

## **CUSTOMER STATEMENT**

2 December 2011

### **EMERALD ANNOUNCES \$120M SUPPLY CHAIN EXPANSION**

Leading Australian grain marketer, Emerald Group (Emerald), today announced a three-pronged \$120 million investment strategy to significantly enhance its supply chain capability and move to be an integrated grain marketing and logistics group.

Emerald will:

- Integrate Sumitomo Corporation's Australian grain logistics assets via the transfer of the Australian Bulk Alliance (ABA) network, including the Melbourne Port Terminal;
- Invest in new and enhanced grain storage sites Victoria at Werneth and Elmore, with further sites expected to be announced in the new year;
- Lease and run trains from southern New South Wales and Victoria to the Melbourne Port.

Emerald Chairman, Alan Winney, said the investment strategy will deliver an integrated, efficient and robust end-to-end grain supply chain, benefiting both Australian grain growers and international customers.

"Emerald's investment in rail is positive news for grain growers because it will not only increase our rail capacity and improve our timeliness, but it will also reduce our cost structure, thereby providing greater returns to growers," Mr Winney said.

"It will also add substantial value to our joint venture marketing companies in Victoria and New South Wales, and over time to our businesses and partnerships in South Australia

"We will implement our unique grower-focused marketing model to our logistics activities, working with grower groups in running the expanded business, and seeking their feedback and participation through local silo committees and ownership structures. We see this as a key benefit and a differentiator from our competitors."

"These three investments allow Emerald to become an integrated supply chain business, with storage, transportation and importantly port access, providing a more efficient and economical model for our local grower customers, and a competitive and reliable service to our grain processing customers in Australia and around the world," Mr Winney said.

The ABA transaction will see Emerald link operational control of country to port grain facilities with capacity to store 1.5 million tonnes of grain, including:

- Ownership of five existing ABA owned Victorian storage facilities;
- Eight ABA franchised sites in Victoria, New South Wales and South Australia; and
- 100 per cent ownership of Melbourne Port Terminal.

"Today's announcement creates a third force in the grain supply chain in eastern Australia, providing growers and independent grain marketers with more options and a higher level of service. After completion of the transactions, Emerald will compete with GrainCorp and US-based Cargill in offering grain receipt, logistics and port services on the east coast of Australia.

"Emerald will now be able to offer services across the entire grain supply chain – origination, storage, logistics, shipping, port access and marketing. The key benefit lies in linking trains to the ABA network in Victoria and southern New South Wales with the Melbourne port.



Sumitomo's decision to no longer run ABA as a standalone entity represents a shared strategy of both companies to integrate the grain marketing and logistics capabilities to create a truly world class integrated soft commodity marketing and logistics company.

Emerald has funded this three-pronged investment strategy through a mixture of debt and equity. The company will raise an additional \$80 million in new equity from existing shareholders, with the current ownership structure remaining unchanged.

ABA will operate as a wholly-owned subsidiary of Emerald and all ABA employees will have the opportunity to transfer across to Emerald after the current harvest is completed.

The transactions are expected to be completed by early 2012.

For more information contact Tim Burrow at the EP Grain office on 08 8682 4955.

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## Background information

Emerald Group Australia Pty Ltd is one of Australia's leading grain marketing companies offering grain marketing products to assist its grower customers maximise returns and manage grain market risks. Emerald offers a range of pool, fixed price and tailored hedging products to an Australia-wide grower customer base.

Emerald's unique business model includes commercial partnerships with grower organisations that assist these grower groups take greater control and directly benefit from grain market liberalisation. The Joint Ventures between Emerald and grower groups include *SQP Grain* with Southern Quality Produce Co-operative in Victoria, *EP Grain* with FREE Eyre Ltd on the Eyre Peninsula in South Australia and *Southern Ag Grain* with Southern Ag Venture in southern New South Wales. In Western Australia, Emerald operates in its own name and also has a strong alliance with *WAFarmers*, in Queensland it operates as *Philp Brodie* Grains and in eastern South Australia as *Sturt Grain*.

Emerald is an Australian business founded in 2004. It was originally fully owned by the directors and staff of the company and now includes amongst its major shareholders Sumitomo Corporation, who has offices in 66 countries. This alliance with Sumitomo has provided Emerald with unrivalled access into a range of grain processors in countries throughout the world, and in particular, into the rapidly growing markets in East and South Asia. During the 2010/11 harvest, Emerald received 3.4 million tonnes of grains and oilseeds directly from Australian grain growers and had a turnover of A\$1.2 billion.