Company announcement

GrainCorp Limited ABN 60 057 186 035

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PUBLIC ANNOUNCEMENT

Please find attached the Chairman's address for the Annual General Meeting.

N.P. Hart

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Company Secretary

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22 February 2007

Chairman's address to the Annual General Meeting of GrainCorp Limited

Good afternoon ladies and gentlemen and welcome to the Annual General Meeting of GrainCorp, the first to be held in Melbourne.

The past 12 months have been significant for GrainCorp and the grains industry, and clearly there are exciting times ahead.

Today I will assess GrainCorp's performance in financial year 2006 and discuss a number of issues and opportunities including grain exports, industry consolidation, and changes in international grain markets.

FINANCIAL RESULTS

The 2006 financial year was a strong one for the company, based on 10.8 million tonnes of grain receivals, 5.3 million tonnes of exports through our ports and the successful implementation of a $10 million cost reduction program. GrainCorp paid a 50 cent dividend per ordinary share, as well as $7.8 million in dividends on reset preference shares (RPS). The net profit after tax, and before the RPS dividend, was $39.5 million and our earnings before interest, depreciation and amortisation reached $120.9 million, which was 31% higher than the previous year. Importantly, the result reflects growth in each of our three core businesses: Storage & Handling, Marketing and Allied Mills. We continue to demonstrate our strength in each of these parts of the supply chain.

The board is confident, given an average or better year of production, that we can further leverage our assets to secure increased market share both domestically and internationally. Our actions are guided by a comprehensive strategic plan.

Our objective is to generate more than $26 million in new earnings over the next three years and to increase our return on investment to be consistently above 10% per annum.

CURRENT DROUGHT

Those objectives however will always be subject to the periodic effects of drought, and the current crippling drought is the most extensive and severe in living memory. Unfortunately, GrainCorp's results for the current financial year will reflect these conditions.

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Your Board and management are working hard to minimise the earnings impact of the drought, whilst continuing to service our customers' needs.

Given a return to more normal rainfall patterns, the potential has rarely been so bullish for grain plantings. In view of reduced livestock numbers, farmers will be looking to grain production to turn around their financial position. Coupled with this, world grain prices are strong and underpinned by international biofuel growth.

As a result, Australian growers will be encouraged to plant a winter crop in 2007 with a great deal of confidence, provided there is a decent seasonal break. GrainCorp will help to ensure that growers are given every assistance with input and financing products to ensure that the next crop reaches its full potential.

CAPTIAL STRUCTURE

A focus of the Board during the year was the capital structure of the company, and a number of initiatives were successfully completed. These included the decisions to convert the RPS to ordinary shares and the activation of the Dividend Reinvestment Plan.

Since the conversion of the RPS there has been a significant and welcome improvement in the liquidity of our shares. In turn, this has helped improve investor sentiment towards our company. The Board is pleased that many former RPS holders retained shares after the conversion, and also that institutional investors took the opportunity to increase their level of shareholding or invest in the company for the first time.

Today, I am pleased to announce that a Share Purchase Plan ("SPP") will also be offered to shareholders. Under the SPP, shareholders will be able to buy up to $5,000 worth of shares free from brokerage and transaction costs. The SPP will open on 5 March 2007 and close on 2 April 2007. Shareholders will receive information about this in the mail in the coming week and I encourage you to consider this opportunity to increase your ownership in the company.

By reducing our debt, strengthening our balance sheet and simplifying our share structure, we are better positioned to take opportunities as they arise to add value for shareholders. For example, recently GrainCorp announced the acquisition of Heinrich Rural Merchandise in north western Victoria. We will consider similar acquisitions in the future if prospects meet our hurdle rates of return.

INDUSTRY CONSOLIDATION

On a larger scale, there is scope for further consolidation in the grains industry and, as the regulatory landscape changes, this pressure will only intensify.

It is interesting to look at the history of consolidation. In many instances these changes occurred following the removal of regulation which had previously stifled investment confidence.

Consolidation can create the scale needed to be a global leader. Consolidation enables synergies to be realised for the benefit of shareholders and customers alike. As customer needs change, the ability to have a more diversified product offering is increasingly important. For shareholders, this may also reduce earnings volatility, generate more consistent performance and increase GrainCorp's attractiveness to the investment community.

Globally, there are changes in every aspect of the grains sector. On the production front, there has been aggressive growth in South America and the Black Sea region over the past five years. There may be significant opportunities in genetically modified (GM) crops in terms of yield and improved production traits such as drought resistance.

World grain demand is increasingly driven by:

- the strong growth of biodiesel and ethanol, especially where mandated by Governments; and
- increasing food consumption, especially in India and China.

The biofuel story is exciting and while its development in this country has been relatively small to date, internationally the scene is changing rapidly.

In North America, the mandating of ethanol in many states has seen a boom in demand. With corn used as the base feedstock, there has been a rapid increase in the corn price and a follow on impact on wheat.

In Europe, the 25 member countries of the European Union (EU) have adopted a policy mandate for 5.75% biofuel by 2012. To date this biodiesel is produced from canola. However, it is anticipated that the EU will not be able to produce all the canola required to meet this mandated volume. The deficit will be supplied by international producers, principally Canada and the United States.

As United States, EU and Canadian grain is diverted into biofuel production, exciting opportunities emerge in human consumption markets for Australian grain producers to become the principal suppliers to Asia.

Other market changes are also important. For example, in Japan, monopoly purchases through a single government department are being dismantled. From this year, private buyers will be allowed to import certain commodities directly, without the Government being an intermediary. GrainCorp has excellent relationships with major Japanese buyers and already conducts significant business in this market.

International customers increasingly want to deal directly with the companies that own the infrastructure – not an intermediary nor a government agency. They have also clearly indicated that they are no longer prepared to purchase all their requirements from a single supplier.

This is a crucial market shift. It means Australian farmers are excluded from supplying all the requirements of a particular customer as a direct consequence of the current single desk arrangements.

EXPORT ARRANGEMENTS

This year the Australian Government will make far-reaching decisions in relation to wheat export marketing arrangements. The extent and timing of change is unknown, and will be determined after the Government considers the report from the Wheat Export Marketing Consultative Committee, due to be submitted on 31 March. As you would be aware, the Committee is currently conducting 25 public meetings throughout the country, listening to growers about their views on the core principles of grain marketing.

The Committee has also called for public submissions and I encourage all wheat growers to read carefully GrainCorp's comprehensive submission, now publicly available on our website.

GrainCorp supports a move to open and contestable markets. This will put competitive pressure on marketing and supply chain costs, increase competition amongst grain buyers in purchasing grain, and will lead to more marketing products being available to growers and customers. The bottom line is that growers can generate better net returns in an open market than they currently receive under a monopoly buying arrangement. In other words we believe these changes will be good for wheat growers and good for GrainCorp.

Each year the Wheat Export Authority (WEA) reviews AWB's management of the single desk and provides an assessment of AWB's performance. The 2006 WEA Growers Report makes sobering reading from a grower perspective.

It concludes there is approximately a $1 per tonne premium on major grades of wheat. Unfortunately, more than offsetting this, current costs, which are not subject to open market forces, are significantly higher than they would be if competition were allowed. Overall, GrainCorp estimates, based on publicly available information, that the current single desk arrangement costs growers $5 a tonne compared to an open, competitive market.

It is my experience, both as Chairman of GrainCorp and as a wheat grower, that growers make selling decisions based on price, service and what provides the best value to them. While they may have philosophical views about the desirable level of regulation, it is ultimately the harder commercial factors that drive decision-making.

For non-wheat grains, open markets have operated in Queensland, New South Wales and Victoria for a number of years. In South Australia last year, a review of export barley arrangements concluded that no regulation was necessary and that the costs of regulation outweighed the benefits. Consequently a three year transition period will commence on 1 July 2007 when companies can apply for licences to export barley. GrainCorp intends to be a strong participant in that market, building on the domestic presence we have developed over the past two years.

There is an obvious question why wheat should be any different to other grains? My unequivocal answer, and that of the GrainCorp board, is that wheat is <u>not</u> different, and that wheat export markets should be open and fully contestable.

GrainCorp is well placed to undertake bulk wheat exports when we are able to do so. We do not have to alter our business model to accommodate any change. We already have in place the skills, systems, assets and capabilities, and our focus will be on securing new markets and increasing our market share.

I hope I have provided you with a sense of the challenges and opportunities facing GrainCorp. Equally, I hope you share the Board's confidence that we can and must take this business to the next level of growth.

It is the needs of customers, and our ability to meet these needs, that will determine our success. I can assure you that the Board and management are committed to achieving a superior service culture, and generating new earnings of $26 million over three years.

I would like publicly to thank each and every employee of the company for their dedication and effort during the past year. This was exemplified in the handling of a recent situation at Cootamundra where we experienced a smoulder in a grain bin. While we regret the brief inconvenience that was caused to the local community, safety considerations, both to the community and to our employees, were of paramount importance. I would like to compliment our storage and handling staff for the totally professional manner with which they handled this incident. It was a very unusual occurrence, which was detected by our staff through routine testing, and I can assure you that when we have the final results of the investigation we will make what ever change necessary to prevent a similar event. I would also like to thank the Cootamundra community for their assistance and understanding during this time.

GrainCorp's focus on its customers will continue and I'm sure we are up to the many challenges that our customers place upon us. I would not be alone in hoping that our major challenge is handling a record crop in 2007/08. To my Board and our Managing Director, Tom Keene, and his executive team I say thank you for your efforts over the past year.

At the end of the day, it is the people that make all the difference to a business, and GrainCorp is fortunate to have an effective and strong team in place.

The next few years will represent a very significant period for GrainCorp and the grains sector generally, and your Board of Directors looks forward to the years ahead with confidence.

Thank you.

I would be happy to take any questions.