



# Industry & Investment

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



Dear Dr Chadwick

I refer to your letter of 11 March 2011 to Mr George Davey, Deputy Director-General Primary Industries concerning Australian Dairy Farmers Ltd application for revocation of authorisation A90966 and substitution of new authorisation A91263 - interested party consultation. Mr Davey has asked me to respond to you with comments on the proposed application.

Currently collective bargaining groups are still uncommon in the dairy industry and no foreseeable detrimental effects can be identified for either competition or regional economies. To sustain regional economies and their communities it is essential that high value land use enterprises are retained and this can only be achieved through strong economic fundamentals. The dairy industry is a significant economic contributor as an intensive industry to both coastal and inland regional communities in NSW. The Rural Development Corporation - Dairy Australia's economic research has identified dairying as supplying a multiplier benefit of 2.5 to rural economies for every dollar received by dairy farmers.

To support the regional and district based dairy industry in NSW it is important that some degree of equity is supplied to the dairy farmer when negotiating with large public companies who purchase and subsequently process the milk for sale. The ability to form into groups to conduct such negotiations provides some degree of equity; however the fact remains that the dairy farmers will continue to be price takers and will be at a negotiating disadvantage.

Anecdotal advice on experience with collective bargaining arrangements during the term of the authorisation has indicated that the farmers involved have benefited with a marginal price advantage in their contracts in comparison to other district dairy farmers. An additional non price benefit is in the capacity building in business acumen developed amongst the dairy farmers who are members of the collective bargaining group.

Yours sincerely

**REGINA FOGARTY**  
**PRINCIPAL DIRECTOR**  
**INDUSTRY DEVELOPMENT, AGRICULTURE & FORESTRY**

1 April 2011