GrainCorp

Ms Alison Watkins (Managing Director and Chief Executive Officer)

AUSTOCK CONFERENCE
10th March 2011

Today's presentation...

- Highlights GrainCorp's...
  - International business model, assets and capabilities
  - Five strategies to further develop and utilise comparative advantages
  - Sustained focus on improving shareholder return
- Points to a number of emerging macro industry issues...
  - Rail infrastructure under-investment
  - Proposed carbon pricing scheme

STRATEGY OVERVIEW

Sustainable business in a changing market

Competitive Landscape

- Removal of single wheat desk monopoly
- Rapid internationalisation of Australian grains industry
- Favourable growth outlook – world population growth and grain demand
- Malt demand and pricing affected by soft beer demand in developed markets

GrainCorp's Position

- Focus on increasing shareholder return – managing variability and growth
- Expanding international presence – assets and capabilities
- Business model and five strategies to grow as an integrated international agribusiness
- Strong FY11 earnings reflect large Eastern Australia crop and sound malt contribution

Demand side factors benefit Australian grain

World population growth

- Forecast to grow 10% (1.2% pa) over next 8 years[1]
- 40% of this in countries[2] where Australia has a grain supply freight and quality advantage

Consumer preferences

- Expanding demand outside of traditional markets – noodles, breads, pasta
- Other drivers – trends, strategic stock and food security
- World wheat and barley imports forecast to grow 20% to 2018[3]

Eastern Australia wheat

- Quality advantages – high flour extraction (clean, white, dry)
- Promotes improved flour performance
- All wheat grades available to satisfy a global market and diversified end product range

(1) USDA (2) India, Pakistan, Indonesia, Bangladesh, Philippines, Egypt, Afghanistan, Sudan, Vietnam and Iraq
(3) Food and Agriculture Organisation of the United Nations

Positioned to increase market participation

GrainCorp's business model operates at every stage along the grain chain

Storage & Handling → **Transport** → **Ports** → **Processing**

Trading (grain ownership along the chain)

- 280+ sites serving ~10,000 growers
- Grain accumulation team
- 9 Canadian elevators
- Receiving ~9mmt and Trading ~2.5mmt

- Contract 15+ and own 4 trains with ~3mmt capacity
- Manage ~1mmt road capacity
- Ocean freight

- 7 bulk export elevators and 2 container facilities
- Elevating ~4.5mmt and Trading ~1.5mmt
- Handling ~1.5mmt of non-grain

- ~1.1mmt of malt pa at 15 plants. World's 4th largest commercial maltster
- ~0.8mmt of flour and mixes pa at 9 mills. Australia's largest producer of flour for human consumption

Volumes reflect a normal 12 month period

Growing international commercial connections

- GrainCorp's international operations provide a platform for global reach

	Grain	Grain Processing
Australia	• Storage & Logistics • Ports • Trading	• Barrett Burston • Allied Mills
North America	• Canada Malting Co elevators	• Canada Malting Co • Great Western Malting • End product distribution - Country Malt, Brewcraft USA
UK / Europe	• Scotgrain • Saxon Agriculture • Trading office[1]	• Bairds Malt

(1) Being established in Hamburg

Well placed to meet market requirements

Market opportunities

- Increased marketing alternatives for customers
- Increased consumer requirements
  - Reliable supply
  - Consistent quality
  - Technical support
  - Supply chain support
  - Risk management
  - Inventory management
- Variability in
  - Supply and quality
  - Regional product flows
  - Prices and grade spreads

GrainCorp advantage

- Assets along the value chain
  - Infrastructure network
  - Access to grain
  - 'End to end' management
  - Risk and quality management
  - Inventory finance
- Ability to use grain chain assets to
  - Provide a flexible service to both export and domestic markets
  - Grow GrainCorp's market participation
- Increasing international presence

Five strategies to consolidate and expand

1. Maintain a strong market presence

→ Leading provider of grain supply chain services

2. Operate along the grain chain

→ 'End to end' supplier of grain to domestic and international consumers

3. Increase participation in grain processing

→ Broader and competitive malt offering

→ Downstream opportunities in flour

4. Grow as an international agribusiness

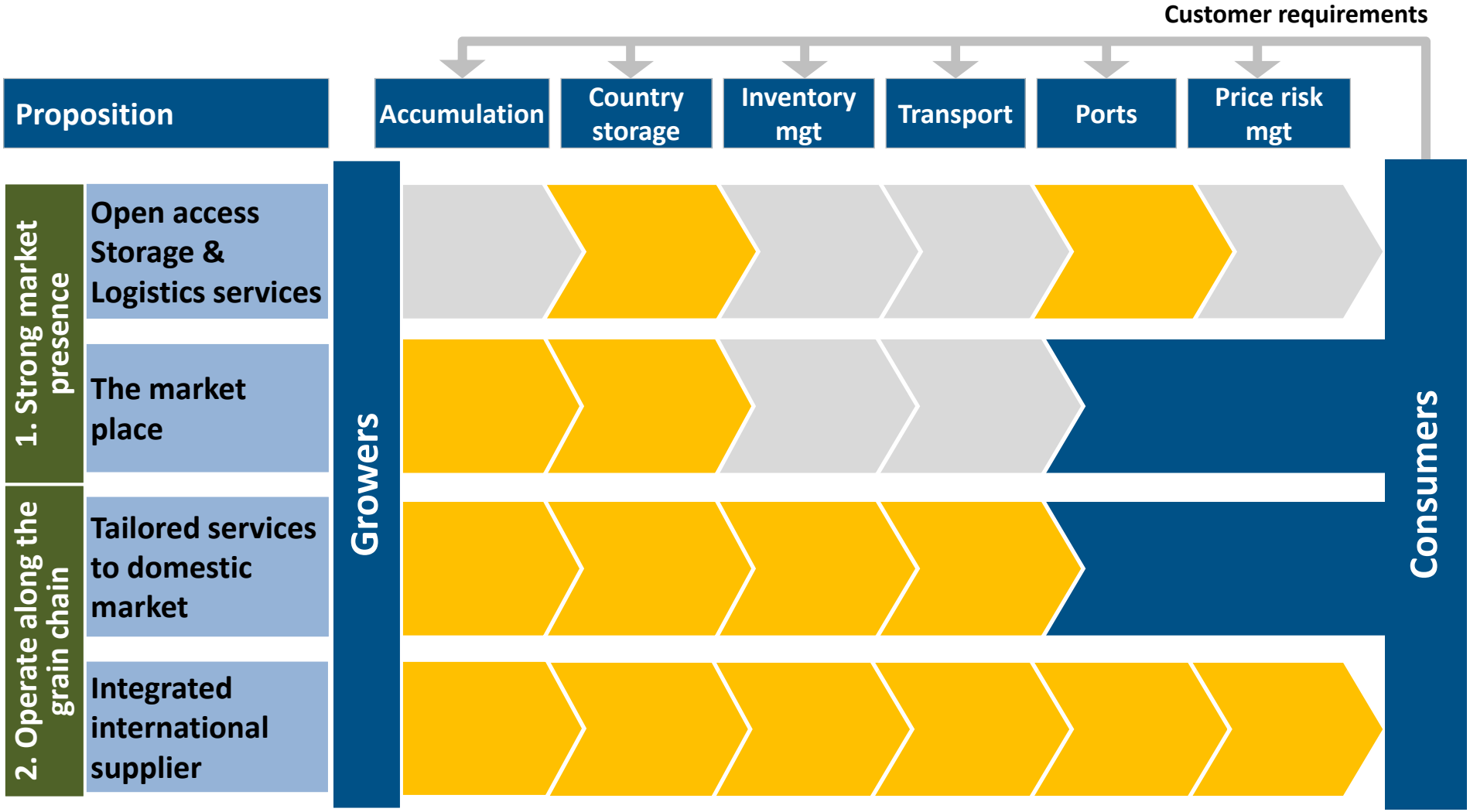
→ Organic growth and accretive acquisitions

5. Build supporting capabilities

→ Capital structure to support grain inventory and growth

→ International and decentralised organisation model

Grow as an integrated international agribusiness



GrainCorp participation

Operate along the grain chain

Trading Solution and Customer Support

→ Connect growers and consumers
→ 'Grain market' with daily pricing
→ Risk management
→ Market knowledge
→ Technical support

Accumulation

→ Growers – logistics / delivery
→ Consumers – access growers at silo and ex-farm
→ Total supply chain management

Country Storage and Handling

→ Geographical footprint
→ Security and quality assurance
→ Consistency / reliability of supply

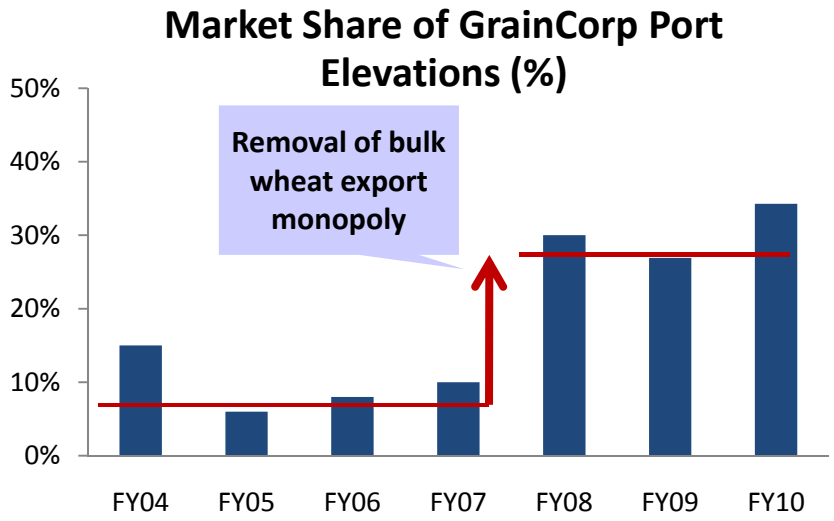
Inventory Management

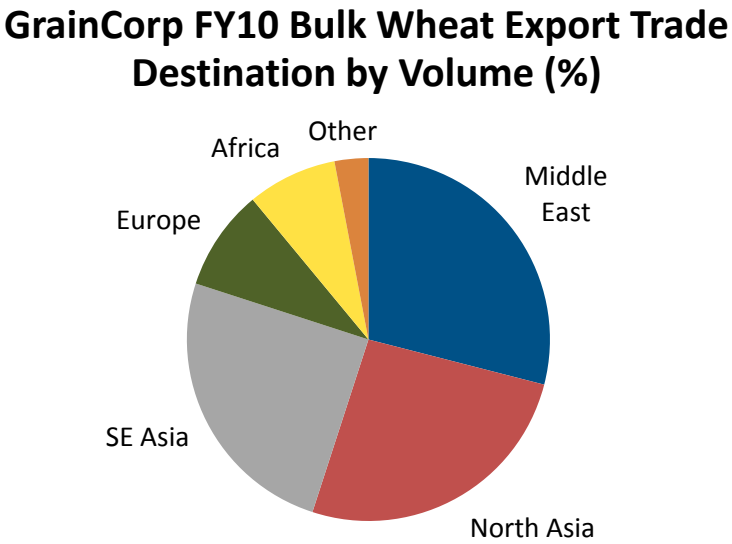
→ Manage grower payments, statutory and industry levies
→ Tailored reporting
→ Inventory finance

Transport & Ports

→ Rail and road management
→ Export elevation and containers
→ Security and quality assurance
→ Ocean vessel chartering

Establishing sustainable export relationships





- Market share of bulk wheat exports increased to ~30% post removal of single desk
- In FY10 GrainCorp exported ~35% of grain elevated through GrainCorp ports
- Grain sold to over 90 customers in 24 countries
- Exporting to major markets where Australian wheat and barley quality well known

Improved diversification and a focus on ROE

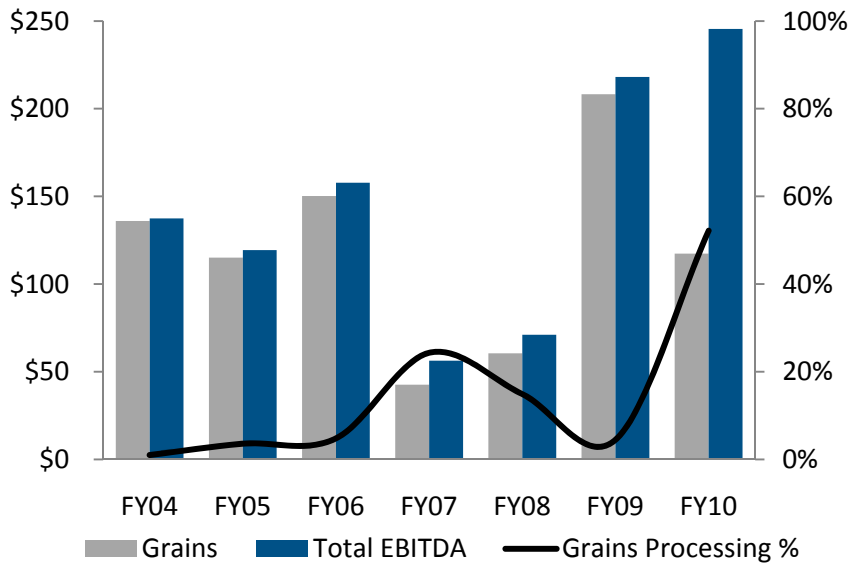
Diversify earnings

- EBITDA from grain processing has increased to ~50% of total EBITDA
- End to end supply chain service

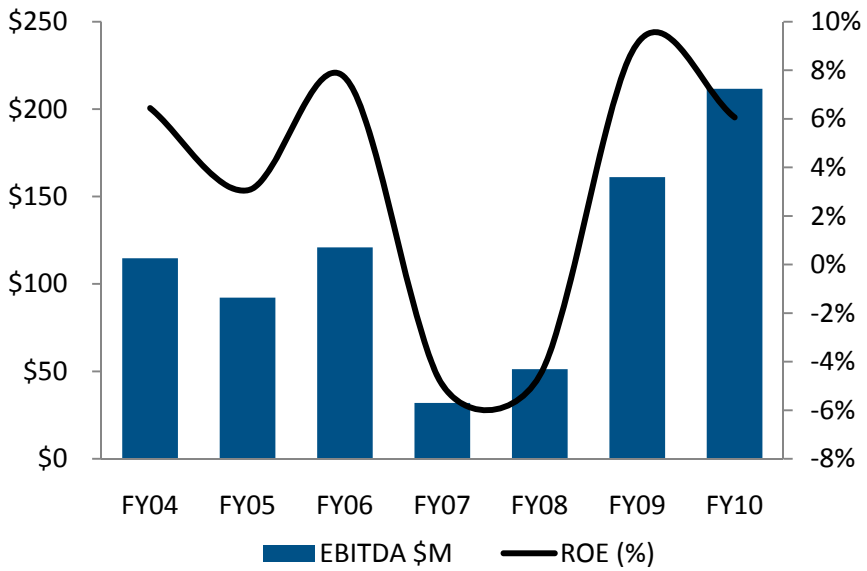
Improve Return on Equity

- Increase normalised earnings
- Accretive organic and acquisitive growth

Grain EBITDA as a portion of EBITDA[1]

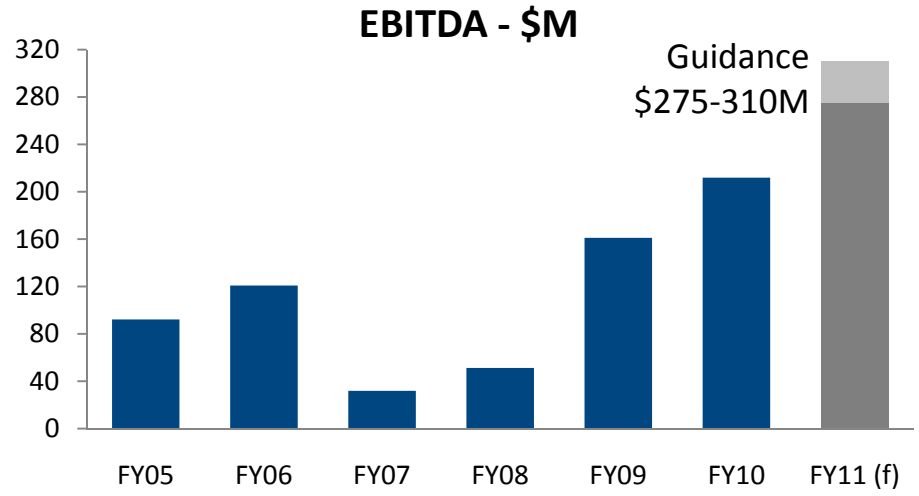


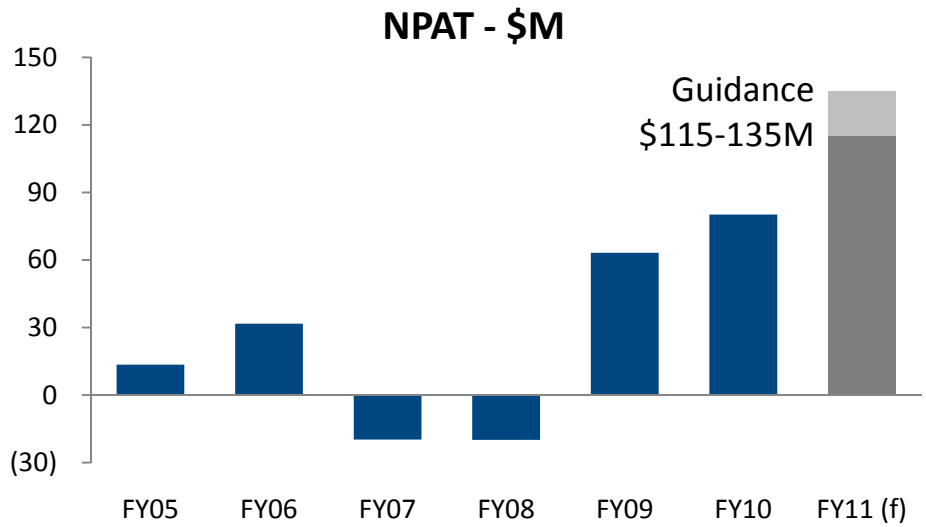
EBITDA and Return on Equity



(1) Total EBITDA excludes corporate and merchandising

FY11 earnings forecast stronger year on year





- Higher earnings reflect record receivals, large export programme and sound malt contribution
- Main variables:
  - Rail and road freight availability to port
  - Trading volatility and year end mark to market adjustments

EMERGING MACRO ISSUES

Urgent need for rail infrastructure investment

- Rail is most efficient long distance bulk haulage infrastructure → lower costs and carbon emissions
- Successive Governments have under-invested in heavy rail in Eastern Australia → network neglect
- Forcing long distance haulage onto the road → increased total cost to community and carbon emissions
- Urgent need for rail infrastructure investment → reduce carbon emissions and costs, and improve supply chain efficiency

Carbon price will increase costs to growers

- Storing, handling, transporting and processing components of the agribusiness supply chain not exempt from proposed carbon price
- Rising energy costs will increase grain supply chain costs → make Australian exports less competitive and increase grower costs
- Carbon price structure needs to:
  - Ensure exports are exempt → avoid effect on competitiveness
  - Extend agriculture exemptions along the supply chain → avoid additional grower cost

THANK YOU –
Q&A