



AGRONOMIQ
[AGRICHEM MANUFACTURING INDUSTRIES PTY LTD]
A.C.N. 125 437 185

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29th May 2012

Ms. Christie Sawczuk
Manager International Trade Remedies Branch
Australian Customs and Border Protection Service
5 Constitution Avenue
Canberra ACT 2601

Dear Christie,

Re: Fully-Formulated Glyphosate Investigation

Thank you for the opportunity to respond to Nufarm's two letters which were mainly directed against AGRONOMIQ/AIRR. However, before addressing the claims made by Nufarm, I should mention that AGRONOMIQ/AIRR has commenced formulation of Glyphosate in Australia. We had planned this action long before we learned of Nufarm's allegation of dumping to support our differentiated Glyphosate product strategy and to ensure on-time delivery. The prices we have negotiated are less than the Chinese prices and will therefore enable us to maintain our competitive advantage by continuing to offer "the highest quality at the lowest price". However, the prices we are paying beg the question of, if an Australian toll formulator can earn income by formulating Glyphosate domestically for AGRONOMIQ/AIRR at a price below that of Chinese formulators, then how can Nufarm claim that dumping is occurring and that they are experiencing financial damage? The answers are relatively simple. There is no dumping and Nufarm is seeking the opportunity to increase prices of Glyphosate behind the shelter of an anti-dumping duty.

Notwithstanding our tolling arrangement, we will continue opposing the Nufarm claim to ensure that farmers are not forced to benefit Nufarm shareholders or the owners of ACCENSI by paying higher prices for Glyphosate. As I mentioned in my presentation on 22nd February 2012, Nufarm's 2011 Annual Report shows that it earned a 15% gross margin on Glyphosate sales. If this margin is subsequently reduced to zero or less by Nufarm's high overheads, Australian farmers should not be forced to pay the price of Nufarm's inefficiencies. We are also seeking to exempt Glyphosate 700 WSG Ammonium Salt from any anti-dumping duty because neither the quantity nor quality we sell can be formulated in Australia. I note that Nufarm is using the "substitution" argument against such an exemption, an argument it uses often, but the fact is that Nufarm's Roundup® 700 WSG is an inferior product to the APPARENT® 888 WSG product.

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In its letter dated 12th March 2012, Nufarm has claimed that "all forms of glyphosate were 'like goods' within the anti-dumping context" and used the findings of the 2001/02 enquiry to support the claim. However, the 2001/02 enquiry covered Glyphosate acid or technical which meant that any formulation of Glyphosate would and should have been covered. However, the current enquiry is about fully-formulated Glyphosate and is very specific to Glyphosate 450 IPA, and to a lesser extent Glyphosate 360 and the potassium salts of Glyphosate in concentrations of 510 g/L, 540 g/L and 570 g/L. Glyphosate 450 IPA is the principle Glyphosate formulation sold in Australia for which Nufarm, in its presentation on page 10, suggests a market 40-50 million litres per annum. The allegation by Nufarm is that the above-mentioned fully-formulated products from China are being dumped in Australia below the Chinese domestic price. However, Glyphosate 450 IPA is not sold in China and nor are the potassium salts of Glyphosate. Therefore, the allegation should be rejected outright by these facts alone.

In our view:

- The APVMA is the sole arbiter of what constitutes a product in Australia and I am sure that they would reject Nufarm's contention that the products sold in China and Australia are "like products" simply because they are both based on Glyphosate acid. The registration system in Australia and, indeed, China is predicated on the fact that different formulations are different products.
- If Australian Customs accepts Nufarm's argument you are effectively broadening the scope of the investigation to include Glyphosate Technical.

It is clear that Nufarm case was not fully considered before submission to Australian Customs and the company is now tailoring evidence to fit its case.

Glyphosate 360 is a special case because it is sold in China, but it is not the same formulation that is used in Australia. Glyphosate 360 is formulated with either a low toxic aquatic wetter (such as TERWET 1215) or a tallow amine wetter (such as TERWET 3780) for the Australian market is therefore a vastly different product. In China, APG or Betaine wetters or variants are typically used. Surely Nufarm is not suggesting that Glyphosate 360 is dumped in Australia because if you care to visit a Bunnings store you will note that the Nufarm Roundup® brand retails for \$43.72/Litre in one-litre packs and \$13.80/L in five-litre packs? Given that factory gate price for Glyphosate 360 in Australia is around \$3.00/Litre, Glyphosate 360 is sold to domestic consumers in Australia as a premium product and at prices beyond which the average Chinese farmer could afford.

The Nufarm suggestion that Glyphosate 62% w/w should also be covered in the investigation is incorrect. As I understand the situation, the investigation covers only fully-formulated Glyphosate products. Nufarm knows that Glyphosate 62% w/w is not fully-formulated. The key word is "fully". However, I can understand why Nufarm is making the claim because if Glyphosate 62% w/w enters Australia duty free they will

lose any competitive advantage they hope to achieve from an anti-dumping duty on fully-formulated Glyphosate.

An equally debatable statement in the same letter is that "similar findings were made by the European Union in respect of its enquiry into the alleged dumping of Glyphosate in the "late-1990s" (4th September 1997). At that time, there was only one commercial, fully-formulated Glyphosate product available - Glyphosate 360. Therefore, it did not matter whether or not the investigation covered Glyphosate acid or Glyphosate 360. However, I note that Nufarm elected not to report that anti-dumping duty on Chinese Glyphosate ceased in the European Union on 14th May 2009 following submissions by Wynca and Good Harvest. In other words the decision of 4th September 1997 is meaningless.

We remain firmly of the view that Glyphosate 700 ammonium salt should not be included in the investigation. Apart from one facility in Ballarat, which we use for our other APPARENT® dry formulations, there is no manufacturing capacity in Australia to formulate the amount of ammonium salt to the quality required.

In a second letter dated 27th April 2012, Nufarm suggests that the problem with using sub-standard or less concentrated wetters stems from China and that this is good enough reason to impose an anti-dumping duty on fully-formulated Glyphosate originating in Australia. However, this statement is based on false assumptions of how the market works. The type and concentration of wetter used in Glyphosate formulated in China is specified by the Australian customer and APVMA has the power to analyse samples of the same to ensure compliance with the associated registration.

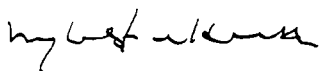
Nufarm is, of course, suffering financial damage and one has only to examine its share price trend and financial results for the past two years and its financial position to realise this statement is true. However, the financial damage is not due to imported Glyphosate. Nufarm is performing below expectations in the Australian market because it is not engaged in distribution and therefore has no significant access to the market. The issue began several years ago when Nufarm divested its shareholding in IAMA (a distributor) and when other distributors, disenchanted with Nufarm's premium pricing on commodity products, decided to import direct from China.

In conclusion, I also note a submission from the West Australian Farmers Federation with which we agree. The issue is also likely to become politicised in Canberra with farmers wondering why they have been singled-out to finance a declining industry in Australia when thousands of other Australian industries have been forced to transfer manufacturing to China without incident.

This letter is in the public domain.

Yours sincerely,

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Myles Stewart-Hesketh
Director