



Australian Government
Department of Agriculture, Fisheries and Forestry

The General Manager
Adjudication Branch
Australian Competition & Consumer Commission
PO Box 1199
DICKSON ACT 2602

Dear Mr Gregson

**Re: Applications for Authorisations A90961 and A90962
lodged by Dairy Western Australia Ltd (Dairy WA)**

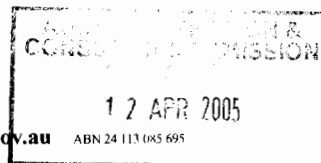
Thank you for your letter of 22 March 2005 to Ms Joanna Hewitt, the Secretary of the Australian Government Department of Agriculture, Fisheries and Forestry seeking comments regarding the Dairy WA application for collective bargaining/collective boycott arrangements for Western Australian dairy farmers. The Secretary has asked me to respond on her behalf.

The Department generally supports collective bargaining under the provisions of the Trade Practices Act 1974 as a negotiation tool for small businesses such as primary producers, as it can provide a mechanism to achieve better prices and more flexible conditions of supply when dealing with large businesses.

The Department notes there are complex and technical competition issues that will need to be considered during the assessment of the Dairy WA application. To assist the Australian Competition & Consumer Commission (ACCC) in its deliberations, the Department is pleased to provide a brief overview of the deregulation of the dairy industry as well as copies of two reports relating to the Australian dairy industry that were released in 2004.

On 1 July 2000, in response to the removal of State farm-gate milk price regulatory arrangements, the Australian Government made available the Dairy Industry Adjustment Package (DIAP) worth \$1.78 billion to assist the dairy industry and dairy communities adjust to a deregulated environment.

The DIAP included the provision of \$1.63 billion in adjustment payments to farmers through the Dairy Structural Adjustment Program (DSAP), the provision of exit assistance of up to \$45,000 in tax free payments through the Dairy Exit Program (DEP), and the provision of \$45 million in funding for the Dairy Regional Assistance Program (Dairy RAP) to assist dairy dependent regions adjust to deregulation.



In addition, a further \$159 million Supplementary Dairy Assistance (SDA) package was provided in 2001, bringing the total amount of Australian Government assistance for restructuring of the dairy industry to \$1.94 billion. Funding for the package is provided through the imposition of a statutory levy of 11 cents per litre on retail sales of drinking milk. This levy commenced on 8 July 2000 and is anticipated to be in place until the first quarter of 2010.

Implementation of the DIAP is now well advanced, with 29,849 farmers currently receiving DSAP payments worth \$1.63 billion. The DEP closed to applications on 30 June 2002 and exit payments have been provided to 128 farmers at a cost of \$5.48 million. The tenth and final Dairy RAP was completed in December 2004 with \$63.6 million allocated for 345 projects throughout regional Australia over four years.

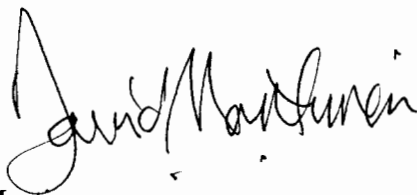
Under the SDA package, 7,742 farmers have received additional market milk payments worth approximately \$93.37 million. In addition, around 670 farmers have been provided with discretionary payments worth a total face value of \$18.38 million. The DSAP payments, made over eight years in 32 quarterly instalments, will continue until April 2008.

The Government's view is that the Dairy Industry Adjustment Package continues to successfully meet the objective of assisting dairy farmers make the transition to the new market environment whilst also enabling farmers who wish to exit from the industry the opportunity of doing so by choice and with dignity.

Should you require further information on this matter please contact Mr Philip Smurthwaite on 02 6272 5997 or Philip.Smurthwaite@daff.gov.au. The contact officer will also make electronic copies of the enclosed reports available if required.

Thank you again for offering the Department the opportunity to comment on the Dairy WA application and I trust this information is of benefit to the ACCC.

Yours sincerely



David Mortimer
Executive Manager
Food and Agriculture Division

8 April 2005

Enc 1 *Price Determination on the Australian Food Industry*
Enc 2 *Australian Dairy Industry In Focus 2004*