



Queensland Dairyfarmers' Organisation Limited ABN: 90 090 629 066

Australian Consumer and Competition Commission
GPO Box 3131
Canberra ACT 2601
Attention: Joanne Palisi,
Director,
Adjudication Branch

10th July 2010

Dear Joanne,

RE: Premium Milk Ltd application for revocation and substitution A91236

I write to acknowledge receipt of your recent correspondence, dated the 24th June, relating to the application from Premium Milk Ltd for revocation and substitution of its existing authorisation with a new application seeking ACCC authorisation.

The Queensland Dairyfarmers' Organisation Ltd (QDO) understands and fully supports Premium's application for a new authorisation to enable it to continue to collectively negotiate on behalf of its members with Parmalat for a further five years and to amend its constitution to expressly allow Premium to represent milk producers operating in Northern New South Wales as well as Queensland.

The QDO concurs with Premium's application that the proposed change in authorisation;

- continue to provide producers represented by Premium with an opportunity to collectively negotiate with processors to seek to improve price and supply conditions, which as individuals would have a much lower probability of being achieved,
- affects only a relatively small number of dairy farmers,
- provides a opportunity for a small group of dairy farmers in Northern New South Wales to join Premium and benefit from Premium's representation on their behalf,
- will provide both the collective group of farmers and the processor with a more efficient means of communication and negotiation which provides for a better understanding of both parties needs, realities in the market place, transparency, certainty and confidence,
- will continue to provide a means for the collective group of farmers and the processor to explore ways to improve the effectiveness of their business relationship to the benefit of both parties, for example the development of incentives for supply timing, volume, quality and milk components.
- will assist farmers represented by Premium to reduce negotiation and transaction costs, compared to that if individuals were left to negotiate their individual supply arrangements with Parmalat,

- does not result in any reduction in competition between farmers or in the market place and that in the current market environment the countervailing market power of major supermarkets chains is the major influencer of price to consumers, processors and thus farmers,
- does not negatively impact consumers, as the domestic price to consumers is predominately influenced by world price, the countervailing domestic market power of major supermarket chains and on the wholesale price paid by major supermarkets to processors,
- has and will not lead to a reduction of choice to consumers,

As per the QDO's recent submission to the Senate Standing Committee on Economics inquiry into competition and pricing in the Australian dairy industry, the QDO is a strong supporter of collective bargaining provision authorisations, which were originally given to Premium in Queensland and then nationally to the Australian Dairy Farmers.

The QDO believes that this provision by the ACCC is essential for groups of dairy farmers to be able to collectively discuss and negotiate outcomes with the processor they supply. This provision has provided the means for dairy farmers to be able to collectively negotiate in a more balanced 'market power' environment.

There currently exist some good examples of effective collective bargaining groups whom have developed good working relationships with the processor they supply and have used the collective bargaining provisions to not only negotiate on issues of price, but to develop a better understanding of each others business needs, to collectively seek to improve systems to reduce costs, and to structure business arrangements to better reflect the needs of both businesses, which can cover supply arrangements, transport, seasonal incentives, risk management etc.

Over recent years the processing sector has continued to consolidate and with this, the market share that remaining processing entities hold, has increased. With this consolidation within the processing sector the QDO believes that the Collective Bargaining provisions for farmer groups should be reviewed to ensure that the current provisions provide a reasonable balance for farmer group collective negotiation in the current processing sector environment. Some Collective Bargaining groups are severely constrained by regional boundaries and now with the consolidation of processors and expansion of their milk collection base these regional limitations on dairy farmer Collective Bargaining groups should be reviewed.

For further information or clarification please do not hesitate to contact me at the QDO office on (07) 3236 2955.

Yours sincerely,



Adrian Peake
Chief Executive Officer
Queensland Dairyfarmers' Organisation Ltd