessary costs such as demurrage.

If Australia is to remain an internationally competitive supplier of grain on the world market it is imperative our supply chain is efficient. Australian growers pay some of the highest storage handling fees in the world, the VFF Grains Group is confident the Joint Venture will provide a positive initial step towards reducing costs to growers.

The Australian Grains industry is working towards a strategic plan called single vision. One of the aims of the Single Vision is to ensure the Australian Grains industry remains sustainable into the future. The reduction of unnecessary costs is an important part of achieving that aim.

It is internationally recognised that the single desk provides Australian grain growers with the best chance of remaining competitive in the international marketplace. The AWB National Pool is therefore also the largest purchaser of wheat, and it is important systems are put in place to reduce costs and drive efficiencies.

The proposed Joint Venture will increase the coordination of export grain movements this will in turn drive improvements in supply chain services such as rail turn around times. The VFF Grains Group believe the Joint Venture will also provide clear investment signals to companies throughout the grain supply chain.

Australia's aging infrastructure is clearly recognised as a key restraint to the future competitiveness of our grains industry. The Joint Venture will be contracted to enter into contracts for the receipt, rail services, storage and handling with all service providers and other entities. With the task of co-ordinating supply chain activities for Eastern Australia's export grains the Joint Venture company will have the ability to ensure efficiencies of scale. The negotiating power of the company will also ensure companies who wish to compete for services contracts will have clear signals should they wish to invest in areas such as faster train loading facilities.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ian Hastings', is positioned above the typed name and title.

Ian Hastings
President, VFF Grains Group