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Our ref: IM-72435
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19 February 2024

Dear Interested Party

Re: Request for submissions: Louis Dreyfus Company's proposed acquisition of Namoi Cotton Limited

The Australian Competition and Consumer Commission (**ACCC**) is seeking your views on the proposed acquisition of Namoi Cotton Limited (**Namoi**) by Louis Dreyfus Company Asia Pte. Ltd. (**LDC**) (the **proposed acquisition**).

LDC operates in the sourcing, ginning, storage, shipment and trading/marketing of cotton lint and cottonseed. It also sources and trades grains and oilseeds. Namoi's business comprises cotton ginning, cottonseed marketing, and cotton lint classing as well as warehousing and logistics services (through the Namoi Cotton Alliance joint venture with LDC) and exclusively sourcing cotton lint for the Namoi Cotton Marketing Alliance (a joint venture between Namoi and LDC) as part of its cotton marketing activities. Further details are provided at **Attachment A**.

The ACCC's investigation is focused on the impact on competition. In particular, we are seeking your views on:

- the likely impact on prices and service quality in the supply of ginning services
- the likely impact on prices and service quality in the acquisition and sale of cotton seed, and
- whether the proposed acquisition is likely to give LDC the ability and incentive to foreclose its competitors post-acquisition.

Further issues you may wish to address are set out in **Attachment B**.

This matter is public and you can forward this letter to anybody who may be interested.

The legal test which the ACCC applies in considering the proposed acquisition is in section 50 of the *Competition and Consumer Act 2010*. Section 50 prohibits acquisitions that are likely to have the effect of substantially lessening competition in a market.

Please provide your response by **4 March 2024** via email with the title: *Submission re: LDC's proposed acquisition of Namoi – attention Emma Moulds / Hugo Dunkley*. If you require more time to respond, please let us know.

If you would like to arrange a time to discuss the matter with ACCC officers, or have any questions about this letter, please contact Emma Moulds on (08) 8456 3508 or Hugo Dunkley on (02) 9230 3804.

Updates regarding the ACCC's investigation will be available on the ACCC's Public Mergers Register at ([ACCC mergers register](#)).

Confidentiality of submissions

The ACCC treats sensitive information it receives during a merger review as confidential, and will not publish your submission. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the Competition and Consumer Act 2010. Where the ACCC is required to disclose confidential information, we will notify you in advance where possible so that you have an opportunity to be heard. Therefore please clearly indicate if any information you provide is confidential. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

Yours sincerely



Bruce Mikkelsen
General Manager (A/g)
Merger Investigations

Attachment A

The Proposed Acquisition

LDC is proposing to acquire all remaining ordinary shares in Namoi. LDC currently holds approximately 17% of the shares in Namoi.

LDC

LDC is incorporated in Singapore and is part of the Louis Dreyfus Company Group – a global merchant and processor of agricultural goods. LDC operates in the sourcing, ginning, storage, shipment and trading/marketing of cotton lint and cottonseed.

LDC operates three cotton gins located in Emerald and Dalby (Qld) and Moree (NSW). It supplies cotton warehousing and logistics services with facilities in Dalby and Port of Brisbane (Qld) and Moree (NSW).

LDC holds a minority 20% interest in ProClass, which provides cotton lint classing services. It also has a joint venture with WANT Cotton for the operation and management of the WANT gin located near Katherine (NT). This gin is expected to be operational by mid-2024.

Namoi

Namoi's business comprises of cotton ginning, sourcing of cotton lint, cottonseed marketing and cotton lint classing.

Namoi operates 10 cotton gins at 9 sites across NSW and Qld (set out in **Attachment C**). Namoi is also involved in a joint venture with Sundown Pastoral Co Pty Ltd (**Sundown**) (called the Wathagar Ginning Company) with a gin located in the Gwydir Valley (NSW).

It has a 17% interest in the Kimberley Cotton Company, which will operate a multi-user cotton gin in Kununurra (WA) due to be completed in July 2025.

LDC and Namoi joint ventures

LDC has 2 joint venture arrangements in place with Namoi via:

- the Namoi Cotton Alliance (the **NCA**), and
- the Namoi Cotton Marketing Alliance (the **NCMA**).

The NCA (of which LDC holds a 49% interest, with Namoi holding 51%) stores and transports cotton lint bales through its warehousing facilities. It also provides agricultural commodities packing services. It has warehouse facilities in Wee Waa, Warren and Goondiwindi. All its facilities have rail access.

The NCMA (of which LDC holds an 85% interest, with Namoi holding the remaining 15%) is involved in the trading and marketing of cotton lint. Namoi exclusively supplies all cotton lint bales acquired by it to the NCMA and the NCMA exclusively supplies its services to Namoi.

Attachment B

1. Describe your business or organisation and explain your interest in the proposed acquisition, including any commercial relationship(s) with LDC or Namoi.

If you are a supplier or customer of either of the parties, please provide details of these commercial arrangements, including the volume and value of products supplied/purchased and terms of the arrangements including the duration and expiry of any contract.

Customers of cotton gins

2. Identify and describe alternative suppliers of ginning services that compete with LDC and Namoi. Please specify the location/s in which these suppliers compete with LDC and Namoi.
3. Comment on the geographic area over which customers would travel to source cotton ginning services and their ability to source these services from other locations or further away in response to a price increase. In your response, please address transport costs and any other relevant factors.

Buyers of cottonseed and/or cotton lint

4. Describe the nature and extent of competition between LDC and Namoi in NSW, Qld and North-western Australia for the purchase of cottonseed and/or cotton lint from cotton growers.
5. Comment on alternative buyers of cottonseed and/or cotton lint available for cotton growers post-acquisition. Please also address how transport costs impact on the viability of different alternatives.
6. Comment on the ability of cotton growers to easily switch to different buyers of cottonseed and/or cotton lint.
7. Outline factors which affect the price paid to growers for cottonseed and/or cotton lint. In responding, please address:
 - a. the extent to which international prices for cottonseed and/or cotton lint are reflected in the price paid to growers in Australia
 - b. whether the price paid to a cotton grower is adjusted in consideration of the quality of the cottonseed and/or cotton lint
 - c. whether the price paid to a cotton grower is affected by the location of a cotton grower, and
 - d. any other factors.

Customers of cottonseed and/or cotton lint

8. Comment on the ability of LDC to raise the price of cottonseed and/or cotton lint they sell to customers. In your response, please focus on Australian customers. Please address:
 - a. the extent to which other suppliers of cottonseed and/or cotton lint would provide a competitive constraint on price, and
 - b. the extent to which suppliers of man-made fibres or other cotton alternatives (such as silk and wool) would provide a competitive constraint on pricing.

Vertical effects

9. Comment on the ability and incentive of LDC to limit cotton growers' access to its

ginning facilities in NSW, Qld and North-western Australia post-acquisition. In responding, please address:

- a. the current ability of cotton growers to use LDC and Namoi ginning facilities to supply rival merchants, and how this may be affected by the proposed acquisition
- b. LDC's ability to control the warehousing and distribution of cottonseed and cotton lint after the ginning process, and
- c. the extent to which a cotton growers' choice of gins is geographically constrained due to transport or logistics issues associated with the distance between a grower and gin.

Other

10. Describe any barriers to entry in relation to a new merchant wishing to commence cotton marketing in Australia or a marketer of other grains wishing to expand into the marketing of cotton. You may wish to comment on the following:
 - a. the ease of securing the supply of cotton from cotton growers
 - b. the time and costs involved with entry
 - c. access to warehousing and logistics assets, and
 - d. any other barriers.
11. Please provide any additional information or comments that you consider relevant to the ACCC's consideration of the proposed acquisition.

Attachment C

Table 1: LDC operated gins

Gin	Valley
LDC – Dalby	Darling Downs (Queensland)
LDC – Emerald	Emerald (Queensland)
LDC – Moree	Gwydir (NSW)
LDC – WANT gin	Katherine (Northern Territory) (expected to be operational by mid-2024)

Table 2: Namoi operated gins

Gin	Valley
Namoi Cotton – North Bourke	Bourke (NSW)
Namoi Cotton – Wathagar (50%)	Gwydir (NSW)
Namoi Cotton – Merah North	Lower Namoi (NSW)
Namoi Cotton – Moomin (75%)	Lower Namoi (NSW)
Namoi Cotton – MacIntyre (1 and 2)	MacIntyre (Queensland)
Namoi Cotton – Trangie	Macquarie (NSW)
Namoi Cotton – Mungindi	Mungindi (NSW)
Namoi Cotton – Hillston	Murrumbidgee (NSW)
Namoi Cotton – Boggabri	Upper Namoi (NSW)
Kimberley Cotton Company Kununurra gin (17%)	Kununurra (Western Australia) (expected for completion in July 2025)