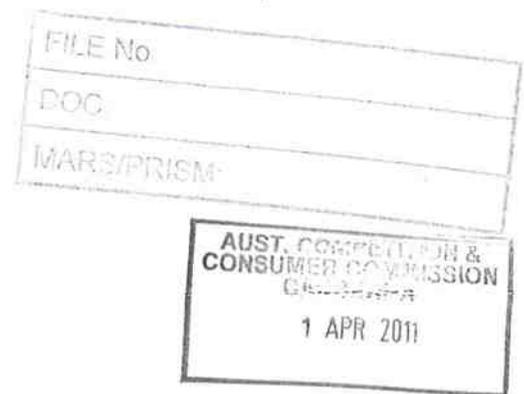


Reference: 02189/11

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

30 MAR 2011

Dr Richard Chadwick
General Manager
Adjudication Branch
Australian Competition and Consumer Commission
GPO Box 3131
Canberra ACT 2601



Dear Dr Chadwick

Australian Dairy Farmers Ltd application for revocation of authorisation A90966 and substitution of new authorisation A91263

Thank you for your letter of 11 March 2011 concerning an application from Australian Dairy Farmers Ltd (ADF) for a revocation of an existing authorisation and for the substitution of a new authorisation under the *Competition and Consumer Act 2010* (CCA) for collective bargaining about the terms and conditions of supply contracts between dairy farmers and dairy processors.

As I understand the position, ADF is seeking to continue the arrangements as currently authorised, including the conditions imposed by the ACCC in granting authorisation. Further, it is understood these conditions require the collective bargaining groups be formed according to a 'shared community interest' where they each have a reasonable expectation of supplying the same plants of a dairy processor and are within the economic delivery zone.

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

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 CCA authorisation in the first instance and, 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 (DPIF), 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 Australian Dairy Farmers Limited, and also in regard to arrangements between Paul's Milk Limited to Paul's/Parmalat and certain other processors.

DEEDI 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 the National Reform Agreement arrangement.

With the current authorisation due to expire on 30 June 2011, it therefore follows that DEEDI supports the ADF application for revocation of authorisation A90966 and substitution of a new authorisation A91263 for at least a further five years.

Thank you for the opportunity to provide input to this exercise. If you have any further queries regarding this matter, please contact Mr John Darlington of the Department of Employment, Economic Development and Innovation on telephone 07 3224 8156 or email john.darlington@deedi.qld.gov.au.

Yours sincerely



Robert Setter

Associate Director-General

Department of Employment, Economic Development and Innovation