



Victorian Farmers Federation

Horticulture Group

7 May 2007

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

Dear Sir/Madam

Re: Victorian Potato Growers Council submission for Authorisation

The Victorian Farmers Federation (VFF) supports the application by the Victorian Potato Growers Council (VPGC) for interim Authorisation to collectively bargain with McCains (the Company) and for full Authorisation to collectively bargain with other Australian potato buyers.

The VFF believes that public benefits will result from this Authorisation. These benefits are both economic, and non-economic.

The major benefits will be obtained through ensuring the industry remains viable thus supporting the sustainability of the local community. Approval of the Authorisation will also encourage investment in the industry to upgrade technologies and standards in relation to bio-security.

In addition, by creating a level of countervailing power in the industry, the ability of processors to exploit their monopsony or oligopsony power will be reduced.

There are also efficiency gains to be made by correcting existing market imbalance. The exercise of monopsony or oligopsony power impedes an industry in maximising efficiency gains. The granting of the Application will lessen the ability of processors to exploit this power. This will result in increased dynamic efficiency in the market.

This authorisation will also provide stability to an industry that for some time has been operating in a difficult market which has seen declining confidence levels in the long-term future of the industry. This has impeded grower investment. This causes a loss to the community through lost efficiency gains and flow on effects of industry development.

The Authorisation will provide a level of stability through the provision of some level of countervailing bargaining power to growers. This will provide the confidence for existing and potential growers to make investments in new and upgraded technologies. By increasing the adoption rate of the newer technologies further efficiency gains will be realised.

As well as the community benefiting through more efficient production systems, the environmental performance of the industry will also improve through faster adoption of technologies.

The proposed five year term sought in the Application will ensure growers have sufficient security to meet existing and new growth potential. This will also assist in ensuring the sustainability of local communities.

Authorising collective negotiations will prevent further exploitation of growers and result in reduced tensions between processors and their respective growers. This will allow both parties to focus on their respective roles in the supply chain, and work towards obtaining further efficiencies in a cooperative manner.

Keeping transaction costs to a minimum is also a public benefit. Not only is it expensive for the processor and the grower to gain legal advice for each individual contract, the time taken to negotiate these contracts will affect the end price to consumers. Approving this Authorisation will lower legal fees and time spent on the contracts thus lowering the end price to consumers.

Without the granting of this Authorisation the industry will decline and have an affect on the sustainability of local communities.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Cochrane', is enclosed in a light grey rectangular box.

Peter Cochrane
President
VFF Horticulture Group