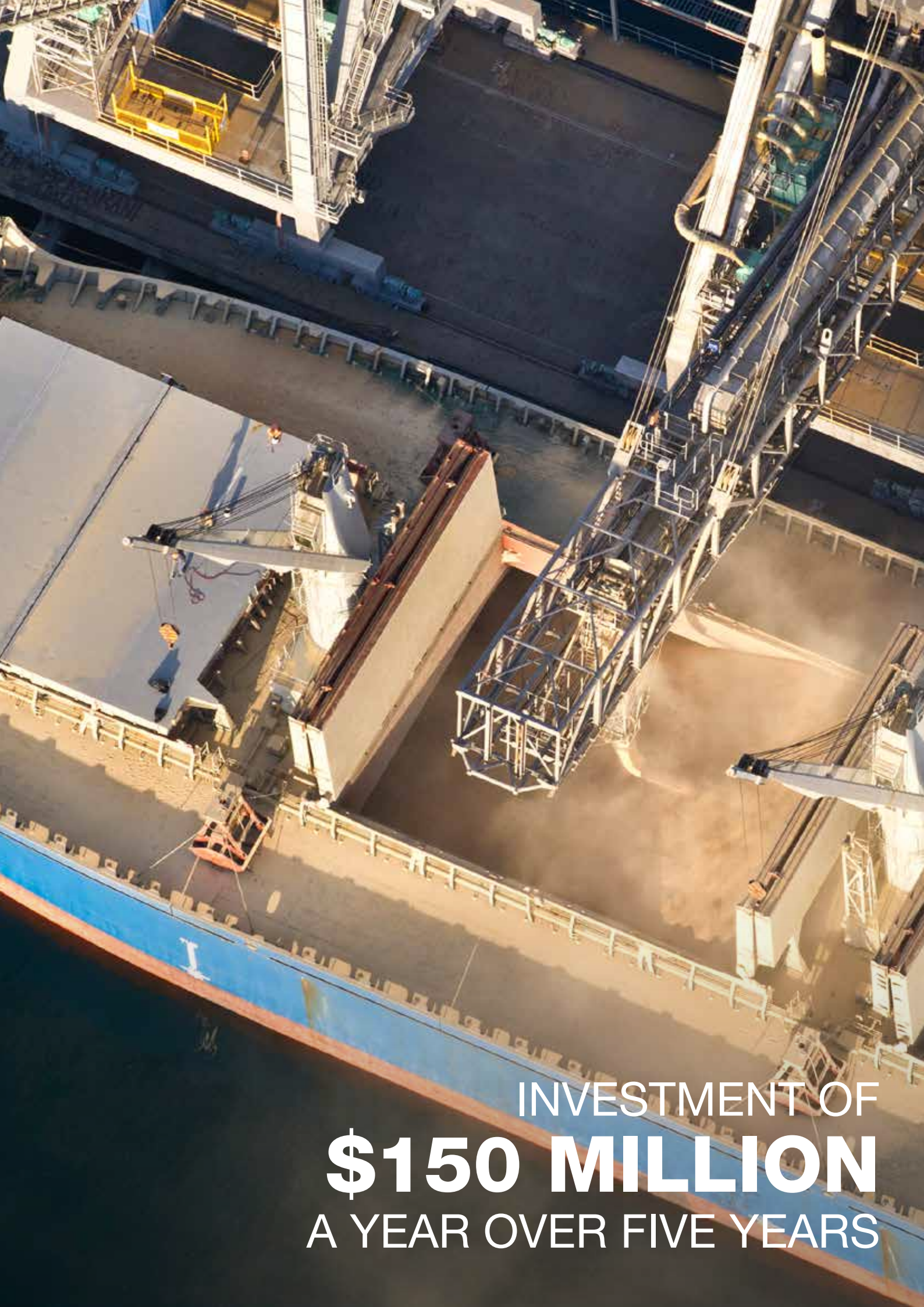




NETWORK STRATEGY

Shaping the network of the future.

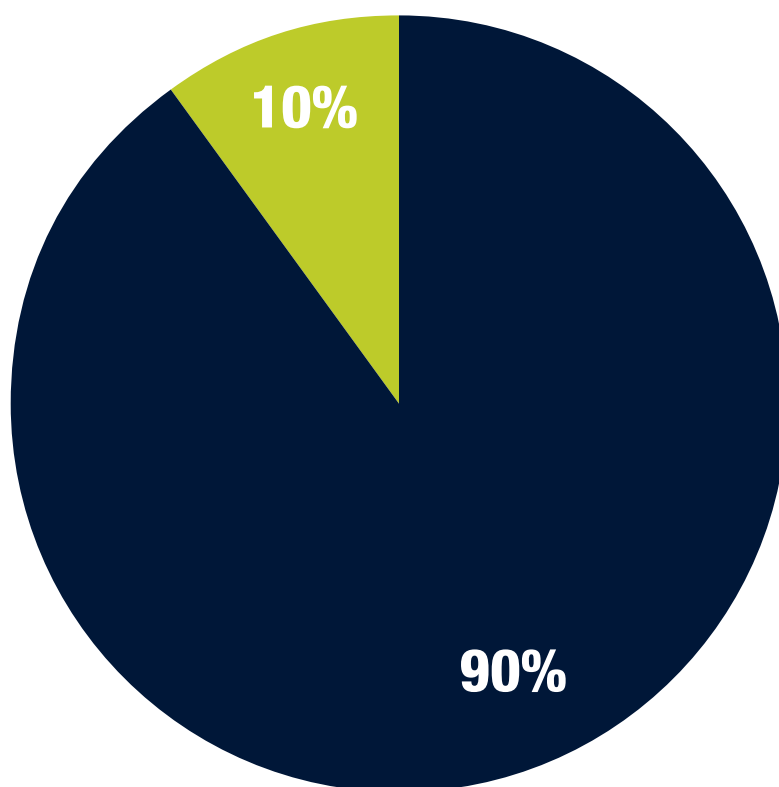




INVESTMENT OF
\$150 MILLION
A YEAR OVER FIVE YEARS

YOUR FUTURE NETWORK

THE NETWORK STRATEGY PROVIDES A CLEAR PLAN FOR THE FUTURE. BY FOCUSING MAINTENANCE AND CAPITAL INVESTMENT ON THE CORE 100 SITES THAT RECEIVE OVER 90% OF THE ANNUAL CROP, WE CAN REALISE COST SAVINGS, GAIN EFFICIENCIES AND DELIVER MORE TONNES TO PORT WHEN IT'S MOST NEEDED.



- Annual crop at 100 sites
- Annual crop at 102 sites



NETWORK POLICY

The CBH Board set clear expectations on what the network needs to deliver to growers.

“To maximise the value in use to growers from the network the Board wants to achieve sustainable competitive total returns in values across the whole network from paddock to port.”

CBH has spent the last three years analysing the network to determine the optimal supply chain from paddock to port and will focus investment into 100 sites with \$150 million per year over five years.

NETWORK STRATEGY TIMELINE

2013



CBH Board set network policy to drive value from paddock to port.

2013 - 2014



Supply Chain Optimisation tool developed to model the network from paddock to port with over 9,000 properties mapped.

JULY 2015



Network proposal developed for consideration by the CBH Board.

FEB 2016



Revised strategy presented and CBH Board approves first year investment of \$150 million.

AUG 2015 - JAN 2016



CBH Board reviews feedback, refined strategy and found further cost savings.

AUG – SEPT 2015



Feedback sought from growers on network proposal at 90 meetings across the wheatbelt.



OVERVIEW OF CURRENT AND FUTURE STATE

CURRENT STATE

100 SITES	<ul style="list-style-type: none"> • Receive 90% of the crop • Asset book value of approximately \$1 billion (including rolling stock and ports)
102 SITES	<ul style="list-style-type: none"> • Receive 10% of the crop • Average age of 32 years • Asset book value approximately \$13.5 million

FUTURE NETWORK

100 SITES	<ul style="list-style-type: none"> • Receive 100% of the crop
GROWER BENEFITS	<ul style="list-style-type: none"> • Saving of \$535 million in maintenance over 20 years • Saving of \$14 million per year in operating and freight costs • Target storage & handling fees at \$29 per tonne or less, after rebates, by 2018 • A 16-20% increase in throughput capacity helping to improve turnaround times at sites • 2.2 million tonnes per month to port to meet customer export demand, at the right time
COST TO GROWER	<ul style="list-style-type: none"> • 18.9km average additional travel for impacted tonnes • \$2.3 million per year freight cost
EFFECT ON ROADS	<ul style="list-style-type: none"> • Additional 403,000 tonnes on road across entire state • Travelling an average of 15.2km

100 SITES OF THE FUTURE

CBH will focus capital and maintenance expenditure into the 100 sites that currently receive 90% of the annual crop.

GERALDTON ZONE

ARRINO	COOROW	MINGENEW	NARNGULU
BINNU	GERALDTON	MOONYOONOOKA	NORTHAMPTON
CANNA	LATHAM	MORAWA	PERENJORI
CARNAMAH	MARCHAGEE	MULLEWA	YUNA

KWINANA ZONE

AVON	DALE	KOORDA	PIAWANING
BALLIDU	DOODLAKINE	KULIN	QUAIRADING
BEACON	DOWERIN	KWINANA	SHACKLETON
BENCUBBIN	DOWERIN 2	MCLEVIE	SOUTHERN CROSS
BODALLIN	DULYALBIN	MECKERING	TAMMIN
BONNIE ROCK	GOODLANDS	MERREDIN	TRAYNING
BROOKTON	GOOMALLING	MILING	WARRALAKIN
BRUCE ROCK	GREENFIELD*	MOORA	WATHEROO
BULYEE	KALANNIE	MT WALKER	WICKEPIN
CADOUX	KELLERBERRIN	MUKINBUDIN	WYALKATCHEM
CALINGIRI	KONDININ	MUNTADGIN	YORK
CORRIGIN	KONDININ 2	NAREMBEEN	
CUNDERDIN	KONNONGORRING	NARRAKINE	

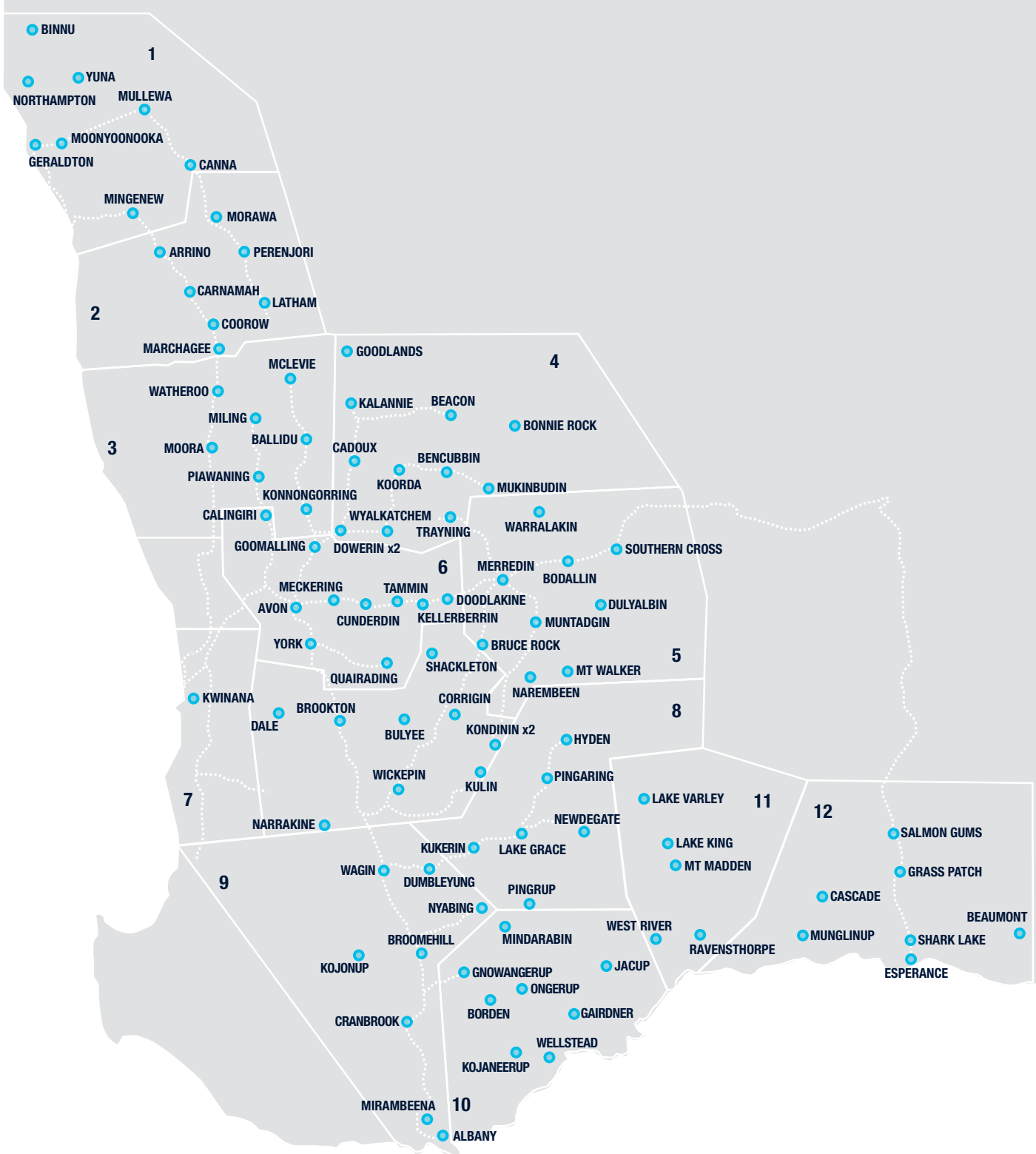
ALBANY ZONE

ALBANY	GNOWANGERUP	LAKE GRACE	PINGARING
BORDEN	HYDEN	MINDARABIN	PINGRUP
BROOMEHILL	JACUP	MIRAMBEENA	WAGIN
CRANBROOK	KOJANEERUP	NEWDEGATE	WELLSTEAD
DUMBLEYUNG	KOJONUP	NYABING	
GAIRDNER	KUKERIN	ONGERUP	

ESPERANCE ZONE

BEAUMONT	GRASS PATCH	MT MADDEN	SALMON GUMS
CASCADES	LAKE KING	MUNGLINUP	SHARK LAKE
ESPERANCE	LAKE VARLEY	RAVENSTHORPE	WEST RIVER

* New site



GROWER BENEFITS



COMPETITIVE FEES

Target storage & handling fees at \$29 per tonne or less, after rebates, by 2018.



FASTER RECEIVALS

A 16-20% increase in throughput capacity helping to improve turnaround times at sites.



MORE TONNES TO PORT

2.2 million tonnes per month to port to meet customer export demand, at the right time.



SITE CONSOLIDATION

Most sites won't close immediately, but no major maintenance will be invested in them. These sites will be used as the seasons require until they reach the end of their useful life. They may then be used as emergency (surge) storage or other special uses as required.

Of the 102 sites that will be consolidated over time:

- 28 sites have opened once or less in the last five years
- 17 sites may reach the end of life in the next three years and only received an average of 7,500 tonnes
- 51 sites may reach the end of life within the next 10 years and received an average of 14,000 tonnes
- 6 sites have a life expectancy of more than 10 years and will be continually reviewed over that time

DECOMMISSIONING OF SITES

Any permanent decommissioning of sites will be considered and approved by the CBH Board at the appropriate time.

SITES THAT WILL BECOME SURGE STORAGE OVER TIME

This is an indication of when sites are expected to reach their end of life. These timelines are estimates only and subject to change. CBH may still use sites for emergency or surge storage or other special uses as seasons require.

SITES OPENED ONCE OR LESS IN LAST FIVE YEARS

BEVERLEY	GRASS VALLEY	LORT RIVER	QUALEUP
BOWGADA	GUTHA	MINNIVALE	SULLIVAN
BULLFINCH	HOLT ROCK	MOLLERIN	TAMPU
BUNICHE	JERDACUTTUP	NUKARNI	TARIN ROCK
BUNTINE	KUENDER	PINDAR	WELBUNGIN
COONDLE	KULJA	PINGELLY	WILGOYNE
COWCOWING	KUNUNOPPIN	PINTHARUKA	WONGOONDY

0-3 YEARS

ALDERSYDE	BOYUP BROOK	GREENHILLS	MAYA
BADGEBUP	CARRABIN	KODJ KODJIN	WANDERING
BALLAYING	COOMBERDALE	KONDUT	
BENDERING	DARKAN	KOONADGIN	
BOKAL	GABBIN	LAKE CAIRLOCUP	

4-10 YEARS

ARDATH	JENNACUBBINE	MOORINE ROCK	WATERCARRIN
BINDI BINDI	JERRAMUNGUP	MOULYINNING	WIALKI
BOLGART	JITARNING	MOUNT KOKEBY	WILLIAMS
BULLARING	JUBUK	NARROGIN	WOGARL
BUNJIL	KARLGARIN	NEMBUDDING	WONGAN HILLS
BURRACOPPIN	KATANNING	NUNGARIN	WOODANILLING
CLEARY	KIRWAN	PITHARA	WOOLOCUTTY
DUNN ROCK	KORBELKA	REGANS FORD	YARDING
EAST HYDEN	KURINGUP	SOUTH EAST HYDEN	YERECOIN
EJANDING	MANMANNING	SOUTH KUMMININ	YORKKRAKINE
HINES HILL	MARVEL LOCH	SOUTH YILGARN	YORNANING
HOLLAND ROCKS	MAWSON	TAMBELLUP	YOTING
HOLLETON	MOGUMBER	TINCURRIN	

10+ YEARS

AINSWORTH	NOMANS LAKE	WUBIN
DUDININ	THREE SPRINGS	YEALERING



FREQUENTLY ASKED QUESTIONS

HOW MUCH IS THE NETWORK STRATEGY GOING TO COST?

A five year maintenance and capital investment plan of \$150 million per annum from 2016-17 will see the implementation of the overall network strategy. This is a comparable amount to what CBH has been investing in the network over the last few years but this investment will now be focused on the 100 sites that currently receive 90% of the annual crop. This means that each dollar will go further to developing a more efficient, cost effective and sustainable network for the long term.

WHAT IS THE \$150 MILLION PER YEAR GOING TO BE SPENT ON?

Investment will be made into capital projects that improve site throughput, increase storage capacity at some sites, increase transport capabilities and greenfield sites at new locations. Major and minor maintenance programs will also run concurrently at some sites and ports.

It's important to note that this includes everything from oil, grease and maintenance crews to sampling equipment, tarps and front-end loaders, as well as major structural maintenance.

The investment amount does not include any site decommissioning costs. This will be reviewed and assessed by the CBH Board on a case by case basis at the appropriate time.

HOW IS CBH FUNDING THE NETWORK STRATEGY?

The \$150 million per year will come from CBH's operational surplus and cost savings that have been and will continue to be made across the business. Whilst it is not anticipated to use any external finance or borrowing, if there are seasonal conditions that lead to a lower than expected crop there may be a requirement for short-term funding.

WHICH SITES WILL BE RECEIVING UPGRADES?

Not all of the 100 sites will receive funding for expansion or throughput upgrades. Sites that increase tonnes to port, will need additional capacity to capture volume from sites that will close over time and anticipated crop production growth or need improved receival capability is where capital investment will be focused. We will look to share plans for these upgrades with growers pre-harvest each year.

WHEN WILL THE CHANGES TO THE NETWORK START AND FINISH?

The network strategy has already started and some projects are underway. The investment component of the strategy will aim to have all projects completed by 2022 for capital works and 2025 for major maintenance programs. However, CBH will continue to invest in the network after this time as required to continually meet the changing needs of growers.

The consolidation of sites will happen over time as those sites reach end of life. This is expected to be within the next 15 years.



WHEN WILL I FIND OUT WHEN MY LOCAL SITE IS CLOSING?

The 102 sites that will be consolidated may still be used until the end of their useful life as seasonal conditions require. As this timing will be variable and can be dependent on the season, we have given an indication of lifespan in this pack and we will look to review and update growers each year pre-harvest when we plan sites and services for the coming harvest. We will make sure growers receive ample notice of when sites are approaching their end of life and will become non-operational.

WHY HAVEN'T SOME OF THESE SITES CLOSED ALREADY? AREN'T THEY EXPENSIVE TO RUN?

The sites that will be consolidated over time are not necessarily more expensive to run, but as they deteriorate over time they will need a substantial capital injection which will make them a more expensive proposition when they only receive low volumes of grain.

There are already a number of sites that have opened once or less in the last five years but will remain an option for CBH to use as emergency surge storage as the seasons require.

DO THE RAIL NEGOTIATIONS IMPACT ON THE NETWORK PLAN?

No. In our analysis and modelling we have tested scenarios with and without rail and the 100 sites of the future remain the most efficient and viable sites for the network, regardless of transport options used.

HOW MUCH MORE GRAIN WILL END UP ON THE ROADS?

As a result of these changes we estimate that there will be an extra 403,000 tonnes travelling an average of 15 kms further across the entire network over time, either from site to site or site to port. The ongoing competitiveness of road and rail will likely have a greater impact than any changes to the network.

WILL I HAVE TO TRAVEL FURTHER TO DELIVER GRAIN?

For the grain that is ordinarily delivered to the 102 sites that will be consolidated, over time some growers will be required to travel further to deliver that grain. Our analysis shows that this would be an average of 19 km additional travel, but we acknowledge that some growers will need to travel further, and some will travel less as more segregations become available at the operating sites.

The cost impact on growers travelling further is estimated at \$2.3 million per year in freight, however the estimated operational, freight and avoided maintenance cost savings overall will be on average \$40 million per year.

WHAT WILL HAPPEN WITH S&H FEES?

In the past CBH has held fees flat in some years and absorbed CPI increases. Going forward it is our aim to keep any fee increases in line with CPI or lower. Where an operational surplus has been made, CBH will be able to return some of this to growers through the rebate program which will provide a reduction in storage and handling fees in some years. It is our goal to get storage and handling fees to \$29 per tonne or less, after rebates, by 2018.

WHAT WILL CBH DO WITH SITES THAT ARE NO LONGER USED FOR GRAIN DELIVERIES?

Sites that are no longer operational may still be used for emergency or surge storage in large harvests. Sites that will not be used for emergency storage, CBH will maintain ownership and look at alternative use options which will benefit local communities.

GROWER SERVICE CENTRE

T 1800 199 083

F 08 9322 5387

E growerservicecentre@cbh.com.au

CO-OPERATIVE BULK HANDLING LIMITED

Gayfer House 30 Delhi Street, West Perth
Western Australia 6005

GPO Box L886
Perth WA 6842

T 08 9237 9600

F 08 9322 3942

cbh.com.au

