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Event Transcript

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Start of Transcript

Luke Thrum: Thanks very much and good morning, everybody. Thanks for joining us for GrainCorp's FY21 results. I'm joined today by Robert Spurway, our Managing Director and Chief Executive Officer, and Ian Morrison, our Chief Financial Officer. You would've seen by now we've lodged all of our result materials on the ASX, and that includes our 2021 Sustainability Report. Today we're going through this slide pack, and we'll then go to Q&A. So, I'll now hand over to you Robert.

Robert Spurway: Thank you, Luke, and good morning, everyone. Thank you for joining us. As we step through the pack, I will refer to the page numbers so that you can follow. Just starting on our front page, you'll see a picture of our barley crop in the Dubbo region of Western New South Wales. I just want to acknowledge that that was taken by Tom Koerstz, one of our Area Managers within GrainCorp. I think that speaks to both the resilience, but also the agility of our business. We're through the challenges of COVID and travel restrictions for our people. Our team have been using an internal photographic competition, and it's really great to see the pride that our people have in GrainCorp and the photos they're sharing of what they do across GrainCorp, especially as you get into the FY22 harvest. A really exiting time for us all here. You're all aware of the disclaimer, so we'll move through that.

Then looking at the agenda. I'll make some opening comments and talk about the highlights, safety, and sustainability, and indeed our delight that the result is very aligned with the strategy that we've committed to. Ian Morrison will then talk through the financial performance of the segments and the fact that it's made a strong performance across all our reporting segments. We'll update you on the balance sheet and comments on outlook and conclusions. Of course, we look forward to answering any questions that you might have. We will ensure that the call is wrapped up by 11 o'clock. I do just want to acknowledge that it is Remembrance Day and finishing by 11 will give you the opportunity to observe the minute of silence.

So, moving to slide 4, FY21 highlights. It is an exceptional result for GrainCorp. The earnings are right at the top end of our earnings guidance, which you might recall, were $310 million to $330 million announced in August. So, our underlying EBITDA or $331 million, importantly, has been achieved through a highly efficient supply chain and excellent operation right across GrainCorp, making the most of the opportunities that the large crop presented to us. We're delighted to share and confirm that the $100 million in operating initiatives that we disclosed in the demerger scheme booklet and have kept you updated on, are now fully embedded in the business, and evidenced in this year's result.

We have announced today, as a result of the performance and the strength of the business a $0.10 final dividend, and that will be fully franked. Meaning that we've announced dividends of $0.18 per share for the full FY21 year, fully franked.

The other important announcement we're making today is the on-market share buy-back of up to $50 million. That's been announced and will commence in February after the funding peak of the year, as we get into this current harvest.

Just coming back to strategy. In my opening comments I made the point that we're delighted that the business has performed well after last crop, but also, we are delivering exactly what we said we would. We're driving strength of the core business and lifting our returns. We have committed to an additional $40 million in EBITDA from additional core operating initiatives. We'll talk about some of the detail on that, and indeed the progress that we're making towards

2023/24. Our strategy, we'll touch on across digital, alternative, and plant-based proteins, animal nutrient and investments in those areas, and indeed collaborations and partnerships are underway.

We're really excited that we're both investing in the business and able to return to shareholders. In terms of value and growth and the strength of the business, we do now have the '22 harvest underway. It will again, be a well above average crop, and that sets us up both for this year and the year beyond of it. We've got a very strong balance sheet with minimal core debt and that gives us the opportunity, as I said, to announce that on-market share buy-back of up to $50 million. We are well positioned to invest for growth and return capital to shareholders.

Moving to page 5 and our highlights. Outstanding performance across all the metrics and areas of the business. I've talked about the $331 million, but to put that in perspective, it's up from $108 million in the prior year. It's an even greater delta] when you consider that in the prior year, we received $58 million under the Crop Production Contract, and within the $331 million achieved this year there was a payment of $70 million under that contract. So, the business is performing exceptionally well and that product's working as we'd expect.

Our underlying net profit after tax, $139 million, up from a small loss in the prior year, and really delighted to share with you our return-on-investment capital of 11.1%, delivering on that strategic commitment to lift and strengthen the core of the business.

Our total grain handled of 34.4 million tonnes, and that's up from 14.2 million the year before. Ian will make some comments on the comparator with FY17, where you can really see on relatively similar volumes the strength of the business and the financial improvements that we've achieved over that period. Largely as a result of those operating initiatives, but also the investment made and the infrastructure in the business, and it's great to see that delivering results.

It wasn't just about the big crop. Our oilseed crush volumes were up 8% year-on-year to 459 000 tonnes. That performance and that volume allowed us to access the strong crush margins that prevailed through the year and continue into FY22.

Our core debt, as I said, are down to $1 million, so a pretty neutral position and a very strong balance sheet. We've very pleased with the way the business is performing.

I'll move over to page 6. We do have a commitment to zero harm and a relentless focus on keeping our people safe. For that reason, it is disappointing to report an increase in our recordable injury and lost time injury frequency rate, despite the significantly greater workload across our business and the large number of people that came into the business as part of preparing for that harvest through the last year. Pleasingly, we have seen a significant reduction at our critical injury frequency rate, and we've also seen an ongoing improvement in the seriousness of injuries. Now, that said, our focus remains on improving all parts of safety and ensuring we keep our people safe through focus on behavioural safety programs, further injury reduction, and ongoing risk management across the business.

It has been a challenging year for many people, not just in Australia and New Zealand, but around the world in terms of COVID restrictions, and our people have shown resilience in that respect.

If I move over to page 7, really excited to share with you today our refreshed and relaunched Sustainability Report. GrainCorp's been reporting on sustainability separately now since 2012, but it is a transformational change in terms of the way we talk about sustainability and the commitments that we've made in this year's 2021 report. It covers, of course, all areas of ESG in our communications and approach. We've completed through the year a stakeholder engagement exercise to identify those key topics and understand our stakeholder's expectations. We've reiterated our commitment to net zero by 2050, but very importantly, we've included a roadmap and three-year rolling action plan that will focus on much more ambitious targets and commitments that we'll make, through the course of the next 12 months, to accelerate our performance towards the future.

As a management team and a board, we're committed on making sure that we have targets and actions that deliver in the near term as well as achieving those long-term ambitions. We are now comprehensively reporting against international frameworks, specifically GRI and also progress against the [TTFD] frameworks. As I said, I'm proud to present that report and I encourage you to read the online version of the commitments that we're making.

Slide 8 is a slide that I hope most of you are familiar with now around our strategy and the real focus, and very deliberate focus on both strengthening the core of our business and lifting returns as we're demonstrating in today's announcement. But also, making progress against targeted growth areas where we have a right to win, and we were excited about the market opportunities that exist.

If we go to slide 9, and a bit of detail on strengthening the core. Back at our investment day in March we – investor presentation in March, we talked about an uplift of $40 million in EBITDA on through-the-cycle through both our international expansion and our core uplift. Specific initiatives where we've identified line of sight actions to lift performance and continue to lift our return on invested capital. That is progressing well.

It has been a tough year in our GrainsConnect Canada business, we flagged that earlier in the year with the late completion of the Fraser Grains Terminal, now complete and coming into action. But on top of that the northern hemisphere drought situation, and in particular in Canada, has seen some challenges there, but it gives of confidence of the uplift available in that business through to 2023. Importantly, the drought in Canada has overall been a benefit to our GrainCorp business and the benefits that we've seen flow from the Australian harvest.

In terms of core uplift, we have continued to repurpose some of our port infrastructure to handle a wider range of bulk products. We've implemented cement handling capability at Port Kembla on top of the cement handling capability that we already have at our Brisbane ports. We continue to see growth, particularly in fertiliser and other areas, and continue to expand into woodchips and mineral sands and other areas. On top of that, we've pursued a closure of our Hamburg office as part of making sure that our international business is right sized and can focus on achieving the opportunities where they exist as they've done so superbly this out of Singapore and Kyiv, making the most of demand that is around the world for Australian grain.

As I said, all of those things are the way that we're delivering that list on return on invested capital. We are doing what we said we would, and we're committed to continuing that journey.

In terms of growth initiatives on page 10, I want to share with you three case studies in terms of the broader progress that we're making in our investment in the business, diversification of earnings, and continued reduction in volatility and strength of the business. Our alternative protein areas, we've working closely with CSIRO to develop a range of value-added plant proteins and other options. Importantly, our fats and foods business is already making progress, partnering with customers in the alternative protein space to provide fat and food solutions for the products that are meeting strong and growing global demand for plant-based protein solutions.

We've recently announced the acquisition of 15% in the Hone business, a leading - and really exciting development of using data and technology that will benefit growers for giving them real-time cost-effective options to measure the quality of their grain. Not only are we excited about the growth prospects in that business through our work with them over a number of years on the data solutions that we can provide, the growth areas include things like soil carbon and a broader range of applications across agriculture, but importantly, it directly helps our cost base by improving our quality measurement and reducing the cost of that quality measurement within our business. So, really exciting acquisition that presents opportunities, both into the future and right now for GrainCorp.

I think most people are aware of the progress we've made animal nutrition and our FutureFeed partnership with CSIRO and others that looks to commercialise game changing technology through the addition of Asparagopsis to animal feed, reducing methane emission and improving productivity.

I'm going to hand across to Ian Morrison now, who will talk through the drivers behind the financial performance and the segment reporting. Thanks Ian.

Ian Morrison: Thanks, Robert. Good morning to all of you on the line today. Now, just turning to slide 12, I'll briefly touch on our pro forma earnings for the last five years. This slide really highlights the outstanding financial results in FY21. The last comparable year in terms of tonnes handled for our East Coast Australia business was back in FY17. Even after adjusting for the AASB-16 change between these two years, the uplift in financial performance in approximately $170 million between these two periods. This uplift really demonstrates the hard work right across the business to deliver on the operating initiatives that Robert touched on earlier, but also to deliver on the capital investments we've made in both our East Coast business and our processing facilities over recent years.

Now turning to the segment summary on slide 13. It's pleasing to be able to report strong uplifts across both our Agribusiness and processing segments. I'll touch more on those shortly. In terms of the corporate results, just noting that this includes a one-off expense of approximately $4 million, and this relates to a change of accounting policy software as a service. Also noting that the corporate result includes a net gain of $1 million for the year, and that's in relation to our investment in United Malt Group. Overall, after adjusting for these two items, the corporate cost run rate is between $9 million and $10 million per half and that's consistent with where we've been recently.

Now moving to slide 14 and the bridge between FY20 and FY21. I won't spend too much time on this slide, as I'll cover more of the detail on the segments in the next few slides, but the key item I just did want to draw attention to on this bridge is the impact of the Crop Production Contract year-on-year. The receipt under the contract in FY20 and the payment in FY21 highlights the benefit of the Crop Production Contract in smoothing earnings. However, it also, through the FY21 result, we're also able to demonstrate that the CPC doesn't limit strong upside in large crop years like we've just experienced.

Now moving on to our segments, and I'll start on slide 15 with Agribusiness with our East Coast Australian business performance. This year marked a record East Coast Australia winter production, and that led to a significant increase in grain tonnes handled through our supply chain infrastructure. We had 16.5 million tonnes of receivables and that's up from just over 4 million tonnes last year. It was pleasing to really utilise that infrastructure, in particular, for exports. We saw nearly 8 million tonnes of exports this year, up from just under 2 million tonnes last year. We also saw good margins for our East Coast business throughout the year with a strong supply from East Coast Australia, combined with some of the challenges we've mentioned in the northern hemisphere underpinning really strong demand for Australian grain and those margins.

However, the most pleasing aspect of this year's result is the supply chain execution and delivery of these benefits from the operating initiatives. A few highlights I just wanted to call out include, improved truck turnaround times, a more efficient outload program, and improved overall rail performance. All of these improvements have been a key part of our focus on delivering for our grower customers, and it was pleasing to see a 59-point improvement in our Net Promoter Score with growers since the last large crop in FY17.

Now turning to slide 16, and other businesses withing the Agribusiness segment. International business played a key role this year in connecting the East Coast Australian grain supply to global demand. We've seen really good diversification of destination markets throughout the year. As Robert touched on, our GrainsConnect joint venture was impacted by a delayed completion of the Fraser Grain Terminal, but we're looking forward to that coming on line this quarter. GrainsConnect was also impacted by the sever drought in the northern hemisphere, and that's part of the driver behind that strong demand we see currently for Australian grain.

Now just touching on our feeds, fats, and oils business. Our used cooking oil upcycling business, Auscol, had a record year. That was driven by good execution combined with strong demand for renewable feedstocks. Our animal nutrition, which is countercyclical to our east coast grains business, did see reduced volumes due to those positive crop and pasture conditions.

Now moving on to our processing segment and starting on slide 17 with oilseeds. FY21 was a record year for our crushing operations with an 8% increase in crush volumes. That's off the back of continued improvements at both our Numurkah and Pinjarra crushing plants. It's particularly pleasing to see Numurkah performing so well and delivering the value from the capital investment program back in 2018 and 2019. We also saw excellent crush margins in oilseeds this year, particularly in the second half of the year with strong global oil values supporting those higher crush margins.

Now moving to slide 18 and our foods business. The successful onboarding of a new major customer during the year has seen our foods business deliver improved volume year-on-year. We also saw continued innovation in our foods business with an example being the launch of Pin and Peel, which is a unique plant-based baking blend.

So, now turning to our balance sheet and starting on slide 20, and core debt. As Robert mentioned before, we finished the year in a strong core debt position of $1 million, and that's down from $37 million at the prior year end. At FY21 closing net debt of $599 million is higher than normal, and that's due to the higher levels of the carry that we're holding at the moment and also higher commodity values. Overall, this is a really positive thing though, as it means we have good holdings of commodity inventory to continue that strong export program right throughout FY22.

Looking ahead to FY22, we'd expect to see that typical increase in net and core debt in the first half, in line with our seasonal funding peaks relating to the harvest before reducing again in the second half. Another point on FY21, we did take the opportunity to extend our term debt facility through to March 2025.

Now turning to slide 21 and CapEx. Our Agribusiness and processing segments have both seen significant capital investment programs which largely completed in FY18. The last two to three years has really been focused on delivering the returns from those investments. It's really pleasing in today's result to be able to see the benefits of those flowing through. This year we finished with sustaining CapEx of $50 million, and that's slightly higher than our target range of $35 million to $45 million, which is as a result of the increased investment related to the large crop. Looking ahead to FY22, we'd expect to see sustaining CapEx again above that stated envelope to maximise the opportunity from another above average crop.

Back in August we did announce we were adding 1 million tonnes of additional storage capacity to handle the large crop, and that investment has completed through the first quarter of FY22 in time for harvest. Also, in FY21, we completed the planned equity injection of CAD$22.5 million into our GCC joint venture, and that's ahead of the completion of the Fraser Grain Terminal this quarter. Another highlight I wanted to touch on here in relation to FY21 was, the strong progress we've made towards our target of $50 million cash generation over the next three years from sale of non-core assets. This year we've realised $26 million of cash from this initiative towards that $50 million target.

On the righthand side here, we've seen a continued reduction in D&A. This decrease in D&A is likely to temper in FY22 with increase spend on items like tarpaulins for the large harvest. Items like tarpaulins are relatively short life assets, so we'll see a short-term impact on that downward trend in D&A. On that note, I'll now hand back to Robert.

Robert Spurway: Thanks, Ian. I'll just make some comments on outlook and then some conclusionary remarks before we answer any questions. So, moving to slide 23. We are very confident in the outlook. We're now well into harvest for the East Coast crop in Australia and you'll note that the ABARE'S September update was for a crop forecast of 26.5 million tonnes, so well above average. To date we've received 2.3 million tonnes, in fact, as of this morning it's about 2.5 million tonnes. There's been a few delays over the last few days with a bit of rain, but we would expect to see crop receivals accelerate quickly over the next number of weeks as we really get into that harvest through into New South Wales and Victoria, with Queensland largely complete already.

We've continued to export grain through the start of this financial year, given the very significant carry-out of inventory from last year, and to date, just under a million tonnes exported in FY22. We are seeing excellent soil moisture conditions across East Coast Australia and that bodes for a summer or sorghum crop planting, and the opportunities that provides through the current financial year. We are seeing continued strong demand for Australian grain and indeed high vegetable oil values driving positive crush margins. So, conditions remain positive as we continue into FY22. I think the scale of the 2021/22 crop now being harvested, together with the carry-out of FY21, not only supports confidence for FY22, but indeed momentum into FY23. We will provide financial year guidance for FY22 at our AGM in February.

Moving to slide 24 on the capital management framework. We've demonstrated over time our consistency in dividend and lifting that dividend. The payout ratio of 50% to 70% of NPAT through the cycle is demonstrated in the announcements we've made today on capital management. Indeed, the strength of our balance sheet, the current performance, and our confidence in the future, provides the opportunity for $0.18 per share in total dividends, fully franked for the FY21 year, and the announcement of the on-market $50 million share buy-back. Interestingly, if you combine the impact of the buy-back and the dividend, that takes us to about 65% of net profit after tax payout. It's very consistent with the dividend policy and the return to shareholder policy in an efficient way given the dividends are fully franked.

In terms of conclusion, I want to reiterate my pride in the team effort at GrainCorp. Right across the business we've performed well achieving outstanding financial results from both business segments. Importantly, it's our operating initiatives that strengthen the core that are showing through in the results that we've announced today. We are making investments and making good progress on the collaborations in our strategic growth areas, and it's great to see the progress coming together in that part of our future ambitions.

Sustainability is at the centre of everything we do at GrainCorp. It's nice to be able to celebrate the things that we're already doing, and importantly, commit to greater action over the next 12 months in our refreshed sustainability report.

We have a positive outlook for FY22 with that high carrier of inventory from the bumper crop last year, the very favourable ongoing conditions that we're seeing, and indeed, the margins that are available and the demand for Australian grain. We are well placed for investment in growth and capital returns for shareholders. It's been a great year for GrainCorp.

Thank you for all joining us this morning. We do look forward to answering any questions that you might have. You'll note, that as part of our ongoing commitment to provide transparent and ongoing disclosure about the way the business operates, we have a number of slides in the appendix that go into more detail in terms of what sits behind today's results.

Luke, I'll hand back to you and the moderator for any questions.

Luke Thrum: Thank, Robert. I'll hand back to the moderator and are happy to take questions, just keeping in mind, we're observing that 11 o'clock deadline. So, thank you.

Operator: Thank you. If you wish to ask a question, please press star 1 on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star 2. If you are on a speakerphone, please pick up the handset to ask your question. Your first question comes from Richard Barwick from CLSA. Please go ahead. Pardon me, Richard, your line is now live. Please ask your question. Pardon me, Richard, your line is now live, Please ask your question.

Richard Barwick: (CLSA, Analyst) Sorry, I just had an issue with the headset. Thanks, guys. First question, just talking about the thing about the current rainfall. It's been pretty widespread, obviously, harvest is underway. How worried are you or how worried should we be that it may end up having a negative impact on the current harvest in terms of the tonnes coming in?

Robert Spurway: Thanks, Richard, and good morning. I think we've expressed our confidence in the outlook and the current crop. Very cognisant of the rain that's occurring at the moment. I'll just make a couple of comments on that. It's really too early to be concerned about rain, in any case, but on balance it's not something that we see as being a negative driver. The crop harvest in Queensland is largely complete, so the rain in that part of the country is not really a material issue. In Northern New South Wales there will be a few growers a little nervous about the impact it has on their wheat crop. However, things can change very quickly, and we expect it will dry out and they'll accelerate the harvest at that point.

Below northern New South Wales, so across the vast areas of New South Wales, and I was up there only last week, you can see the crops are still at least a week or more away from being ready for harvest. There's a lot of green crops around. So, in that respect the rain currently is unlikely to affect those crops. So, there's plenty of opportunity across New South Wales and Victoria. On top of that, the forecast and the outlook is for rain. The silver lining in all of that is, it provides strong soil moisture conditions for another crop following that, and especially, for those that plant summer crops. That creates upside opportunity for those growers and thus certainly for GrainCorp.

The final comment that I would make is, that it typically doesn't affect the volume. Even if you look at the news, you'll see that prices on commodity platforms are moving around as markets consider that maybe there'll be a greater demand versus supply for some grades of milling wheat. There remains plenty of demand for all grades of wheat and barley, including feed grain. So, I think a fairly comprehensive answer, but I think you're probably sensing our strong confidence in the outlook irrespective of the rain, and certainly like growers, we're keen to get on with harvest. It's been a couple of days, so it's been a bit slow, but that's not unusual and we're certainly geared up and ready to kick off again as soon as it stops raining in each individual area.

Richard Barwick: (CLSA, Analyst) Okay. Can I just ask a quick one on what was the traditional marketing business as it used to be broken out. Can you offer a view of a few insights as to the pricing environment. My read is that the opportunity to make a margin on the commodities traded are probably as good as it's been for a very long time. So, that must look good also, leading into FY22.

Robert Spurway: I'll make some comments, Richard, then I may get Ian to make some additional comments. As we said before, it's just not possible to pull that out specifically, but I think your question is a very fair one. We are seeing very good demand for Australian grain across the board. Australian grain, in nearly all markets around the world, is competitive at the moment, so that creates great opportunities. Indeed, the margins have been pretty good. I think what' we've seeing really – if I can put it this way - is the value of our infrastructure assets from up country storage through to port exports where because of another, let's say, bumper crop coming, certainly well above average crop coming and in harvest at the moment, the premium for being able to store and move that grain is pretty significant.

So, the integrated operating nature of our business is really delivering the benefits in terms of dragging grain and volume through our network, leveraging the benefit of that, and accessing the very strong demand and pricing available for Australian grain in numerous markets around the world. Ian, did you want to add to that?

Ian Morrison: Just to add to that. We've previously talked, Richard, about the structural margins relative to margins coming off risk positions. Really, the big driver from this year's result is those structural margins, and that's particularly off the back of the strong supply out of Australia combined with some of these strong demand points globally, particularly with some of the challenges in the northern hemisphere. So, it really is about utilisation of the supply chain to access those end-to-end margins.

Richard Barwick: (CLSA, Analyst) That's helpful. Thank you, both.

Robert Spurway: Thank, Richard.

Operator: Your next question comes from David Pobuchy from Macquarie Group. Please go ahead.

David Pobuchy: (Macquarie, Analyst) Good morning, Robert, Ian, and Luke. Congratulations on a very strong result. Just in terms of the processing result, an incredible result there. Can you us talk through that in a bit more detail? I'm curious to know your thoughts around how you think about a more normal earnings profile for that segment.

Robert Spurway: Yes, sure. Look, you're right. Across the board we've seen strong performance. Ian touched on the performance of our plants, increasing our crush volume by 8%, and therefore, making the most of the margins available in crush, and indeed driven by the high demand for food and edible oils around the globe. We also – and Ian touched on this, we've also seen increases in volumes and efficiency in our foods plant, as we've again delivered on what we said we would in terms of driving those efficiencies and accessing and winning a demand from customers of that important asset. In terms of profile, we expect those strong margins to continue through into FY22. We're certainly seeing that currently and that could continue well into FY22. Ian, do you want to make some comments on how we're looking at the outlook for oil margins?

Ian Morrison: Yes, sure. On the crush, certainly the uplift in operational performance is really pleasing, that 8% uplift in total crush volumes. We certainly expect that to be sustainable. We're really pleased with the focus on the efficiencies we've been able to drive out of the plant. In terms of the crush margins, we did see these – quite elevated levels in the second half, and as Robert touched on, we expect to see that continue into the first half of FY22 in particular. As we start to crush new season canola, certainly at higher seed values, that will compress crush margins over time to some extent compared to what we saw in the second half. But we still expect to retain some of these real benefits from the operational performance of the plant.

David Pobuchy: (Macquarie, Analyst) Thanks, guys. Just a high-level perspective question here. Where are some of the key risks that you're seeing at the moment going forward. Any supply chain or input cost pressures that you're seeing here?

Robert Spurway: I think we've demonstrated, David, real commitment to continue to manage cost. So, we're very comfortable with and reiterating that commitment to the $40 million improvement in the core. If anything, supply chain challenges globally have benefitted us. It's principally associated with container supply, and our business is predominantly, more than 95%, in bulk. Notwithstanding that, our teams have done an outstanding job making sure that our supply chains run well, both landside and in terms of ocean logistics.

Just to give you a statistic, of the more than 115 vessels that sailed carrying grain for us this year, there was only two that had very minor detention and demurrage charges associated with them. In my experience over the years in global shipping, that's almost unheard of, and I think a testament to the planning and decision-making in our operational teams. Certainly, I think you'd find that unusual in the current environment. It gives me huge confidence as to our resilience in terms of the model we operate and the decisions we make.

Just on container supply, we've had no interruptions to ingredients, packaging, or imports or exports associated with our processing business, which again, it largely in bulk but certainly some aspects of that come and go by containers. But again, that's not just through good luck, it's through very close management, working with our suppliers and our partners to make sure that we're planning ahead. In fact, we've increased our planning windows and about doubled them, to make sure that we've got line of sight so that we can plan ahead and avoid any disruption.

So, I think, really what I'm demonstrating is the disciplines we've driven through the business are not just making for a more efficient business but they're making for sustainably and reliable results through the cycle and that's really pleasing.

David Pobuchy: (Macquarie, Analyst) Okay. Great. Thank you. Congratulations again. I'll turn it over.

Robert Spurway: Thank you.

Operator: Your next question comes from Apoorv Sehgal from UBS. Please go ahead.

Apoorv Sehgal: (UBS, Analyst) Morning Rob, Ian, Luke, congrats on the results. Maybe my first question is a bit of a follow-up on the processing business. [Unclear] for the second half of FY21, it's a pretty big number, $54 million of EBITDA. Do you think that number can repeat in the first half of FY22? Am I reading your previous response correctly, that volumes are probably going to hold and margin's still going to be pretty strong.

Robert Spurway: Certainly, for the first half of FY22 we're seeing the same sort of trends coming out of the second half of FY21. So, in that respect market conditions remains pretty favourable and relatively stable.

Apoorv Sehgal: (UBS, Analyst) Okay. That's pretty clear. Maybe just one question on the dividend. Just the thinking behind paying a lower dividend payout at around 30% for FY21 versus your policy of 50% to 70%, but obviously as you've said, you've added the buy-back in there as well. But just the thinking around doing that rather than just paying out 50% to 70% of profits in dividends with no buy-back.

Then if I look into FY22 as well – if I can attach another question onto that, FY22 being another above-average year, should we be expecting a payout again below that 50% to 70% range?

Robert Spurway: I think it would be premature for us to comment on the dividend for FY22. What I will reference though is our ongoing commitment to that capital management framework and the 50% to 70% over time through the cycle. To be clear, in FY20 we did resume dividends, and arguably, that was ahead of the current performance and based on the strength of the business and our confidence in the outlook. I would hope that today's dividend announcement is on the upside, given that it's fully franked. We've been able to achieve that through the profitability of the business and the outlook for profitability in terms of being able to attach franking credits to today's dividend.

So, reiterating what I said, the $50 million buy-back on top of that puts us well in the range, given the strength of the business and the balance sheet and the confidence we have in the outlook. In our view, is an efficient way of providing returns to shareholders given that we've, for the moment, exhausted the franking credits to achieve that $0.18 fully franked dividend for the FY21 year.

Apoorv Sehgal: (UBS, Analyst) Got it. Thanks, guys.

Operator: Your next question comes from Grant Saligari from Credit Suisse. Please go ahead.

Grant Saligari: (Credit Suisse, Analyst) Good morning and congrats on the result. Just two questions, if I could. Just one on the logistics storage fees this year. You seemed to have been able to achieve some reasonably sizable fee increases, 3.5%, 4% across a lot of variables. Just interested to understand what enabled that, what was driving that, and where you might be sitting from a cost position as well in terms of labour cost and availability.

Robert Spurway: Yes, sure Grant. Good questions and we note you've observed that. That is an important part of our business in terms of maintaining our competitiveness. I think you've observed that we remain very competitive across East Coast Australia in a competitive environment. Anecdotally, the feedback that we've had through the year from growers is that GrainCorp continues to show a competitive proposition at all of our sites. I think that really is a reflection of the efficiency that we've built into our system. The things that are important to growers really in terms of their overall cost of working with us and the value they get from working with us, is the transparency that we're able to provide on pricings from our Connect product and the optionality that that gives them.

But importantly, things like turnaround time and efficiency on site means that we represent good value for them. That's evidenced in the ongoing increases that we're seeing in Net Promoter Score from the surveys that we do with growers. So, we're very comfortable with the way that competitive side of the business is working, but just to be really clear, our real focus is on that integrated operation of the business and the end-to-end margins that we can achieve through handling grain and dragging it through our infrastructure assets. Supporting growers in that respect.

Just in terms of inflationary pressure and cost. As I said, I'll reiterate again, we're very comfortable with the programs that we have in place to manage costs closely, and we've don't that very effectively through the year. I think that's pretty well evidenced in the result.

In terms of labour, again, we planned ahead very early, and arguably, this year's task is easier than last year because last year we had to scale up from significant drought areas in terms of the labour we brought on to manage the harvest. This year we've started from a higher base. We had roughly 70% of harvest casuals that we worked with last year indicated that they would return, and we've seen that play out.

We've also been very careful to plan and make sure that labour's available within state borders and within the regions that we need them, so that we haven't been disrupted by some of the state boundaries and challenges of COVID restrictions. So, we've got pretty close to a full complement of casuals in the areas where we need them across harvest. Roughly 3000 people taken on or lined up and ready to start in Victoria and already well in place in Queensland and New South Wales.

So that's not causing us any concerns or indeed risks in the outlook, and I think we've got a very good employer brand in terms of the things we're doing. We'll continue to enhance that through examples like our community foundation, where we work with local communities, support local communities, and that helps encourage the opportunity for jobs for local people through harvest.

Grant Saligari: (Credit Suisse, Analyst)Thank you. I'll leave it there so we can do the 11 o'clock finish. Thank you.

Robert Spurway: Thank you.

Operator: Your next question comes from James Ferrier from Wilsons. Please go ahead.

James Ferrier: (Wilsons, Analyst) Good morning, gents. Thanks very much for your time and congratulations on the result. First question, with relation to the receivable 16.5 million tonnes, could you give us some colour on how much of that was received direct to port?

Robert Spurway: Yes, we can. If you go to the appendix slide, just for anyone following. Slide 30 is the ECA tonnes handled. Ian, you might just be able to talk to that in comparisons to prior years.

Ian Morrison: Yes. So, we don't specifically break out the components of total receivables, but we've seen a typical level of direct to port to what we've seen historically overall, James.

James Ferrier: (Wilsons, Analyst) Okay. That's helpful, Ian. Thanks. Then the second question also on volumes there, 6.7 million tonnes contracted grain sales. I look back in FY17 and that number was about 2.8 million tonnes, I think, and similar sort of crop size as you alluded to at the start of the briefing. I'm just interested in your views around whether that is a reflection of conscientious effort of GrainCorp to originate more aggressively or is that more a reflection of just that very strong demand profile in export markets and the competitive pricing of Australian grain.

Ian Morrison: Thanks, James. I can take that one. So, a couple of things, James. Since FY17 our overall focus as a business is quite different in the way we think about the end-to-end operating model. So, what that has meant is, that we are more aggressive in terms of competing and owning and dragging grain through the infrastructure. I think that is definitely a part of the change where we are actually the owner of more of the task than maybe historically. We think that really drives the value of utilising the supply chain and getting the overall efficiency out of the assets as well. Then the second point, as you mention, is about that strong demand. What's different this year to back in FY17, as we saw in the second half of this year, and particularly into Q4, the strength of the upcoming crop into FY22 combined with the challenges in the northern hemisphere has seen that strong demand for the next quarter or two for Australian grain.

James Ferrier: (Wilsons, Analyst) That's helpful. Thank you, and well done on the Net Promoter Score improvement too, that's remarkable effort. Thank you for your time.

Robert Spurway: Thanks, James.

Operator: Once again, if you wish to ask a question, please press star 1 on your telephone and wait for your name to be announced. We'll now pause momentarily if someone else wishes to enter the queue. Once again, if you wish to ask a question, please press star 1 on your telephone and wait for your name to be announced. Your next question is a follow-up from Richard Barwick from CLSA. Please go ahead.

Richard Barwick: (CLSA, Analyst) I wasn't expecting another chance. So, I was going to ask around the non-core assets that you're talking about selling through. Can you a little bit of colour, Ian, on what they – and I guess what I'm interested in, would any of those include sale and leaseback. So, if you're selling them off would we expect to see a tick up in lease expense?

Ian Morrison: Thanks, Richard. On the non-core assets, the majority are related to our non-operational sites from East Coast. This year we did sell our closed [unclear] plant that was part of our foods business a number of years ago, and that was a key contributor to this year's [lease]. In terms of looking forward though, we wouldn't be looking at any sale and leaseback, it's all in relation to sites that no longer operate as part of the core network. If you look back many years, we would own a lot of sites that no longer operate, even in a large [year]. So, it is about those sites that aren't really part of our network and it's about taking them out and having them utilised for other purposes.

Richard Barwick: (CLSA, Analyst) Okay. All right. That's good. Thank you.

Operator: There are no further questions at this time. I'll now hand back to Mr. Spurway for closing remarks.

Robert Spurway: Thank you. Just again, thank you everyone for joining us this morning. We are delighted with the result and look forward to joining you over the next few days for any further questions and indeed, providing a further update on our confidence and the outlook at the AGM in February. Thank you, everyone. Have a great day.

End of Transcript