Company announcement

GrainCorp Limited ABN 60 057 186 035

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PUBLIC ANNOUNCEMENT

CHAIRMAN'S ADDRESS TO GRAINCORP'S 2011 ANNUAL GENERAL MEETING

Michael G. A. Smith
Company Secretary

GrainCorp 2011 AGM Chairman's Address

This last financial year was one of major change for GrainCorp, following the finalisation of the acquisition of United Malt Holdings on 13 November 2009.

The decision to invest in the malt sector was driven by our desire to diversify income sources and geographies from which we draw earnings – and to build stronger and more consistent shareholder value.

GrainCorp operates in an industry that is subject to significant seasonal variation. It was only a couple of years ago I was addressing you at a time when Eastern Australia was in the grip of a record drought. And consequently, the financial results of the company were not what we would have liked.

Our diversification into malt production bore fruit in its first year. Our profit after tax of $80.2 million shows that, in a year when our grain handling and trading operations were below 'normalised', the malt business provides the income stabilisation we set out to achieve.

During the year, GrainCorp appointed Alison Watkins as the Company's Managing Director and Chief Executive Officer. Your company now has a stronger management team in place with a good balance of experienced hands and new appointments.

You will hear from Alison later in the meeting as she provides a summary of last year's business performance, outlook for the current financial year, and the strategies being implemented to improve shareholder value.

I would now like to turn to the recent grain harvest.

This year, I am delighted to report on the largest grain receival task in GrainCorp's history, following one of the largest winter grain crop ever harvested in Eastern Australia. However, it was also the "crop that got away". Had the weather been more favourable, receivals would have been a number of million tonnes higher.

Alas this time an excess of rainfall occurred at the worst possible time, commencing in Central Queensland and progressing South all the way to Victoria. While every area has had a difficult time the most affected areas were Queensland and Northern New South Wales.

The chickpea crop, one of the largest plantings ever, was largely wiped out by the continuous rain during Spring, with many crops being abandoned when the supply of fungicide was exhausted. The crop that was able to be protected through to harvest was then affected by further wet conditions.

The cereal crop harvest was also plagued by wet weather with many farmers seeing their year of effort disappear. Each individual farmer has a different story to tell, ranging from completed harvests with weather damage, to growers who harvested virtually nothing of what was potentially their best crop ever.

The rain at harvest then progressed to what ended up being unprecedented floods in much of Queensland, New South Wales and Victoria.

Through all this GrainCorp infrastructure and country sites did not suffer significant damage, and losses of grain in our storages from the heavy rain and flooding were minimal.

The initial favourable weather contributed significantly to the record grain production, benefitting the Company's revenue, but also creating one of the most difficult harvests to manage.

When harvesting is disrupted by rain, our receivals are also disrupted. If rain affects grain quality, as it does when rain comes at harvest, it makes the task of receiving, segregating and storing grain a much more complex one and that places significant strain on our infrastructure and employees.

The flooding that occurred in January in Queensland and Victoria has damaged vital transport infrastructure, and this too has created challenges for GrainCorp staff and our customers seeking to move grain from our storage sites into the domestic and export markets.

GrainCorp 2011 AGM Chairman's Address

I am very proud to report to you today that our staff rose to the numerous challenges presented by this disrupted but record-breaking year.

Many of them have had to operate under trying conditions, and I know you will support me when I extend thanks to them on your behalf.

Turning now to some broader industry trends that shape the environment in which our company operates.

In our malt business this year we will shortly be opening our new Pinkenba facility. While the construction has been delayed by weather, the new facility fits our strategy of having low cost, well-located plants around the world. The US economy is starting to improve with employment increasing, which should assist with improved beer sales and the flow-on effect on malt demand.

At this time last year I said that there was some uncertainty about the way the grain market would adjust to the removal of the bulk wheat export 'single desk'.

As you know, GrainCorp was at the forefront of advocating the removal of the bulk wheat export monopoly. I am pleased to be able to report that the market and grain growers in particular, adjusted very quickly.

Removal of the monopoly has helped GrainCorp deliver better service to growers and consumers of Australian wheat. We have been able to expand our market participation and customer base, and so add shareholder value.

GrainCorp is now selling Australian wheat to more than 90 individual customers, in 24 countries. By being able to buy wheat from growers, store it, transport and ship it direct to the end user, we are making better use of our assets, which benefits both GrainCorp shareholders and the industry as a whole.

While the removal of the single desk has contributed to a more efficient and customer focused grains sector, under-investment by Commonwealth and State Governments in heavy transport infrastructure is still a major drag on the competitiveness of our industry. In some instances, the standard of the rail network in Eastern Australia would shame most third world countries. The efficient operation of our ports is being challenged by the inability of the rail and road network to keep pace with our ship loading capacity.

I made mention of this in my address to the GrainCorp AGM in 2007 and I can assure you that the situation has not improved since then.

Since that time, both the Commonwealth and NSW State Governments have conducted reviews of the rail network serving the grain sector, at a cost of over $10 million. However, the reviews have delivered very little new investment, or even clarity of future plans for the network.

In the case of the NSW review, which cost the Commonwealth government over $7 million, the recommended joint government–industry investment and strategy consultation mechanism was never established.

In contrast, a similar review in Western Australia resulted in a formal consultation mechanism, where government and industry came together to plan long-term public and private sector investment. Over $130 million has been invested in WA rail by the Commonwealth.

It is now time for governments in Eastern Australia to follow the example set by our counterparts in the West and to get serious about addressing the long-term infrastructure needs of our sector.

The grain industry in Eastern Australia should not accept such inaction, or the inefficiencies and bottlenecks that have the potential to affect Eastern Australia's reputation as a reliable source of grain.

The last matter I would like to address this afternoon before we move to the address by the Managing Director is the future outlook for the grain industry in Australia.

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We are in a good position compared to competing rural industries. The lack of breeding stock will hold back the grazing industries. Cotton will make some inroads into both summer and winter grain production, but the area of suitable land is limited.

We start off the coming season with excellent stored soil moisture and are seeing much better prices on offer given the World supply / demand situation. While high prices are usually the best "cure" for high prices, our farmers certainly need the current market conditions to prevail above the historical low levels of the past decade. It looks like this can be achieved, as demand for grain continues to grow. Countries like Australia with significant export capabilities located close to the fastest growing demand, particularly in Asia, are well placed to be major beneficiaries.

Much has been said in recent times about foreign investment in Australian agriculture and foreign ownership of Australian farms and agribusinesses, largely in response to purchases of Australian companies by foreign interests, or concerns over Australia's food security.

I want to raise a word of caution for those that are too strident in their criticism of foreign investment in the Australian agricultural sector.

Australian farmers and agribusinesses need the capital, innovation and competition that comes from foreign investment. We must not forget that Australian agriculture was born of foreign investment. Most of the research and development into machinery and crop chemicals that drive our farming systems, and the efficiencies they have delivered came from overseas and they continue to do so.

It is important to remember that much of our agricultural produce is exported. If we are able to expect market access for our agricultural exports, we have to be prepared to open our industry to investment and input from other parts of the world, while of course ensuring that our biosecurity status is protected and maintained.

I understand some of the concerns raised about the transparency of foreign investment. And I understand that some limits are appropriate.

We need to ensure that any controls or oversight that may be placed on foreign investment in the Australian agricultural sector are sensitive to the fact that Australia is part of the global agricultural trade community and that we rely on exports for much of the wealth generated by the sector.

In closing, I would like to thank my fellow GrainCorp Board members for their support and contribution to the Company during the year.

And on behalf of the Board I would also like to thank GrainCorp employees all over the world, for their contribution to our 2010 financial year result, and for their dedication and continued commitment to the Company.

Most importantly I would like to thank you, our shareholders, for your support and confidence. I trust your investment in GrainCorp will continue to be rewarding.

I would now like to invite Alison Watkins, our Managing Director to address the meeting.

Thank you