

# Australian Chicken Growers' Council Limited

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President Gary Ekert

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Submission on behalf of the Australian Chicken Growers' Council Limited (ACGC Ltd)

**Re: Collective Bargaining Notification lodged by the South Australian Farmers Federation on behalf of a group of South Australian chicken growers CB00070**

ACGC Ltd represents the interests of contract meat chicken growers around Australia. The Council's membership is comprised of State farming organisations where these represent chicken growers as commodity members (New South Wales Farmers' Association, South Australian Farmers Federation and the Victorian Farmers' Federation) and stand alone industry organisations (Queensland, Tasmania and Western Australia).

ACGC Ltd believes that access to collective bargaining between contract growers and processors is an important dynamic in the industry and hence fully supports the notification lodged on behalf the South Australian growers contracted to Inghams Enterprises. We agree with the notification's contention that the public benefits will outweigh any public detriment as we believe has been shown in authorisation approvals and legislative reviews in the past ten years.

In support of this ACGC Ltd would make the following comments;

1. Where no collective bargaining arrangements are available to growers, individual growers lack countervailing power. This becomes particularly significant when it is recognised that the market for their services is at the best very limited if in practical terms in deed it exists at all as outlined in the notification. Essentially then growers are “economically captured” given the non-portability and high investment costs of their shedding.
2. Collective bargaining does reduce transaction costs significantly for both grower and processor if one is to assume that the negotiation process is robust between both parties and there is a significant disparity between the capacity and knowledge base of the parties. Where expert advice is required there can be a significant cost impost which is spread over a number of growers in a collective bargaining arrangement but would be borne wholly by an individual grower where no such arrangement existed. The magnitude of the cost of this advice would be many times greater if incurred for each individual.
3. Growers are generally have better access to information and hence are better informed on matters relating to the industry and the market place if they can collectively bargain. This knowledge further empowers the grower allowing them to make better business decisions.
4. Collectively negotiated payment systems/efficiency schemes are more likely deliver better outcomes in terms of efficiency where growers can see where they sit in relation to other growers. Contracts generally have provision for processors to deal with inefficient growers which, in the short term, involves financial penalties but may ultimately involve termination of a contract. It should be noted that while management and facility standards play an integral part in good performance on the grower’s part it is equally true that inputs such as day-old chick quality and feed which are the responsibility of the processor can also have a bearing.

5. Collective bargaining arrangements are more likely to lead to greater stability in the industry with growers being more involved in contract terms and conditions. This collaborative environment engenders a greater sense of security and hence a greater likelihood that there will be ongoing long-term investment in their business with further gains in efficiency.
6. ACGC Ltd would endorse the statements relating to Public Detriments contained in attachment 3 of the notification. There is no evidence to suggest, given the diversity of arrangements around Australia that contracts and grow fees collectively negotiated are in any real way detrimental to the public benefit.

ACGC Ltd would be more than happy to provide any additional information that might be required and also notes that this submission will be posted on the ACCC website.

Thank you for the opportunity to comment.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Gary Sansom', with a long horizontal flourish extending to the right.

Gary Sansom

Executive Officer

Australian Chicken Growers Council Ltd