

MONSANTO

*Food · Health · Hope™*



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The Secretary,  
Productivity Commission,  
P.O. Box 80,  
Belconnen,  
ACT 2616

Dear Sir,

Re: Inquiry into General Tariff Arrangements

We submit herewith, our contribution to the subject inquiry.

Monsanto Australia Limited ("Monsanto") is an Australian manufacturer, exporter and importer of a variety of agricultural chemicals and herbicide products, as well as raw material inputs. The company operates a \$ 45 million manufacturing and warehousing establishment at West Footscray, Victoria and directly employs 200 personnel throughout Australia. The number of personnel employed indirectly via sub-contractors, suppliers and distributors would number in the hundreds.

The principal herbicide, which we manufacture and formulate locally, is glyphosate based and is well known throughout the Australian community by the brand name "Roundup".

Because of the diversity of its operations, the company is fully conversant with the tariff, concession and currency exchange factors covered within the Commission's issues paper.

Monsanto operates within a global environment since it is wholly owned by Monsanto Company of the USA. As a consequence, it is acutely aware of the market dynamics affecting the sales of its principal brands in the major overseas markets. As a discreet business centre within a global network, its performance and efficiency are constantly benchmarked against other comparable business units within the group.

Therefore, the company believes it is adequately equipped to comment upon its international competitiveness.

Several years ago, Monsanto was able to deliver its major herbicide products including Roundup, to Australian consumers and in particular, to the farming community, at prices significantly below those which were prevalent throughout the industrialised world. It was able to achieve this by a combination of factors including the introduction of an effective production strategy, superior technology and a corresponding investment in plant and equipment.

Notwithstanding our capacity to favourably compete internationally, we have in recent years, suffered loss of margins due to competitive pressures from imports originating from Asia and in particular, from the Peoples Republic of China.

In addition, new and emerging production capacity throughout Asia has led to oversupplies of competitive products in the market and at prices, which until recently, reflected the distressed state of the Asian economies.

In the circumstances, we find that competitive pricing from Asian imports has little or no relationship to production efficiencies but rather, to sales made under either distressed or artificial economic conditions.

Further to this, future investment in the Australian manufacturing facilities are becoming increasingly difficult to justify in the prevailing economic climate, removal of the said tariffs will further weaken the possibility of investment.

#### Monsanto's Position

This in turn, underpins our position in relation to the subject of this inquiry. Monsanto advocates the retention of General substantive tariffs which, for the majority of its outputs, is 5% ad valorem. Monsanto believes that while the current rate offers only moderate levels of assistance, it nevertheless, helps to ameliorate the adverse economic effects described above.

The principal beneficiaries of low pricing for agricultural chemicals are Australian farmers who are already acknowledged as the most efficient producers in the world. However, their economic wellbeing is unlikely to be appreciably improved with the removal of the General 5% tariff since there are far more significant economic and climactic factors which influence their prosperity.

On the issue of Australia's floating exchange rate, we find that any significant swings are unlikely to affect our competitive position for a variety of reasons including the fact that:

- (a) overseas suppliers tend to adjust their prices to reflect currency movements in order to preserve market shares;
- (b) a substantial proportion of our manufacturing inputs are imported, thereby

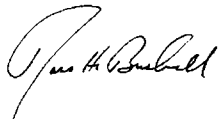
offsetting the effects of resultant cost pressures.

The company accesses a number of tariff concessions for its imported inputs. However, these concessions attract a duty rate of 3%, which largely diminishes the assistance offered by the 5% tariff on its outputs. Monsanto advocates the removal of all 3% tariffs currently applying to concessionally entered business inputs since it represents a significant impost on Australian manufacturing activity.

On the general issue of tariff reductions and their usefulness in multilateral trade negotiations, we believe any perceived leveraging opportunities (from the 5% level) would be negligible. It is believed that around 80% of Australia's imports already attract duties of 5% or less and at these levels, the Australian market is generally perceived as highly accessible.

Should you require any further information or have queries regarding this submission please do not hesitate to contact either myself or Rick Krzywniak, our Planning Manager, on the above telephone number.

Yours Sincerely,

A handwritten signature in cursive script, appearing to read "Ross H. Bushnell".

Ross Bushnell.  
Managing Director.  
Monsanto Australia Limited.