

South East Potato Growers Association

29th June, 2012

Richard Chadwick
General Manager
Adjudication Branch
GPO Box 520
Melbourne Vic 3001

Dear Richard,

The South East Potato Growers Association (SEPGA) has received a letter informing us that our authorisation for collective bargaining (A91057) is due to expire.

We would like to apply for an interim authorisation so that our members are covered whilst our draft submission for the revocation and substitution of our authorisation is being considered.

Though we have finalised our harvest and are not expecting to negotiate again until 2013, we would like to be sure our members are covered for any collective discussions we may have in the interim period about price or tonnage of our potato crops.

Please do not hesitate to contact myself or Laura Bowles if you need any further information or wish to discuss any points further.

Yours Sincerely,


p.p

Andrew Widdison
Chairman



**Australian
Competition &
Consumer
Commission**

Contact Officer: Garth Layton
Contact Phone: (02) 6243 1274

GPO Box 3131
Canberra ACT 2601

23 Marcus Clarke Street
Canberra ACT 2601

tel: (02) 6243 1111
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www.accc.gov.au

9 July 2012

Andrew Widdison
Chairman
South East Potato Growers Association

By email: laura@ag-challenge.com.au

Dear Mr Widdison

Fee waiver request

I refer to your letter of 29 June 2012 to the Australian Competition and Consumer Commission (ACCC) in respect of a proposed application for revocation of authorisation A91057 and substitution of a new authorisation. In your letter you have requested that the ACCC grant a fee waiver in respect of the proposed arrangements.

In particular, you have requested that the fee to be paid in relation to an application for revocation and substitution to be lodged by the South East Potato Growers Association (SEPGA) be waived in whole.

In support of your request, among other things, you submit that SEPGA is a not-for-profit organisation subsisting on a small grower-levy and that the fee if not waived would have to be raised by way of donation. You further submitted that 2012 has been a particularly bad year for potato growers due to high rainfall resulting in crop damage and competing imports.

Having regard to the above, as a person authorised to assess fee waiver requests for and on behalf of the ACCC, I wish to advise that the related application fee to be paid by SEPGA has been waived in whole. No application fee will apply in respect of SEPGA's application for revocation and substitution of its authorisation A91057.

This decision will remain in force for a period of three months. The three month period will expire on 9 October 2012.

A copy of this letter should accompany the application for authorisation to be lodged by SEPGA. The cover letter to the application should mention that a letter from the ACCC regarding a fee waiver is enclosed with the application. The application together with this letter will be placed on the public register at that time.

If the application for authorisation is lodged by SEPGA after 9 October 2012, a full application fee of \$7500 will apply as your current authorisation will have expired and you will need to lodge a new application. The application fee will be payable unless a subsequent request for a fee waiver is made and ultimately approved by the ACCC.

Should you have any queries in relation to this matter, please do not hesitate to contact Garth Layton on (02) 6243 1274.

Yours sincerely

A handwritten signature in black ink that reads "Rose Webb". The signature is written in a cursive style with a large initial 'R'.

Rose Webb
Executive General Manager
Mergers and Adjudication Group

Form FC

Commonwealth of Australia

Competition and Consumer Act 2010 — subsection 91C (1)

APPLICATION FOR REVOCATION OF A NON-MERGER AUTHORISATION AND SUBSTITUTION OF A NEW AUTHORISATION

To the Australian Competition and Consumer Commission:

Application is hereby made under subsection 91C (1) of the *Competition and Consumer Act 2010* for the revocation of an authorisation and the substitution of a new authorisation for the one revoked.

PLEASE FOLLOW DIRECTIONS ON BACK OF THIS FORM

1. Applicant

(a) Name of applicant:

(Refer to direction 2)

A91322

**The South East Potato Growers Association (SEPGA), on behalf of its
Grower members, and its own behalf.**

(b) Description of business carried on by applicant:

(Refer to direction 3)

**The South East Potato Growers Association is the processing potato
grower representative organisation in South Australia.**

(c) Address in Australia for service of documents on the applicant:

BOX 63, Kalangadoo, SA 5290

2. Revocation of authorisation

- (a) Description of the authorisation, for which revocation is sought, including but not limited to the registration number assigned to that authorisation:

The ACCC authorisation number is A91057, in relation to a collective bargaining agreement by the SEPGA to allow the group to negotiate with buyers they supply, as well processing companies which they collectively negotiate with.

- (b) Provide details of the basis upon which revocation is sought:

The revocation is sought due to the pending expiry of authorisation A91057 on 29 August, 2012.

3. Substitution of authorisation

- (a) Provide a description of the contract, arrangement, understanding or conduct whether proposed or actual, for which substitution of authorisation is sought:

(Refer to direction 4)

An arrangement between present and future members of the SEPGA to collectively negotiate the terms and conditions of supply contracts with processors and other buyers, as well as establish price recommendation for supply of seed potatoes to other potato growers in Australia.

- (b) Description of the goods or services to which the contract, arrangement, understanding or conduct (whether proposed or actual) relate:

The SEPGA has a membership of growers from the processing, The contracts that are collectively negotiated are between members of the SEPGA and processing companies, as well as smaller buyers who buy off groups of present and future members of the SEPGA.

- (c) The term for which substitute authorisation of the contract, arrangement or understanding (whether proposed or actual), or conduct, is being sought and grounds supporting this period of authorisation:

Five (5) years, as per the previous authorisation.

4. Parties to the contract, arrangement or understanding (whether proposed or actual), or relevant conduct, for which substitution of authorisation is sought

- (a) Names, addresses and description of business carried on by those other parties to the contract, arrangement or understanding (whether proposed or actual), or the relevant conduct:

South East Potato Growers Association members present and future)

McCain Foods – processing company

Safries – processing company (owned by McCain Foods)

- (b) Names, addresses and descriptions of business carried on by parties and other persons on whose behalf this application is made:

(Refer to direction 5)

SEPGA members.

- (c) Where those parties on whose behalf the application is made are not known - description of the class of business carried on by those possible parties to the contract or proposed contract, arrangement or understanding:

Processing potato growers – current non SEPGA members.

5. Public benefit claims

- (a) Arguments in support of application for substitution of authorisation:
(See Direction 6 of this Form)

Growers as individuals are in a weak bargaining position against large companies and corporations which desire to buy their potatoes. These companies and corporations often have specialised negotiators, and worldwide company resources to pull from to strengthen their position against individual growers.

Individual growers are not expected to have the skills required to negotiate with multinational and very large companies. And it is neither practical or economical to employ professional negotiators for individual grower businesses.

The SEPGA considers the collective bargaining approach to be an organized and cost effective means to cover the issue of arranging contract prices and conditions for potato crops grown in South East, South Australia.

The practice of open consultation with each of the commodity groups by their respective leaders ensures that a considered grower position is always adopted when the negotiating groups meet with the company representatives.

Though companies may not support the collective bargaining offer by the different grower groups under the SEPGA, growers would like the opportunity to go down this path if the companies decide to change their mind in the future and deal with the growers as a group instead of individually over price, supply and tonnage issues.

The collective bargaining process under Authorisation A91057 has been running smoothly for the last 5 years for those growers and businesses who are using it, and we do not envisage there would be a change in the manner in which the negotiations are undertaken now or in the future.

- (b) Facts and evidence relied upon in support of these claims:

The manner and method of negotiating prices has not been altered by us since the initial Authorisation (A91057).

The benefits on an administrative side include a more cost effective method of obtaining a price which will see more stability and added benefits for the local economy.

The SEPGA had been negotiating with McCain Foods and Safries for many years before the original authorisation had been approved. The method of negotiation had not changed after the authorisation was in place and was already widely accepted by the industry.

6. Market definition

Provide a description of the market(s) in which the goods or services described at 3 (b) are supplied or acquired and other affected markets including: significant suppliers and acquirers; substitutes available for the relevant goods or services; any restriction on the supply or acquisition of the relevant goods or services (for example geographic or legal restrictions):

The South Australian processing potato industry, including buyers and processors.

(See Direction 7 of this Form)

7. Public detriments

- (a) Detriments to the public resulting or likely to result from the substitute authorisation, in particular the likely effect of the conduct on the prices of the goods or services described at 3 (b) above and the prices of goods or services in other affected markets:

It is very unlikely that there would be any detriment to public or consumers during the collective bargaining process.

(See Direction 8 of this Form)

- (b) Facts and evidence relevant to these detriments:

In the last 5 years, the price paid to processing potato growers has been increased by approximately 7% through the collective bargaining process. In this time, one of the processors main buyers has decreased the consumer cost of their product almost 10%, and even up to 50% for certain lines at different time, in that time. Another of the buyers has increased the cost of their product almost 40% in that time.

Therefore we suspect that the raw product price has little or no impact on the price which the companies decide to use for their consumers.

8. Contracts, arrangements or understandings in similar terms

This application for substitute authorisation may also be expressed to be made in relation to other contracts, arrangements or understandings (whether proposed or actual) that are, or will be, in similar terms to the abovementioned contract, arrangement or understanding

- (a) Is this application to be so expressed?

Yes

- (b) If so, the following information is to be furnished:

- (i) description of any variations between the contract, arrangement or understanding for which substitute authorisation has been sought and those contracts, arrangements or understandings that are stated to be in similar terms:

Future SEPGA members

Other potential buyers of potato crops from SEPGA members who may enter into the industry in the future, and other potato buying companies which currently exist but who are not listed in 4 (a)

(See Direction 9 of this Form)

- (ii) Where the parties to the similar term contract, arrangement or understanding(s) are known - names, addresses and description of business carried on by those other parties:

N/A

(See Direction 5 of this Form)

- (iii) Where the parties to the similar term contract, arrangement or understanding(s) are not known — description of the class of business carried on by those possible parties:

As per 8 (b) (i)

9. Joint Ventures

- (a) Does this application deal with a matter relating to a joint venture (See section 4J of the *Competition and Consumer Act 2010*)?

No

- (b) If so, are any other applications being made simultaneously with this application in relation to that joint venture?

N/A

- (c) If so, by whom or on whose behalf are those other applications being made?

N/A

10. Further information

- (a) Name, postal address and telephone contact details of the person authorised by the parties seeking revocation of authorisation and substitution of a replacement authorisation to provide additional information in relation to this application:

Mrs. Laura Bowles

Executive Officer


Victorian Potato Growers Council

PO Box 571

Warragul, Vic 3820

Dated 23/6/12

Signed by/on behalf of the applicant



(Signature)

Laura Bowles

(Full Name)

Victorian Potato Growers Council

(Organisation)

Executive Officer

(Position in Organisation)

DIRECTIONS

1. Where there is insufficient space on this form to furnish the required information, the information is to be shown on separate sheets, numbered consecutively and signed by or on behalf of the applicant.
2. Where the application is made by or on behalf of a corporation, the name of the corporation is to be inserted in item 1 (a), not the name of the person signing the application and the application is to be signed by a person authorised by the corporation to do so.
3. In item 1 (b), describe that part of the applicant's business relating to the subject matter of the contract, arrangement or understanding, or the relevant conduct, in respect of which substitute authorisation is sought.
4. In completing this form, provide details of the contract, arrangement or understanding (whether proposed or actual), or the relevant conduct, in respect of which substitute authorisation is sought.
 - (a) to the extent that the contract, arrangement or understanding, or the relevant conduct, has been reduced to writing — provide a true copy of the writing; and
 - (b) to the extent that the contract, arrangement or understanding, or the relevant conduct, has not been reduced to writing — provide a full and correct description of the particulars that have not been reduced to writing; and
 - (c) If substitute authorisation is sought for a contract, arrangement or understanding (whether proposed or actual) which may contain an exclusionary provision — provide details of that provision.
5. Where substitute authorisation is sought on behalf of other parties provide details of each of those parties including names, addresses, descriptions of the business activities engaged in relating to the subject matter of the authorisation, and evidence of the party's consent to authorisation being sought on their behalf.
6. Provide details of those public benefits claimed to result or to be likely to result from the contract, arrangement or understanding (whether proposed or actual), or the relevant conduct, including quantification of those benefits where possible.
7. Provide details of the market(s) likely to be affected by the contract, arrangement or understanding (whether proposed or actual), in particular having regard to goods or services that may be substitutes for the good or service that is the subject matter of the application for substitute authorisation.
8. Provide details of the detriments to the public, including those resulting from the lessening of competition, which may result from the contract, arrangement or understanding (whether proposed or actual). Provide quantification of those detriments where possible.
9. Where the application is made also in respect of other contracts, arrangements or understandings, which are or will be in similar terms to the contract, arrangement or understanding referred to in item 2, furnish with the application details of the manner in which those contracts, arrangements or understandings vary in their terms from the contract, arrangements or understanding referred to in item 2.

Submission in Support of Revocation and Substitution of Authorization A90157

**By the South East Potato Growers Association
(SEPGA)**

Introduction

This submission is in support of the South East Potato Growers Association (SEPGA) revocation and substitution for the application for authorization for collective bargaining A90157 granted in August 2007.

The purpose of the SEPGA's application for authorization is to allow SEPGA to engage in collective bargaining negotiations on behalf of its members with:

- a. McCain Foods
- b. Safries (owned by McCain Foods)

Where required or authorized by members of SEPGA

Re-authorization is sought for 5 years.

No members will be required to enter into any agreement with a controlling body negotiated by SEPGA on behalf of its members. Members of SEPGA are, and will remain, entitled to negotiate individual agreement with any controlling body.

The South East Potato Growers Association (SEPGA)

The South East Potato Growers Association (SEPGA) is a processing grower representative body that is authorized under the South Australian Farmers Federation (SAFF). SEPGA is a (regional) sub branch of SAFF. Around 15 years ago SAFF offered branch status to the then independent potato association. SEPGA accepted the terms and conditions offered and became a sub branch of SAFF. The SEPGA was initially formed to represent the interests of South Australian processing potato growing businesses, and to provide a forum for discussions on matters of interest and to provide a vehicle by which potato growers may usefully discuss with Governments and other regulatory authorities any issues that are affecting them. There are currently 17 grower businesses that are members of the South East Potato Growers Association.

The objectives of the South East Potato Growers Association are;

- a. To provide a local forum for processing potato growers to have a voice to local, State and National governments.
- b. To promote an open and competitive international and domestic market
- c. To research and develop more efficient systems of potato farm management for processing growers.

Membership to the SEPGA is by a yearly subscription of \$25 and growers also contribute a 20 cents/tonne levy for Research and Development (R&D) projects that will benefit the processing industry in South Australia, and indeed the rest of Australia.

Target

The aim of the SEPGA in seeking authorization to collective bargain is to be able to allow its sub-groups and members to negotiate with the relevant buyers of their produce as a collective group. McCain Foods (Aust.) and Safries are the two companies which the SEPGA wish to be able to collectively bargain with. Though some of the growers supply other companies, this application is directed at negotiating with McCain Foods (Aust.) and Safries only.

Background

The SEPGA represents the interests of their potato growing members in their collective contract negotiations with potato processors, McCain Foods (Aust) and Safries. McCain Foods is a privately owned company based in Canada. Safries is also owned by McCain Foods. It is acknowledged and well understood within the potato industry that individual growers are generally in a weak bargaining position when dealing with large companies, especially those that compete on a global market

Individual growers can often find themselves confused and unsure of whether the contract they have been offered is fair. Both Safries and McCain Foods are willing to negotiate with growers in groups, however the South East Potato Growers Association will need an authorization before growers can conduct negotiations for the coming season.

Growers can generally choose which company they supply, and some growers grow for both companies, however other growers have no choice but to supply one company exclusively. This restriction is generally due to the location of the grower and what sort of contract tonnage he can grow.

The nature of the potato industry means that growers are required to invest considerable amounts in equipment, machinery, resources, land and water. Once the investment has been made they then become 'locked in' to growing potatoes and are vulnerable to company pressure which can be applied to growers who need contracts with companies to sell their produce. The companies know the pressure the growers are under to sell their produce and can use their situation against them.

Contracts between McCain Foods or Safries and growers are a commonly agreed option for both parties. Contracts ensure that the companies have the potatoes they it will need, and the grower is ensured a confirmed market for their produce. Contracts are essential in the processing market so that factories that rely on potatoes at various times of the year have a confirmed supply when needed. Contracts are generally signed before the potatoes are planted. However this is not always the case.

Members of the SEPGA contract approximately 80,000 tonnes with Safries and approximately 70,000 tonnes with McCain Foods on a yearly basis. There are approximately 600,000 tonnes of potatoes grown in South Australia, by approximately 70 potato businesses. There are 150,000 tonne of potatoes grown in the lower south east of South Australia alone.

Not all growers who grow potatoes in the lower south east of South Australia are members of the SEPGA and nor are they required to be.

Proposed Conduct

The conduct for which authorization is sought is (“proposed arrangements”)

- a. the negotiation by the SEPGA member or member body of the SEPGA, of the terms and conditions of an agreement between McCain Foods and/or Safries and a member or member body of the SEPGA.
- b. The participation of the SEPGA in any dispute resolution mechanism in relation to disputes between controlling bodies of potato businesses and members of the SEPGA with regards to the supply of potatoes.

The SEPGA wishes to apply for authorisation on behalf of its potato grower members to:

- Allow an agreement between those members to collectively bargain terms and conditions of growing contracts with the potato buyers, McCain Foods and/or Safries. It is proposed that negotiations will be undertaken by grower representatives within the SEPGA.
- Allow the SEPGA to participate in any dispute resolution process between members of the SEPGA and McCain Foods and/or Safries concerning the contracts collectively negotiated.

Authorization Sought

Authorization is sought for the current and future members of SEPGA to collectively negotiate, through grower representatives, terms and conditions of growing contracts between potato growers and McCain Foods and/or Safries.

The proposed arrangements apply to all potato crops grown under contract for supply to the relevant buyers, McCain Foods and Safries.

Membership of the SEPGA is not compulsory, and growers are able to be members of an individual, or sub group only if they choose.

Parties to the Proposed Arrangements

The parties to the proposed arrangements are present and future members of the SEPGA and:

- McCain Foods
- Safries

Pursuant to sections 88(10) and 88(13) of the Trade Practices Act 1974 (ch), the authorization application applies to any collective bargaining group of SEPGA members, present or future, who wish to engage in the proposed arrangements.

Attached as Appendix A is a list of present members of the SEPGA as at 1st January 2007.

Attached as Appendix B is the contact details of McCain Foods and Safries as of January 1 2007

Details of Negotiation

Negotiation between growers and businesses over contracts has been an integral part of the National potato industry for many years now. Grower groups find that there is certainly strength in numbers and certain companies find that negotiating with groups of growers is often far more agreeable for both parties than holding negotiations with single growers throughout the season.

Though both McCain Foods and Safries contract may be negotiated with the growers by the same person, who represents both companies, the negotiations for each factory supply are done separately and treated like two separate companies with the possibility of separate prices for each factory being negotiated.

Both buyers and growers will generally aim to have contracts settled before the growing season to ensure supply for the buyers and farm planning for the grower. Contracts can be standard form contracts, or yearly negotiated contracts, depending on what the company requires at the time.

Over the last 5 years under the current authorization the negotiations have been very successful. Usually they negotiating sub-committee of the relevant grower group and the buyer representatives would meet and review the past years supply to commence negotiations, and make assumptions about the coming season that may affect price. Discussions can be lengthy or quick depending on whether the buyer and the grower can agree on a fair supply price for the season. If the negotiating committee feels what is being offered is reasonable and in line with the knowledge they have of the grower expectations, they can recommend acceptance of this offer to the other growers via a meeting or newsletter. The company will then contact the growers to secure individual acceptance and settle contractual details.

If the committee feels that what is being offered is less than reasonable and/or unable to be recommended to growers, then a grower meeting is called. At this meeting growers will be advised of the conditions surrounding the company position and will be provided with as much information as is able to be obtained by the grower group. The meeting will be asked to provide a directive to the committee about the grower price and conditions. The negotiation committee representatives will transfer this information to the company, generally at a meeting called for this purpose.

Sometimes representatives from the relevant company will attend a grower meeting to put their position. The representatives will then leave the meeting. The members will consider the information provided and advise the committee about the direction required to be taken. The committee will transfer this request to the company.

Once an agreement has been reached, the committee then recommends acceptance.

If the offer is not able to be accepted because it does not fit the understanding of what is desired, the committee may call another grower meeting, or, if there is a total impasse then the committee can recommend that individual growers consider their own position, having regard to the viability of the offer, etc.

The parties who participate in the negotiation process are grower representatives who are always elected from the commodity meetings. The committee members must be growers of the particular

potato industry group being represented and be a levy paying member to the SEPGA for that potato industry group.

Dispute Resolution Process

The SEPGA only represents the members that choose to be a paid part of the SEPGA. Growers are not required to be members of the SEPGA.

The SEPGA has an elected group of growers who negotiate on behalf of the rest of the growers, on terms of price and the other contract conditions (tonnage, etc). The negotiating committee receives instruction from growers at meetings and when negotiating. If the majority at the meeting agrees to a price and conditions, the negotiating committee then instigates a negotiating meeting with the buyer. The negotiating committee keeps the growers informed of the progress until such time as agreement is reached. The negotiating group does not comment on individual grower contracts or tonnage.

There can be times when agreement between a representative negotiating committee and a company cannot be achieved. In this case the negotiating committee is likely to recommend that growers should consider their individual positions and suggest that growers negotiate individually with the company.

The possibility for mediation by the Produce and Grocery Industry Ombudsman is an option for contracts that cannot be agreed upon by the growers and the company, however the preference of the SEPGA is to not to involve a third party mediator.

The dispute resolution process does not reduce the scope for individual growers to negotiate variations on collectively negotiated arrangements or to negotiate with their processor individually outside of the authorised arrangements.

It should be noted that growers can supply various companies at various prices. Whilst the contracts may be similar for each supply, they are not necessarily the same, primarily because each buyer can have different product requirement or specification.

It should be noted that all transactions between growers and wholesale traders are subject to the requirements of the Horticulture Code, including requirements concerning mediation.

Other parties affected

Other parties likely to be affected or who might have an interest in the proposed arrangement, fall into three categories

Consumers

Potato industry organizations

Marketing/Buyers

Resellers (Supermarkets)

Consumers of potato products are best served by competitive and efficient markets. Growers groups will need to be able to compete with larger companies in regards to buying or selling their potatoes in fresh, processing and crisping markets.

Authorization is sought to allow negotiation for a sound foundation for doing business for the whole sector, and is not intended to protect or shield the operations of any particular business or the sector from competition. There is no foreseeable detriment to consumers in authorizing the SEPGA to undertake this bargaining process.

Other potato industry organizations within South Australia are unlikely to be affected by an authorization for the SEPGA to collectively bargain with McCain Foods and Safries, as the SEPGA is the only group of growers within South Australia who contract potatoes with these two companies.

Each member of the SEPGA retains the right to decide not to be part of any shared process conducted by SEPGA, but reach an agreement with companies or businesses independently and separately.

Public Benefits of the proposed arrangements

The test for authorization is:

- Whether the proposed arrangement would result, or be likely to result in a benefit to the public;
- or whether that benefit to benefits would outweigh the detriment to the public constituted by any lessening of competition that would result, or be likely to result from the proposed arrangement.

Growers as individuals are always in a weak bargaining position. Large companies use the might and power of their respective world wide resources and knowledge to achieve their aims. It is clear that some security is given to the growers though the use of the collective bargaining process.

The SEPGA considers the collective bargaining approach to be an organized and cost effective means to cover the issue of arranging contract prices and conditions for processing potato crops grown in South Australia.

Individual growers are seen to be in a weak bargaining position and could not be expected to have the negotiating or business skills requires to deal with well resourced, international companies. It would not be practical, or economical, for growers to individually employ negotiators each time they wished to settle a commodity contract. There may be a small cost saving for growers and the companies by collective bargaining, and certainly the efficiency of negotiations will be increased on both sides.

Collective bargaining, though sometimes difficult between the negotiating parties, is intended to provide support and industry stability for grower. This transfers to South Australian growers being able to maintain pace with, and continue to adopt relevant technology. There is always a strong desire for growers to continue to adopt suitable technology for industry achievements and progress.

The practice and open consultation with each of the SEPGA members, by the negotiating committee ensures that a considered grower position is always adopted when the negotiating group meets with companies representatives.

Anti Competitive Detriment

It is unlikely that the activity of growers in collectively bargaining will have any significant effect on consumers.

The SEPGA estimate the grower share of the retail value of the products range from around 14%, depending on the specific potato crop. This means that any increase to the grower prices will only ever be small, relative to the consumer price.

For instance, the delivered factory price being paid to growers of processing potatoes (McCain Foods) is currently around \$290 per tonne. The same potatoes when sold to consumers by a major restaurant in Melbourne will have a value of around \$28000 per tonne. The growers therefore receive less than 1% of the retail value of the product.

The fresh market has no cohesive group of growers who can negotiate with the supermarket buyers, and thus have price dictated to them by merchants and packers who buy their potatoes for resale to the large buyers. In 2012 #1 grade fresh market potatoes were being sold for \$150/tonne at farm gate, and supermarkets were charging over \$2.50 per kilo bag of the same potatoes.

It could also be argued that there is no immediate need for any price increase to be passed to consumers. The level of supermarket discounting which occurs almost on a weekly basis would indicate to the VPGC and to the grower that there is much flexibility in the system.

Coles and Safeway supermarkets regularly offer discounts for frozen and fresh potato products. The price for fresh, brushed potatoes in Coles on the 1st July 2012 was \$1.40/kg and in Safeway for the same variety (Sebago) was \$1.20/kg. For frozen potatoes the price was \$2.85 (discounted by \$90c) in Coles and \$2.50 in Safeway for the same brand of item (McCain French Fries). Growers get less than 3% percent of this cost at farm gate sales.

It could also be argued that there is no immediate need for any price increase to be passed to consumers. The level of supermarket discounting which occurs almost on a weekly basis would indicate to the SEPGA and to the grower that there is much flexibility in the system.

It is the SEPGA's understanding that the processors are required to fund most, if not all of these discounts. Maybe this is a reflection of the buying power of the supermarkets, who are able to extract seemingly ridiculous discounts from the processors, most likely at the expense of the grower.

If South Australian growers and buyers are not able to achieve a realistic return on their investment then it would be expected that Australian consumers would have to perhaps pay more should product have to be imported, perhaps for a lesser quality product. The small grower share

of the retail value of frozen potatoes clearly does not give consumers cause to blame the growers for the price they are asked to pay.

Term of Authorization

Most of the contracts with potato growers are based on seasonal supply. 1 year contract covers one growing season. However a lot of large contracting companies wish to secure their supply for more than one year at a time, and thus 2-5 year contracts have been offered to growers. The longer term contracts have price and conditions fixed for the contract period. The buyers usually reserve the right to adjust the tonnage, if listed on the contract, each year if necessary.

Longer term contract are generally acceptable to both growers and buyers as they provide some stability to the industry.

In order to allow for growers to negotiate longer term contracts where appropriate, and to provide greater certainty regarding the negotiation environment for those growers who negotiate year to year, authorization is sought for an initial period of 5 years.

Appendix A

Current members of the SEPGA and their contact details

BARAKOOLA NOMINEES PTY LTD	ROSS WITTWER	3 Shanks Street	PENOLA	5278
BUCKLEY J & F.L	TERRY BUCKLEY	BOX 215	MT GAMBIER	5290
CORLINGA PARTNERS	MARK PRIDHAM	RMB 738	BORDERTOWN	5268
FERGUSON FARMS	DON FERGUSON	BOX 58	KALANGADOO	5278
GARTNER DAVID P/L	DAVID GARTNER	RMB 67	PENOLA	5277
GLENROY PLAINS P/L	GREG GARTNER	PMB 1	PENOLA	5277
HEYSEN PARTNERS	TIM HEYSEN	BOX 10	KALANGADOO	5278
KUMARA	ANDREW WIDDISON	BOX 14	KALANGADOO	5278
MERRETT K.J & D.M	KEVIN MERRETT	BOX 164	PENOLA	5277
MICHELMORE DH&BA/SONS	STEVE MICHELMORE	RSD 549	LANGHORNE CREEK	5255
PARILLA PREMIUM POTATOES	MARK PYE	BOX 47	PARILLA	5303
ROGERS R.F & M.P	COLLIN ROGERS	BOX 80	KALANGADOO	5278
TERRA NOSTRA PRODUCE	BRUNO GASPARINI	BOX 8123	MT GAMBIER EAST	5291
TIPPETTS SCRUBHILL	JOHN TIPPETT	"WHROO"	KYALITE NSW	2734
TRANTER T.E & P.F	MICHAEL TRANTER	"MORGEN"	KALANGADOO	5278
WIDDISON C.G NOMINEES P/L	TIM / NICK WIDDISON	BOX 63	KALANGADOO	5278
YOUNG G.A & SONS	ROSS/FORREST YOUNG	BOX 90	KALANGADOO	5278

Appendix B

Major buyers of potatoes in South Australia that currently negotiate with growers about price.

McCain Foods

Contact: Ray Nalder

Tel: 03 5339 2241

Address: Wendouree Head Office, Ring Rd Wendouree, VIC 3355

Safries

Ray Nalder

Tel: 03 5339 2241

Address: Wendouree Head Office, Ring Rd Wendouree, VIC 3355