

to our growers

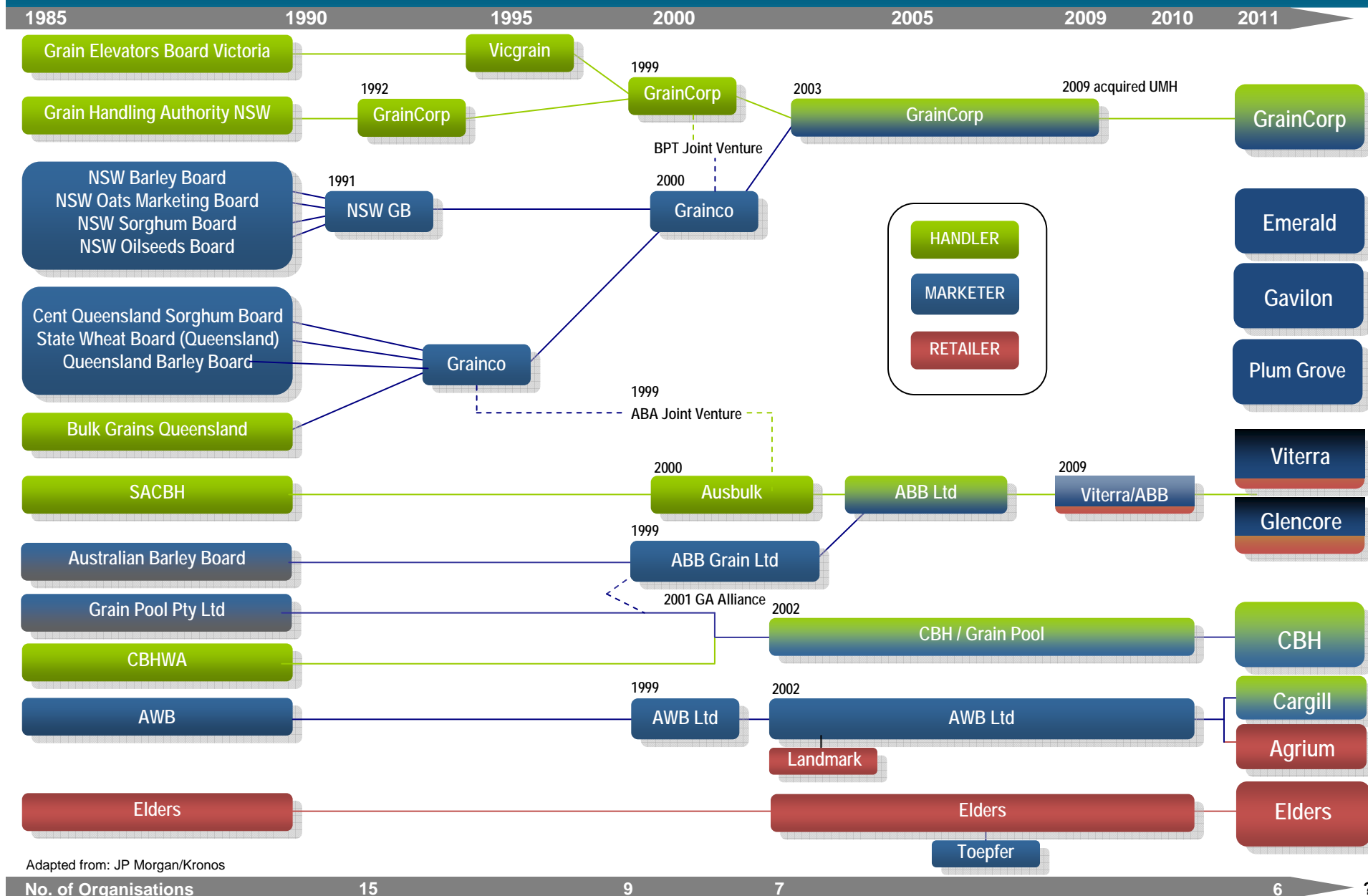


IAOM Mideast and Africa 23rd Annual Conference Abu Dhabi

Grain Logistics & Shipping – An Australian Case



Consolidation of the Australian Grain Industry



Adapted from: JP Morgan/Kronos

Australia – Grain Supply Chains & Ports



CBH Group

Controls freight to port

Auction system to
allocate shipping
capacity



Viterra

No control over
freight to port

Auction system to
allocate shipping
capacity



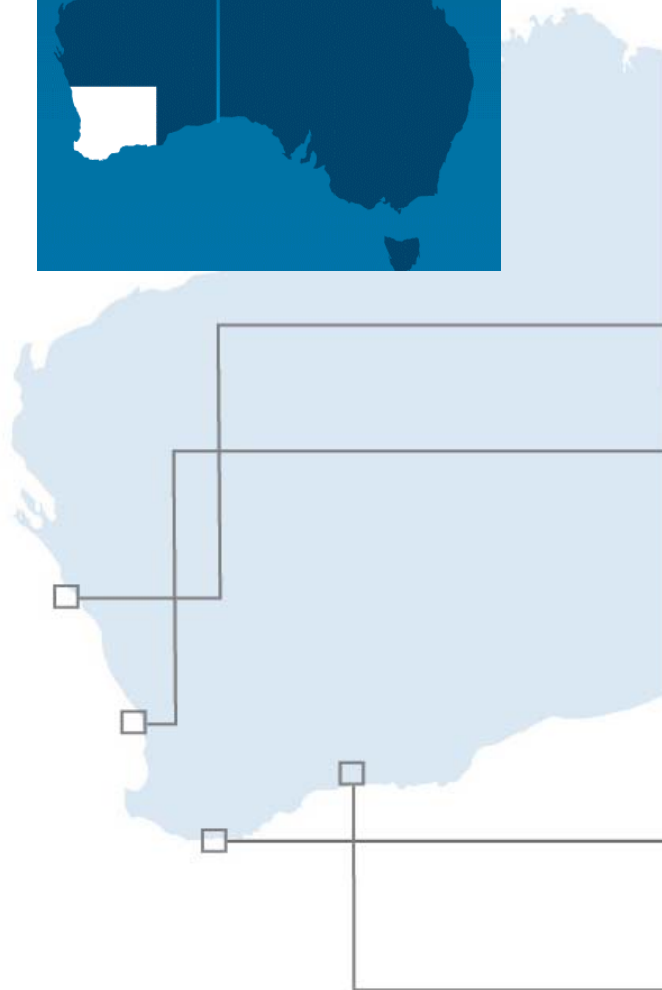
GrainCorp

No control over
freight to port

No system to allocate
shipping capacity



Western Australia – CBH Group



Geraldton

Port capacity: 1,067,000 tonnes
Outloading: 2000t/hr



Kwinana

Port capacity: 1,014,000 tonnes
Outloading: 5000t/hr



Albany

Port capacity: 474,000 tonnes
Outloading: 2000t/hr



Esperance

Port capacity: 246,000 tonnes
Outloading: 2500t/hr

- Australia's biggest co-operative
- Owned & controlled by 4,500 grain growers
- Australia's leading grain handler and marketer
- Total Assets: \$1.5 billion
- 1,000 full time staff & 1,800 seasonal staff



CBH Group

Vertically integrated grain export supply chain



Our Customers

Flour millers, maltsters
feed manufacturers
food processors



Our Growers

~4,500 grower members
10 million tonnes annual
production



Processing

6 flour mills
Vietnam, Indonesia,
Malaysia
1 million tonne demand
70% from Australia



Storage & Handling

197 sites
4 ports
20million tonnes of storage
Rail fleet



Shipping

Load 10million tonnes/year
Stevedoring



Marketing & Trading

Largest grain exporter in Australia
WA & EA Accumulation
Export to Asia, Middle East, Europe

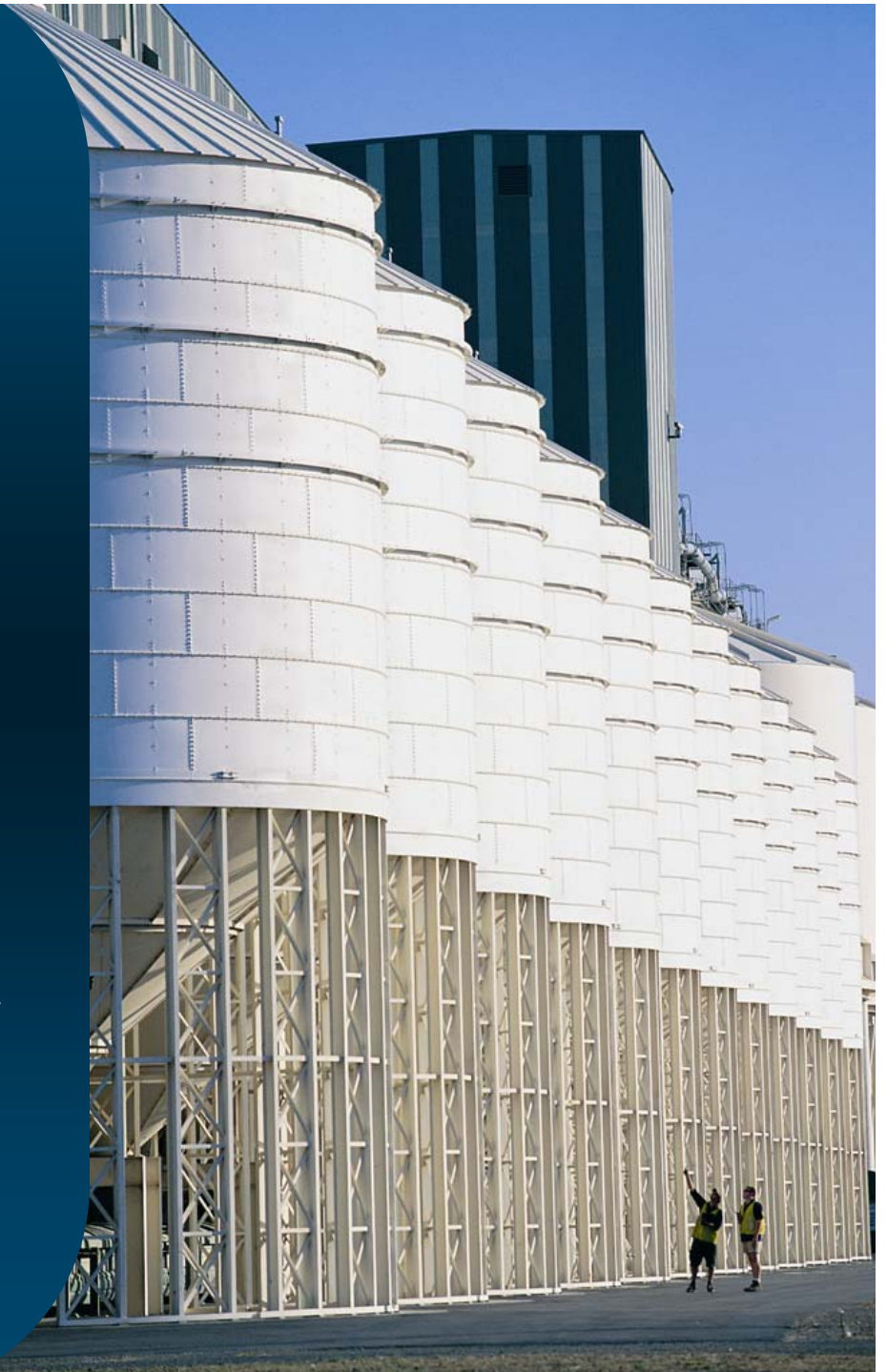


CBH Group's Export Markets



Managing Western Australia's Grain Supply Chain

**Logistics,
Shipping
and Quality**



Western Australian Grain Logistics



- Deregulation of wheat marketing industry in 2008 created a more complex logistics environment
- Pre 2008 there was 4 customer, currently there is 30
- With more traders, we needed:
 1. A more reliable way to manage country-to-port logistics
 2. An orderly way to manage access to CBH ports
 3. To protect the quality paid for by exporters
 4. Transform from supply driven to demand driven

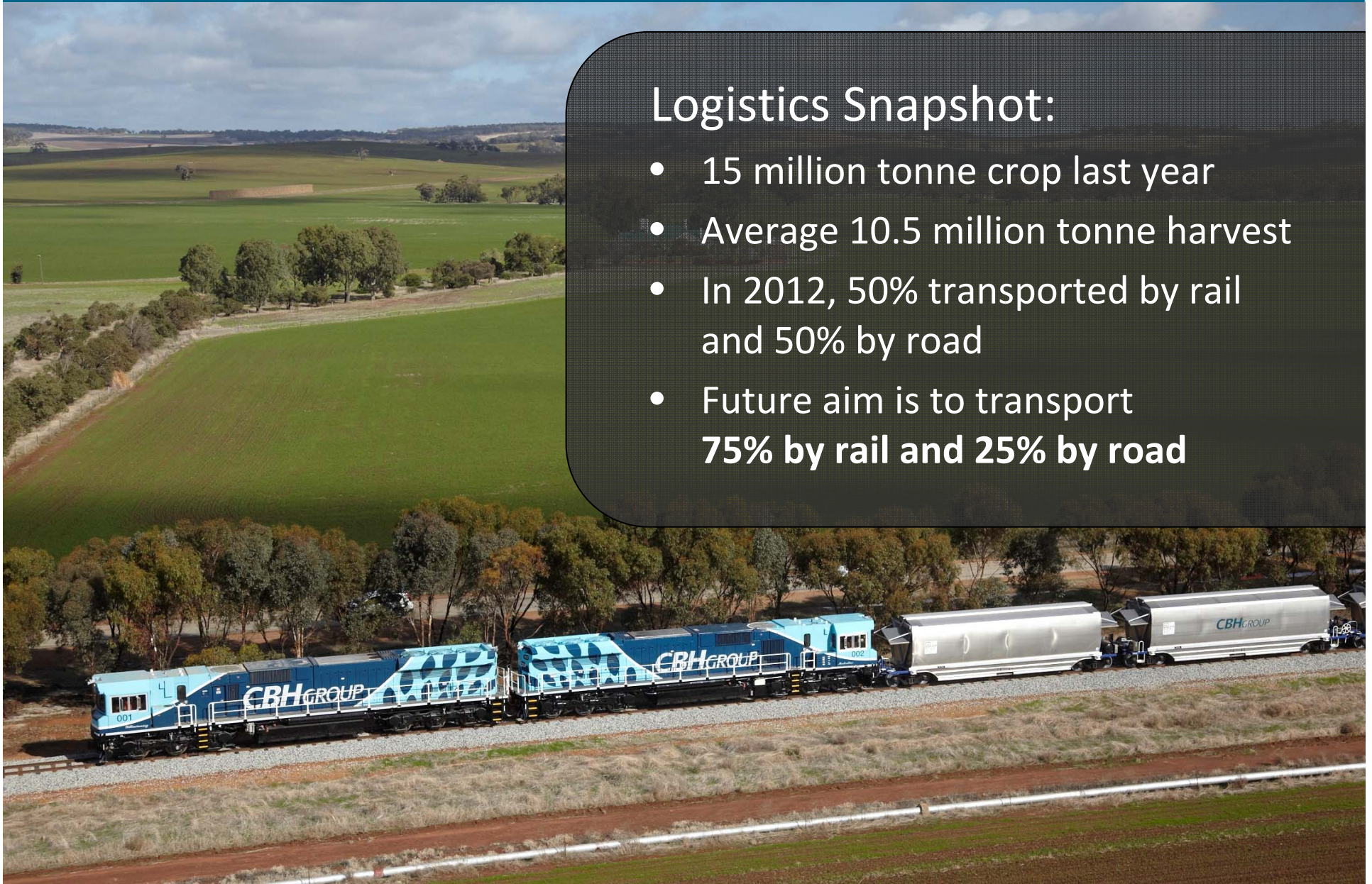


Western Australian Grain Logistics

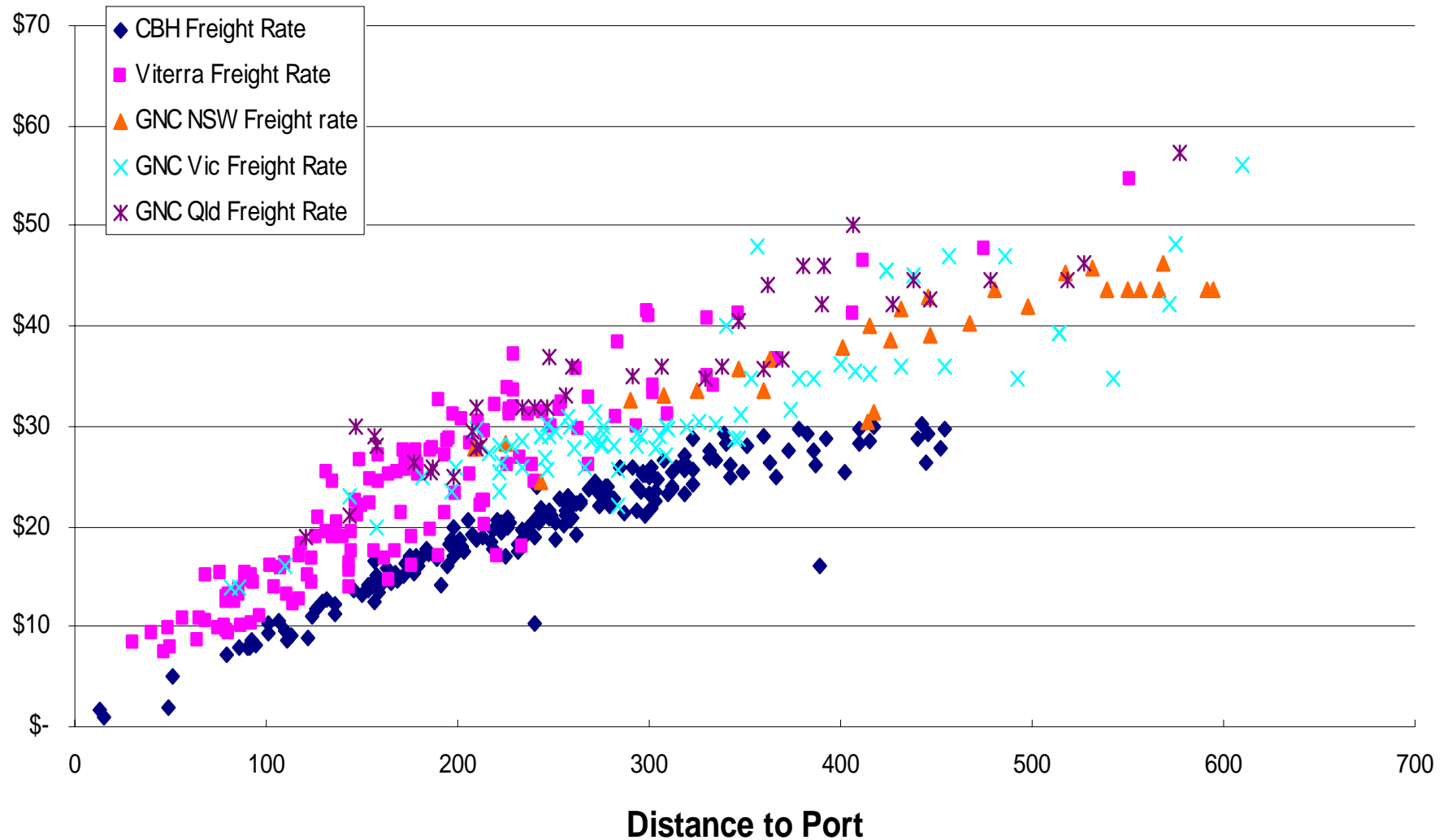


Logistics Snapshot:

- 15 million tonne crop last year
- Average 10.5 million tonne harvest
- In 2012, 50% transported by rail and 50% by road
- Future aim is to transport **75% by rail and 25% by road**



Freight differences within Australia



Logistics, Shipping and Quality

Some Challenges



Challenges for the CBH Group



Rail Transportation:

Trains

- CBH was serviced by 3rd party operator
- Aging train fleet
- ▲ costs and ▼ performance
- Rail became less competitive than road
- Less grain to port by rail

Track

- CBH does not control the track
- Aging track infrastructure
- Limited investment into track



Challenges for the CBH Group



Shipping:

- Multiple exporters all wanting to ship at once
- Transforming from supply to demand driven
- No reliable system to allocate shipping capacity fairly for all
- Aging port infrastructure



Challenges for the CBH Group



Grain Quality

- More segregations and complex matrix of quality requirements from a broader number of exporters
- Customers wishing to protect the quality they paid for
- Pre-2008 (single desk) = 4 wheat grades
- Post deregulation = more wheat grades



**Logistics,
Shipping
and Quality**

**Solutions through
innovation**



Managing Quality:

- Better communication with growers and consumers
- Understanding customers needs
- Logistics optimiser
- Quality banks
- Independent segregations for markets



Solutions - Logistics



Grain Express:

- CBH control freight and protect economies of scale in handling grain
- Coordinated transport across network
- Accumulation of grain at port by exporters



Solutions - Logistics



Rail Investment:

- Global tender for rail services
- Appointment of new provider - Watco
- \$175m investment in new rail fleet
- New partnership from 1 May 2012
- Increased tonnes to port “productivity”



Solutions - Logistics



Rail Investment - Benefits:

- Lower freight rates for growers
- Increased capacity to port
- Faster site clearance
- Safer
- Better for the environment



Port Upgrade Strategy:

- Strategy implemented to upgrade port facilities to maintain world class status
- Improving loading capacities

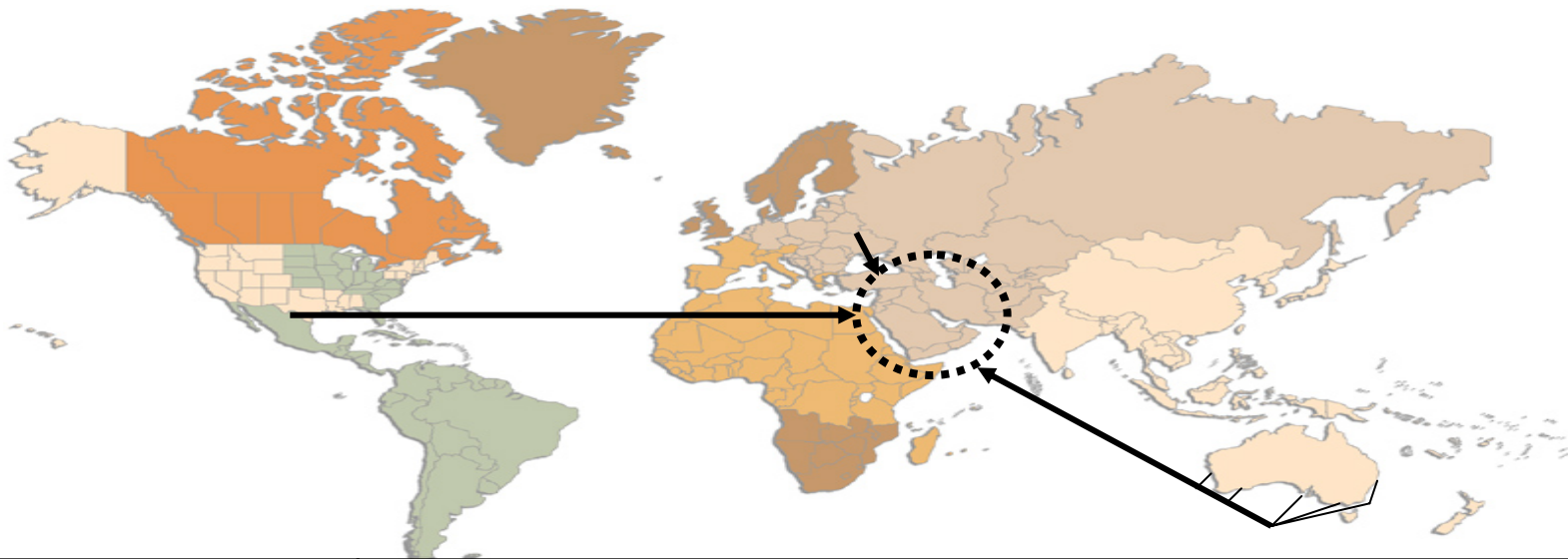


Shipping Capacity :

- Investigating base load to exporters
- Improving the flexibility
- Increasing supply
- Modifications to the auction system



Freight comparison against competing origins



Discharge Port	Number of days sailing time					
	WA	SA	EC	PNW	US Gulf	Russia
Kuwait	16	20	22	32	29	15
Sharjah	15	19	21	31	29	14
Dammam	16	19	21	32	29	15
Aden	17	21	24	35	27	9
Jeddah	17	21	23	33	21	7
Port Sudan	16	19	21	32	29	7
Jebel Ali	15	19	21	31	29	14

Freight rates into Gulf Region



Western Australian Freight Advantages:

\$5pmt cheaper than EC freight

\$10pmt cheaper than PNW freight

\$14pmt cheaper than US Gulf freight

Summary



- Western Australian supply chain is extremely isolated from a global perspective but has outstanding capability.
- We are competing in an international grain environment and will continue to drive innovation and creativity.
- Further change is needed. These changes will occur to allow us to deliver in an even more reliable and consistent way from a time, cost and quality perspective.