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Christine Sawczuk,
Manager International Trade Remedies Branch,
Australian Customs and Border Protection Service,
Dear Christine,

Re: Glyphosate Dumping Case

I refer to above dumping case and would like to present our companies views and impacts that fully imported Glyphosate formulations have had on our business operations since early 2011. Significant volumes of imported products began to arrive in the Australian market in early 2011. The consequence of this has seen a dramatic decline in volumes of glyphosate being formulated in Australia and a consequent increase in fully formulated material from China.

Firstly, a little background on our business operations in Australia. Cheminova (Aust) Pty Ltd is the parent company of Ospray (Pty LTD) and Cheminova (MFG) Pty Ltd. Ospray Pty Ltd is the Sales and Marketing arm of the Cheminova Group in Australia. Cheminova (MFG) Pty Ltd is the company's formulation and warehousing operation based at 16 Lucca Road Wyong. Cheminova (Aust) Pty LTD is 100% owned by Cheminova A/S a Danish company. Cheminova is a leading global manufacturer of agricultural chemicals. Its parent company is Auriga which is listed on the Copenhagen stock market.

The group operates two separate businesses for various reasons – one of the major considerations is that Cheminova (MFG) carries out a significant amount of toll formulating for both the Agricultural Chemical market and the Animal Health companies in Australia.

Cheminova (MFG) is located at 16 Lucca Road Wyong. It is a large site (5.4 ha) and was purchased in 2008 from Bayer Australia Pty LTD. Cheminova (MFG) currently employs 32 full time staff plus casual labour depending on output.

One of the main reasons that Cheminova purchased the site was to ensure that glyphosate formulation capacity was always available for Ospray Pty Ltd to meet its market requirements. Glyphosate formulation capacity on this site is around 10 million Litres per annum (Total capacity of the plant is rated at 18 million litres/kg). Glyphosate production is an integral part of the production facility and without glyphosate production on the site than the total formulated volumes decrease and subsequent fixed costs per litre of production increase significantly. This affects

the ability of the company to formulate other products competitively, as if the total formulated volumes decline the fixed costs per L/kg increase.

Ospray Pty Ltd is the sales, marketing and registration company of Cheminova. It began operations in 2005 as an Agricultural Chemical supplier. It markets approximately 120 end use products. It has 18 employees involved in sales, registration and administration. Annual sales of glyphosate have accounted around 20-25% of Ospray's turnover since inception of the business.

FORMULATING GLYPHOSATE AT CHEMINOVA (MFG)

The glyphosate formulating plant at Wyong was introduced in about 2002 whilst under the ownership of Bayer. It has a capacity to manufacture and pack off around 40000L in an 8 hour shift per day.

The plant effectively converts Glyphosate acid (Technical) to an amine salt via a reaction with Monoisopropylamine (MIPA). After this reaction it becomes water soluble and it is finally mixed with a surfactant (usually sourced from Huntsman Chemicals, Botany).

WHYCHINESE FULLY FORMULATED MATERIAL IS CHEAPER THAN AUSTRALIAN FORMULATED MATERIAL?

There are several reasons why China can supply fully formulated material at low pricing. These include but not limited to the following;

- A) The Chinese Tax system allows for a 5% rebate on exported fully formulated products. The glyphosate producers pass on this saving to their customer in the form of a cheaper price.
- B) The Chinese manufacturers do not have a stringent Occupational Health Safety and Environment protection legislation to abide by. The cost of adhering to the Australian standards on this important safeguard is enormous. The Chinese industry does not have these safeguards and
- C) Surfactants; we understand that many formulators in China may use inferior surfactants in their formulations. This is not the case with all formulators but there can be significant difference in prices quoted depending on the surfactants used by the Chinese. Australian formulated product usually supports Australian manufactured material such as Huntsman "Terwett" product. This introduces another point regarding the regulation of agricultural chemicals and the regulatory body in Australia the APVMA.
- D) The potential for inferior Glyphosate technical to be used. The minimum standard of Glyphosate technical as defined by the APVMA for use in Australia is;

6.1 Active Constituent: must be prepared from glyphosate acid with 950 g/kg minimum purity. Glyphosate acid content of the manufacturing concentrate shall be declared. Glyphosate-isopropylammonium manufacturing concentrate usually contains 620 g/kg of glyphosate-isopropylammonium salt.

6.2 Toxicological Significant Impurities

- Formaldehyde: 1.3 g/kg maximum
- N-nitroso-N-phosphonomethylglycine: 1mg/kg maximum

If Glyphosate technical is imported for formulating in Australia than the manufacturer can test to ensure the Glyphosate technical meets these standards. However if the product is imported fully formulated than it is difficult to detect these impurities in fully formulated material and it is extremely unlikely that they are in fact being quality controlled by the importer.

EFFECT OF FULLY FORMULATED ON OUR ACTIVITIES

In early 2011 there had been a substantial amount of formulated glyphosate imported into Australia from China. Most of the imported product arrived via small trading companies aligned with national distributors. For example Titan supplying Elders, Apparent supplying Australian Independent Rural Resellers and Genfarm is supplying Landmark.

The significant import of formulated glyphosate from China immediately affected the production at Cheminova (MFG) which saw a significant decrease in 2011, and following decrease of profitability of the whole site and reduction of employees.

By July 2011 it was very evident that there was a severe oversupply of glyphosate in the market place. The wholesale price of glyphosate which had been on a downward trend from the beginning of the year had hit record low prices by August of around \$2.80L for Glyphosate 450 in 1000L Shultz containers. With pricing this low it became evident that Ospray could not continue to import technical glyphosate and formulate product at Cheminova (MFG) economically. The price differential of imported fully formulated glyphosate and formulating material at Cheminova (MFG) has between 25- 30 cents/L difference or 10% of the cost of goods. The actual amount varied depending on the currency movement

Because Glyphosate is such a large volume product it has a significant effect on the absorption of fixed costs in a formulation site such as Cheminova (MFG). If glyphosate is not formulated at the site than there will be a significant loss of volume and consequently earnings and cash flow, this will have severe detrimental impact on the business. The management than will need to consider cutting overhead costs in the business (Labour) or the formulating of the other products in the business will become uncompetitive. So the damage from fully formulated glyphosate coming into Australia will have ramifications on all agricultural chemical formulation costs.

In the longer term if Australia does not have a viable formulating industry than Australian farmers will rely on overseas production of most of the agricultural chemicals and the issues of consistent supply and quality control will become common place.

April 2, 2012

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These issues will most likely lead to significant detrimental impact on agricultural production, higher input prices in the longer term and reliance on overseas manufacturing of crop protection and animal health products.