



Queensland Citrus Growers Inc

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10 August 2007

The General Manager
Adjudication Branch
Australian Competition and Consumer Commission
GPO Box 3131
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Dear Sir

Collective Bargaining Notifications CB00001 and CB00002

I refer to your letter of 3 July 2007, advising of the lodgement of two collective bargaining notifications from three Queensland citrus growers who propose to collectively negotiate the price and volume of their supply of citrus fruit to Woolworths Limited and IGA Distribution Limited. The ACCC has invited submission from interested parties.

Queensland Citrus Growers Inc (QCG) supports the proposed collective bargaining arrangements involving the citrus growers concerned.

Producer Benefits

From the point of view of the grower, there are many shortcomings and disadvantages in the present selling system for citrus products (and for fruit and vegetable as a whole), which to a greater or lesser degree could be improved by collective bargaining arrangements. These deficiencies include:

- Under the present system, growers are price takers and have very little influence on the wholesale selling price of the goods that they produce,
- The selling system for citrus is theoretically a free market (perfect competition) model, however the power of the retail chains, rather than the free market, is the predominant force in the determination of market prices,
- The power relationship is in the hands of the dominant buyers – the retail chains – and producers are selling (either directly or indirectly) into a duopoly/oligopoly environment where there is unequal negotiating power in the price setting process,
- Sometimes there is market failure, in that the chains can exert undue pressure on market prices (because of the needs of their programmed retail strategies) in a manner inconsistent with the normal supply and demand pressures of the market - eg. drive down the wholesale price to where they need it to be, when putting on a catalogue special,
- There is a disconnect between selling prices as determined by the “free market” and the costs of production. Where a producer of a manufactured product can calculate the wholesale price he wishes to set, based on his input costs plus a profit margin, citrus producers as price takers have no ability to do this,
- Growers cannot even ensure that they are not supplying product into the market which will be sold at a loss, and even sold without their agreement to accept such a loss,

- Whilst the producer has no security in pricing, the wholesalers and the retail chains (and particularly the chains) can set, guarantee, and protect their own generous profit margins (retail prices are typically 100% more than the prices returned to growers), and this is inequitable,
- Growers are underpaid for their product compared to its ultimate (retail) selling price to the consumer, purely because of their place as price takers in the marketing chain.

For these reasons, this collective bargain arrangement is justified, as it will improve the viability of the producers concerned, enhance their market power in a small way compared to the operations of these growers as individuals, and bring more balance into the negotiating relationship between them and the retail chains.

This collective bargaining arrangement will also benefit the citrus industry more broadly, as it may lead to a rationalisation of marketing arrangements at the wholesale level, contribute to more discipline and professionalism in marketing within the industry, and result in more stability in pricing.

Effect on Competition

Collective bargaining with the nominated chainstores by the three citrus growers concerned, will not lessen competition within the Australian/Queensland citrus industry to any significant extent.

- The combined supply of the three citrus growers concerned would probably not exceed 10 percent of Queensland's citrus production, or 1 percent of Australia's citrus production (Note: this is our perception, not a measured estimate).
- The collective bargaining agreement involving these growers will not restrict supply, control/dominate the market, or have any adverse consequences for consumers. In addition to the applicants as a combined force, there are 3 other formal marketing groups in the Queensland citrus industry (and many more in the Australian industry) who are larger scale producers/packers/suppliers of citrus than this group. There are also many other small and medium operators who will continue to operate independently. Accordingly this proposal will not lessen competition as there will be a substantial number of individuals and groups who will continue to be commercial competitors in the supply of citrus products.

Public Benefit

- In the long term, the public will benefit from more discipline in marketing, with greater stability in retail prices.
- With more solid foundations for pricing, these producers will have more security and greater confidence, and will be able to invest more in R&D, production technology, orchard management practices, etc – with a view to increasing efficiencies, reducing costs, and improving product quality, all for the ultimate benefit of the consumer.

Public Detriment

- This collective bargaining arrangement is not likely to have any impact on prices at the retail level and is unlikely to even be noticed by consumers. Accordingly there is not expected to be any public detriment from this collective bargaining agreement.

For the above reasons, Queensland Citrus Growers Inc fully supports this notified collective bargaining arrangement involving three Queensland citrus growers. We also commend them for having the initiative to be among the first businesses in Australia to avail themselves of the new collective bargaining laws. We hope that others will follow their lead.

Yours faithfully



Nick Ulcoq
President

for