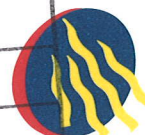


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**Queensland
Government**

15 JUL 2010

Department of
**Employment, Economic
Development and Innovation**

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

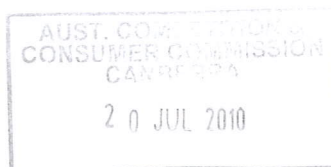
Dear Ms Palisi

Application for revocation of an authorisation, and substitution by a replacement authorisation, lodged by Premium Milk Limited

Thank you for your letter of 24 June 2010 concerning an application from Premium Milk Limited (PML) for a revocation of an existing authorisation, and for the substitution of a replacement authorisation under the *Trade Practices Act 1974* (TPA) for collective bargaining negotiations between dairy farmers and a major milk processor, Parmalat Australia Ltd (Parmalat).

As I understand the position, the existing TPA authorisation held by PML in respect of Parmalat was issued by the Australian Competition and Consumer Commission (ACCC) in November 2005, and replaced an earlier authorisation issued by the ACCC in December 2001 (this initial authorisation being for PML to negotiate with Parmalat's corporate predecessor, Pauls Milk Limited). PML now wish to secure an authorisation for a further five year period, commencing on 1 December 2010.

Since the national deregulation of the dairy industry in mid-2000, the relevant producer representative body in this State, the Queensland Dairyfarmers' Organisation Limited, has consistently and publicly supported the concept of collective bargaining negotiations between producer representative groups, such as PML, and individual processors as a means of countering the obvious imbalance of market power that exists in the dairy industry.



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As you would be aware, the majority of dairy producers are essentially 'captive' to a single processor or, at the most, have a choice between supplying two processors, due to both geographic factors and historic supply patterns. This situation has been compounded in recent years by the on-going consolidation of the processing sector and the consequent rationalisation of processing facilities.

Successful collective bargaining requires TPA authorisation in the first instance. As your records will confirm, all previous requests from the Queensland dairy industry to the ACCC since 2000 for producer–processor collective bargaining authorisations have been supported by the former Department of Primary Industries and Fisheries (DPI&F), for which the Department of Employment, Economic Development and Innovation (DEEDI) is the corporate successor.

It is recognised that the ACCC has responded positively to previous Queensland dairy industry requests for collective bargaining authorisations in respect of supply arrangements from PML to Pauls/Parmalat, and also in regard to arrangements between the Australian Dairy Farmers Limited and certain other processors.


DEEDI, like the former DPI&F, is an economic development agency, and is committed to ensuring profitable primary industries in a sustainable context.

In the dairy industry, one important way for this to be achieved in the post-regulatory era is by allowing dairy suppliers to address market imbalance through a proper collective bargaining process, which has been successful thus far and which is a model for other industries. If these arrangements break down, there may be pressure for a return to a more regulated milk supply market, which would be inconsistent with National Competition Policy.

It therefore follows that DEEDI supports the PML application for a continuation of the currently approved TPA authorisation process for a further five years. There is no objection to the authorisation being extended to cover PML members in northern New South Wales.

Thank you for the opportunity to provide input to this exercise. I have nominated Mr Harold Brown, Manager, Policy and Legislation, Plant Industries and Industry Development, Agriculture, Food and Tourism, DEEDI, to handle any further inquiries in respect of this matter. Mr Brown can be contacted on email harold.brown@deedi.qld.gov.au or telephone (07) 3224 4711.

Yours sincerely



Robert Setter
Associate Director-General
Department of Employment, Economic Development and Innovation