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Agriculture Unit
Australian Competition and Consumer Commission
Email: dairyinquiry@accc.gov.au

AUSTRALIAN COMPETITION AND CONSUMER COMMISSION INQUIRY INTO THE AUSTRALIAN DAIRY INDUSTRY – ISSUES PAPER

Your email invitation on 8 November 2016 to the Office of the Minister for Agriculture inviting feedback on the Issues Paper for the above inquiry has been forwarded to me for a direct reply.

The Department of Agriculture and Food WA (DAFWA) welcomes the Australian Competition and Consumer Commission (ACCC) inquiry at a critical transitional period for the WA Dairy Industry, as government and industry seeks export led transformational growth in this sector.

DAFWA has comments relating to the following Issues raised in the Issue Paper: Issue 2 - Contracting Practices; and Issue 5 - Global Markets.

Issue 2 – Contracting Practices

Western Australia's Dairy Industry predominantly uses fixed term, fixed price contracts between milk producers and dairy processors.

There is no suggestion that such contracts are anti-competitive, however there are some indications that fixed term contracts lead to short term price inflexibility that is not responsive to real time demand-supply fluctuations. This has shown to be the case with a seasonal oversupply of fresh milk in late 2016 leading to the non-renewal of contracts with individual producers, rather than the industry-wide downward pressure on farm gate prices that would be expected from a more responsive market.

While exploring contracting alternatives is clearly a lead responsibility for industry, there may be value in government providing industry with further information and education around alternatives available within the confines of Consumer and Competition Law. For example, it may be useful for producers to have better access to information and education about the appropriate steps in applying for collective bargaining exemptions from the ACCC.

DAFWA acknowledges the new laws referred to in the Issues Paper that are aimed at giving increased protection to small business entering into standard form contracts. However DAFWA notes that the majority of contractual arrangements between milk producers and dairy processors in Western Australia would not be covered by these recent changes, as they exceed the upfront price payable limits of the new law.

Issue 5 – Global Markets

The Western Australian Government recognises the critical need for exports to lead long term sustainable growth in the WA Dairy Industry.

The Australian Government regulates the export of prescribed goods, such as milk and dairy products for human consumption, under Australia's Export Control legislation. The Commonwealth Department of Agriculture and Water Resources controls and regulates the issuance of Government export certification.

DAFWA acknowledges the importance of a regulated export certification system in maintaining Australia's trade reputation for clean, premium food products. Nonetheless there are indications that the current regulatory burden surrounding the development of Approved Arrangements is a significant barrier for small to medium enterprises who may be seeking entry into export markets.

It may be timely for the Australian Government to review its system of Approved Arrangements and give consideration to facilitating more streamlined pathways for emerging small to medium enterprises seeking to export prescribed goods.

DAFWA looks forward to engaging further with the inquiry as it moves into its consultation phase in 2017. For further information please contact Mr Damien Hills, Principal Policy Officer, Grains and Livestock Directorate at damien.hills@agric.wa.gov.au

Yours sincerely



Peter Metcalfe
**EXECUTIVE DIRECTOR
GRAINS AND LIVESTOCK INDUSTRIES**