

NEWS RELEASE

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ACCC TO NOT OPPOSE ARCHER DANIELS MIDLAND ACQUISITION OF GRAINCORP

The Australian Competition and Consumer Commission has announced that it does not propose to oppose Archer Daniels Midland Company's (ADM) proposed acquisition of GrainCorp Limited (GrainCorp).

"The ACCC concluded that the proposed acquisition would be unlikely to substantially lessen competition as the merged entity would continue to face competition from a number of sources," ACCC Chairman Rod Sims said.

In forming its view, the ACCC conducted an extensive public review process which involved consultation with grain growers, industry bodies and competitors about the likely effect of the proposed transaction on competition.

The ACCC's review looked at two key issues. First, the ACCC examined whether the proposed transaction would substantially lessen competition in any market by removing the existing competition between ADM and GrainCorp. Second, the ACCC examined whether ADM would have different incentives to GrainCorp such that it would be likely to foreclose third party access to the storage and transport supply chain following the merger, which may in turn reduce competition between traders to acquire grain.

Current competition between GrainCorp and ADM is focused mainly on grain trading and marketing in Victoria, New South Wales and Queensland, where GrainCorp competes with Toepfer (80% owned by ADM) and a number of large market participants. Competitors of the merged firm (collectively) account for the majority of grain traded on the east coast and the ACCC considers that they will continue to constrain ADM."

While GrainCorp has extensive interests in up-country storage and the provision of ports services on the east coast of Australia, ADM does not currently hold any interest in storage and handling facilities in these areas, and in relation to ports it only has a small and indirect interest in the Queensland Bulk Terminal. Accordingly there is minimal competition between GrainCorp and ADM for the provision of storage and port services.

"Following a careful analysis the ACCC concluded that it is unlikely that the incentives faced by ADM in regard to the storage and transport supply chain would be materially altered by the acquisition," Mr Sims said.

In forming its view, the ACCC noted the importance of ensuring access to bottleneck infrastructure where necessary. In this context, the ACCC currently administers access undertakings for access to bulk wheat port terminal services.

"These arrangements have been very important in promoting a competitive bulk wheat export industry, and in allowing Australian grown wheat to be sold to a variety of international markets and buyers," Mr Sims said.

"In an environment where regulation may be moving to the use of a mandatory code, it will be important that policy makers ensure the regulatory settings are appropriate to ensure the right market outcomes in bulk wheat export, and that access to important bottleneck infrastructure continues to be effective."

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