

8 April 2011

Dr Richard Chadwick  
General Manager – Adjudication Branch  
Australian Competition & Consumer Commission  
23 Marcus Clarke Street  
CANBERRA ACT 2601

Dear Mr Chadwick

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

We refer to your letter of 11 March 2011 seeking submissions in relation to the authorisation application made by Australian Dairy Farmers Ltd (ADF) on 8 March 2011.

Murray Goulburn supports ADF's application and does not have any concerns regarding the continued authorisation of ADF's collective bargaining conduct. Generally, Murray Goulburn is supportive of any structures or arrangements that serve to protect dairy farmers' interests and to assist them to realise better prices for their milk.

As the ACCC would be aware, Murray Goulburn itself is a farmer-owned processor that operates as a co-operative with the sole purpose of maximising returns to its farmer-members. Whilst Murray Goulburn supports ADF's collective bargaining activity, it believes that co-operatives provide the most effective way to enhance returns to farmers. Co-operatives allow farmer-members to aggregate and collectively market their milk supply and also to earn returns from the processing of their milk. For this reason, the co-operative business model has been employed worldwide as a means to ensure fair returns for farmers and operates far more effectively to protect farmers interests than collective bargaining groups.

For the record, Murray Goulburn would also like to clarify its views regarding certain statements in ADF's application which do not reflect Murray Goulburn's assessment or experience.

**Competition for processors in south-east Australian dairy regions**

ADF's application states that: *"Dairy farmers often have little choice of processors as in many dairy farming areas of Australia there is often only one dairy company facility"*. ADF's application also makes related conclusions regarding farmers' bargaining power.

At least in respect of the geographic areas in which its farmers are located, Murray Goulburn disagrees with this characterisation of the options open to dairy farmers. In Murray Goulburn's experience, most dairy farmers have multiple processors with facilities located within a distance of their farms within which milk is collected on a routine basis. As a result, farmers in the south-east dairy regions in which Murray Goulburn operates have genuine processor alternatives to which they could supply their raw milk.

In any event, Murray Goulburn considers that the interests of those farmer's located in areas in which a co-operative operates are already protected by the mere fact that a co-operative is present in the area. The collective bargaining function performed by ADF is only likely to be of some benefit for farmers located in areas where a co-operative does not operate.

### **Bargaining power of farmers with respect to co-operatives**

ADF's application also states that the position of dairy farmers is the same regardless of whether the farmer supplies a co-operative or a proprietary processor.

Again, Murray Goulburn strongly disagrees with this claim. The nature and objectives of co-operatives are fundamentally different from corporate dairy processors whose shareholders are not farmers and who expect their company to maximise profits. Co-operatives are owned by the farmers themselves and exist solely to maximise returns to farmers, whether through raw milk prices or dividends. Unlike for-profit processors, co-operatives have no interest in reducing raw milk prices. Rather, co-operatives typically set prices at the maximum they can afford to pay, depending on market returns, having regard for the need to retain funds for operations and investment, which provides a benchmark against which other processors compete. In this sense, Murray Goulburn regards collective bargaining by ADF on behalf of farmers as a less effective alternative to their membership of a farmer-owned co-operative such as Murray Goulburn.

Murray Goulburn would be pleased to provide any additional information that may be of assistance to the ACCC.

Yours faithfully  
Murray Goulburn Co-operative Co. Limited



Stephen O'Rourke  
Managing Director

