

# Chapter 1

## Introduction

### About this inquiry

1.1 This inquiry into the ownership arrangements of grain handling in Australia comes at a critical juncture in the development of Australia's grain handling market. The Australian grain handling market was established in the 1920s and 1930s with the creation of various wheat, grain, barley and oats boards. It has consolidated significantly over the past 30 years. GrainCorp, created in 1992, evolved from the New South Wales Grain Board. It was listed on the Australian Stock Exchange in 1994. In 2000, GrainCorp bought VicGrain and in 2003, it bought the Queensland based GrainCo.

1.2 On 26 April 2013, GrainCorp announced that it had entered into a takeover bid implementation deed with the United States-based multinational Archer Daniels Midland (ADM). If the takeover is successful, a foreign company stands to own and control seven-eighths of Australia's east coast grain handling infrastructure.

1.3 This inquiry responds to the issues and concerns raised by ADM's proposed takeover of GrainCorp. The benefits of direct foreign investment come with a particular set of challenges. This is particularly the case in a critical market such as grains, where there is already significant cross-ownership of assets, and where the bidding company has a decidedly chequered record of corporate governance.

### Conduct of inquiry

1.4 On 16 May 2013 the Senate referred the matter of ownership arrangements of grain handling to the Rural and Regional Affairs and Transport References Committee for inquiry and report on 31 July 2013, on which date the committee tabled a brief interim report and requested an extension of its due date to 30 August 2013. The terms of reference are available in Appendix 1.

1.5 The committee advertised the inquiry in *The Australian*, on the committee's website, and invited submissions from peak bodies, government departments and relevant agricultural companies. To date, the committee has received 14 submissions (see Appendix 2).

1.6 The committee held a public hearing in Canberra on 18 June 2013, in which representatives of ADM answered questions that related primarily to ADM's takeover bid for GrainCorp. The committee held a second public hearing in Sydney on 16 July 2013.

1.7 To date, the committee has taken evidence from a wide variety of industry bodies, government departments, businesses and interested individuals (a list of

witnesses who attended these hearings is provided at Appendix 3). The committee intends to hold a further public hearing later this year, and table its final report on the reference soon thereafter.

## **Acknowledgements**

1.8 The committee acknowledges the contribution of several individuals and organisations that made submissions and gave verbal evidence to the committee.

## **Note on references**

1.9 References to Committee Hansard are to the proof versions. Page numbers may vary between the proof and official version of the Hansard.

## **Previous Senate inquiries**

1.10 The Rural and Regional Affairs and Transport Legislation and References Committees have conducted three previous inquiries that are relevant to the current inquiry:

- the legislation committee inquiry into the Wheat Export Marketing Amendment Bill 2012 [Provisions], tabled June 2012;
- the references committee inquiry into the operational issues in export grain networks, tabled April 2012; and
- the references committee inquiry into the Foreign Investment Review Board (FIRB) national interest test, tabled on 26 June 2013.

## **Structure of the report**

1.11 This interim report has four chapters:

- chapter two provides an overview of ADM's takeover bid for GrainCorp and the regulatory reviews conducted by the Australian Competition and Consumer Commission (ACCC) and FIRB;
- chapter three explores various perspectives on the merits of ADM's bid, including concerns expressed to the committee about the impact the bid might have on the interests of Australia's farmers and, more broadly, the Australian grain industry and Australia's long-term food security interests; and
- chapter four presents the committee's interim conclusions and recommendations.