

20 February 2014

Australian Competition and Consumer Commission
GPO Box 3131
Canberra ACT 2601

Dear Sir/Madam,

Re: Seedvise Pty Ltd application for authorisation A91406

Thank you for the invitation to provide a submission to the above application for authorisation.

The Australian Oilseeds Federation (AOF), is the peak industry body for the Australian oilseed industry, with membership spanning the oilseed value chain from seed breeders and seller, growers, handlers, crushers and oil and meal processors. The AOF also has strong representation and involvement from the scientific community in the fields of plant breeding, plant pathology, agronomy, oil and meal chemical analysis and human nutrition.

The end-point royalty scheme is an important aspect of the grains and oilseed value chain, and is a process that is fully supported by the AOF. The scheme provides an important revenue stream from the ultimate beneficiary of improvements in seed breeding (i.e. the farmer) back to the creator of that improvement (i.e. the seed breeding and/or technology company). Unlike alternate schemes, such as seed royalties (applied to the purchase price of planting seed), or simply higher priced planting seed, the EPR payment is directly proportional to the benefit the grower receives in terms of the volume (tonnage) of the crop harvested.

In relation to the specific questions raised:

- **Do End-Point Royalty programs lead to public benefits, such as increased investment in research and development by variety owners leading to improved crop varieties?**

End-point royalties provide seed breeding companies with the incentive and reward for investing in breeding programs, particularly for open-pollinated varieties of grain, where the value of the breeding work could otherwise be realised only by the farmer. Open pollinated varieties of grain enable the farmer to buy the seed once, and then retain seed from prior harvests for future use, denying the seed company ongoing sales. Without an EPR scheme, there would be little incentive for seed breeding companies to invest in breeding for open pollinated varieties. (Open pollinated varieties provide a sound risk management strategy for farmers as the up front seed cost is less than hybrid seed, and as such form part of a sustainable farming program.

- **Will the Royalty Managers collectively agreeing the terms and conditions of royalty collection agreements, including the amount of the End Royalty collection fee, improve the effectiveness and efficiency of the End Point Royalty Collection system?**

The AOF recognises that agreeing *some* aspects of terms and conditions of end-point royalty collection agreements could improve the effectiveness and efficiency of the scheme, but does not agree that a common, set collection fee would necessarily be a beneficial term/condition.

Moreover, the AOF submits that a flexible collection fee, determined independently by each grain buyer, would be a more effective and efficient outcome. The reason for this view is that the cost of collecting end-point royalty will differ for each grain buyer- for some it will be a low cost, implemented through a flexible, existing IT system, while for others, it will be a relatively higher cost, implemented through a manual handling/data collection exercise.

- **Seedwise submits that a large number of smaller grain buyers do not support the automatic deduction of End Point Royalties from their grower payments. Is a uniform End Point Royalty collection fee, set at a rate agreed by the Royalty Managers, likely to increase the number of grain buyers who agree to automatically deduct End Point Royalties from their grower payments?**

One of the issues faced by the smaller grain buyers in deducting end-point royalties from grower payments is the relatively high cost/extra work associated with the process. If a set end-point royalty fee was applied, it *may* increase the number of grain buyers who agree to automatically deduct end-point royalties from their grower payments, but this will depend on the quantum of the collection fee. (i.e. The collection fee will have to be sufficient to cover the cost of processing).

Rather than Royalty Managers adopting a 'one size fits all' approach, and setting a fixed fee, enabling grain buyers to set a fee commensurate with their respective costs for collection may be a more effective way to encourage smaller grain buyers to participate in the collection process.

- **If the Royalty Managers did not agree a uniform End Point Royalty collection fee would they be likely to compete in relation to the fee or other terms and conditions that they offer in order to attract grain buyers?**

In all likelihood, the presence of a flexible, market driven, end-point royalty collection fee could act as an incentive for grain buyers to participate in the end-point royalty collection process. The flexible end-point royalty could therefore be one of the competitive/marketing tools offered by a Royalty Manager in order to attract a grain buyer to participate.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Nick Goddard', is positioned above the typed name.

Nick Goddard
Executive Director, Australian Oilseeds Federation Inc.