



MINISTER FOR AGRICULTURE AND FORESTRY;  
THE MIDWEST AND WHEATBELT  
LEADER OF THE GOVERNMENT IN THE LEGISLATIVE COUNCIL

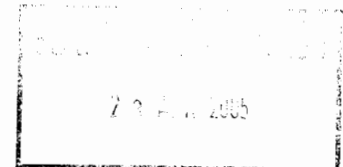


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URGENT**

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



Dear Mr Gregson

**APPLICATIONS FOR AUTHORISATIONS A90961 AND A90962 LODGED BY DAIRY WESTERN AUSTRALIA LTD (DAIRY WA)**

Thank you for your letter of 22 March inviting comments regarding the Dairy WA application for authorisation for collective bargaining/collective boycott arrangements for Western Australian dairy farmers. I have now had the opportunity to review the application for authorisation, and offer the following thoughts.

The Western Australian Government is fully supportive of any initiative by the Western Australian dairy industry to seek equitable business outcomes for Western Australian dairy farmers. We believe that the market power of dairy farmers was severely damaged by deregulation and that effective mechanisms to collective negotiation are required to improve their business position.

I also note the Legislative Assembly Economics and Industry Standing Committee's position that any intervention in the milk supply chain should not weaken the competitive position of Western Australian dairy processors in either domestic or international markets. The market power of supermarkets combined with aggressive pricing by interstate dairy companies restricts the profitability of local processors.

I therefore believe that the particular challenge facing ACCC is to strike a balance that authorises conduct that assists dairy farmers to extract price premiums from the relatively price inelastic market milk sector without reducing processors' ability to compete in price sensitive markets for manufactured dairy products. Increasing the equity of bargaining power for farmers relative to processors and retailers will be central to obtaining better price outcomes for the farm sector.

I support the initiative to improve the bargaining power for dairy producers. I note that the industry believes the authorisation would also lead to improved efficiencies in the dairy industry in general through more streamlined milk collection arrangements.

I understand that Australian Dairy Farmers have applied to extend the current collective bargaining authorisation until 2010. While I fully support the Australian Dairy Farmers application, I trust that the Commission's review of the national Application for Authorisation will not prevent early consideration of the Dairy Western Australia proposal.

I look forward to the opportunity to comment on the Commission's draft determination on both applications.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kim Chance', written in a cursive style.

Kim Chance MLC  
MINISTER FOR AGRICULTURE AND FORESTRY

**26 APR 2005**