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20th November 2012

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

Dear Richard,

Seed Potatoes Victoria would like to respond to the Draft Determination A91321, lodged by the Victorian Potato Growers Council (VPGC). In this Draft Determination, it was stated that the Seed Price Recommendation would not be granted due to the chance of public detriment due to the chance that it may push seed potato prices higher than competitive level. Seed Potatoes Victoria (SPV) does not agree with this statement.

The process by which the Price Recommendation for certified seed potatoes occurs is very open and transparent. Meetings which are held around the State between certified seed growers, are open and buyers, agents and merchants which deal in seed (both Certified seed and uncertified seed) are welcome to attend.

Discussion of seed price is not only held amongst certified seed growers, but with other seed growers, buyers and contractors. The seed price is one of the biggest inputs into growing a crop of potatoes and is thus a very important part of the decision making process of a ware grower on how much land he will plant down to potatoes for the season, along with his contract with his own buyers and other inputs such as fuel, fertilizer and water availability.

Certified seed growers are exposed to high levels of financial risk. This is because each variety grown needs to be propagated for three to five years. Some growers will have more than fifty varieties. These crops are grown by the seed grower in the expectation that the crop will be sold as Certified seed. What actually happens is that some crops will fail to comply or simply fail at some stage due to disease or virus or climate factors. Seed growers can also be faced with no sales because expected orders may not materialize, resulting in the crop possibly having to be sold as table (ware) potatoes at a much, much lower price. Sometimes the seed potato orders are filled as per plan, but the customer fails to pay. The risks to growing a Certified seed crop are high, but growers persist in doing so. One of the reasons they choose to continue, is the relative security they get from the unity of their organisation and to be able to work within a pricing framework, over which they have some input and control.

SPV sees a great risk in losing the ability to go through the process of arriving at a price recommendation because we are convinced that the removal of such a key component in the system will further undermine the confidence of growers who are already feeling under enormous pressure.

These growers are some of the best in the country and, although they love the job, they may be forced to abandon it.

Despite having confidence and security in the Recommended Price, the reality is, very little Certified seed is actually sold at the Recommended Price developed by the industry. Seed growers often form long-term relationships with their customers and while the Recommended Price is taken into account, there is every opportunity available for individual negotiation between seed buyer and seller, and that is exactly what happens with most growers. Certainly the very large supply chain operators contract the majority of their seed and that is all priced by negotiation with the supplier. Privately owned varieties of potatoes represent a very large part of the business and their price is usually negotiated independently. Quite often seed sold this way will not be certified at all, which lowers the cost, but greatly increases the potential for the spread of disease which is of serious concern for the whole potato supply chain.

There is approximately 60,000 tonnes of certified seed grown in Victoria, and approximately 90,000 tonnes of uncertified seed grown in Victoria. Of the 60,000 tonnes of certified seed, 35,000 tonnes would be proprietary lines (PBR varieties) which are controlled carefully (both tonnage and price) by private companies. The influence of the Recommended Price on the companies own price for their PBR seed which they supply their buyers is minimal, if it is at all relevant.

If the Recommended Price is not allowed to be discussed or issued to growers, buyers and other interested parties in the potato industry, there may be a further decline in the number of Certified seed growers and an increase in market instability due to the uncertainty of what good quality Certified seed should be sold at.

In the past, before the Recommended price, there was clear market power held by the buyers of seed, who would play seed growers off against one another for price. While this still happens in some cases, individual sellers of Certified seed know what 'ballpark figure' their seed is worth on the current market if they have the Recommended Price available. They will then be able to put a value on their Certified seed which will reflect the current market value and therefore will not severely undercut other seed buyers unintentionally, or overprice their product and lose buyers. The confidence in their product's value each year allows Certified seed growers to be able to plan for future Certified seed crops.

Sincerely,

Charles Exton
Chairman.