

BOOKHAM AGRICULTURAL BUREAU INC.

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26 March 2008

The Committee Secretary
Senate Select Committee on
Agricultural and Related Industries
Department of the Senate
P.O. Box 6100
Parliament House
Canberra. ACT 2600
Australia.

Dear Senators,

Re: Pricing and supply arrangements in the Australian and global chemical and fertiliser markets

This submission is made on behalf of the Bureau which represents approximately eighty members in and around the Bookham area as well as other parts of New South Wales.

Our members are concerned at the substantial increases in the price of agricultural chemicals and fertilisers, particularly as these increases come at a time when the industry is least able to afford them. The increases in fertiliser prices this year are in the order of one hundred percent and some chemicals have risen as much as three hundred percent. The magnitude of these price increases deserves investigation and we are pleased to support this Senate Inquiry.

While this matter is of immediate concern to farmers and graziers it should be of concern to the wider community. These price increases will eventually flow from grain growers to graziers, to lot feeders and eventually the supermarket checkout.

Our organisation does not have the resources to mount a detailed analysis of the global and domestic fertiliser markets. Accordingly we will have to confine our submission to the issues that we see as areas of concern and hope that your Committee with its greater resources and powers might get to the bottom of this problem.

We are concerned at the perception that a monopoly power is held by Incitec Pivot. That this monopoly power is beneficial to that company is apparent from its profitability and burgeoning share price. On two occasions the Australian Competition and Consumer Commission (ACCC) considered the competitive effects of mergers and acquisitions in the fertiliser industry and came to the conclusion that there would be no lessening of competition. The first such occasion was 2002 when Incitec wanted to merge with Pivot and the second

was when Incitec Pivot wanted to acquire Southern Cross Fertilisers Limited in 2006. One company now has fifty percent of the domestic fertiliser market. Irrespective of the global pressures on the price of fertiliser this cannot be a healthy situation for the consumer.

There are other examples of complacency on the part of the ACCC which have resulted in similar monopoly or near monopoly situations and while these are not part of this inquiry it nevertheless indicates that a review of how the Commission operates might be useful.

The other matter of concern relates to agricultural chemicals. Monsanto used to manufacture Roundup in Australia but closed its plant after losing an anti-dumping case against cheap Chinese imports. Now China can hold the world to ransom as it is the only manufacturer of this chemical. Is this another example of Australian industry closing because it cannot compete with a lower cost manufacturer only to find that in the longer term we are all worse off? Or are our free trade policies being exploited for the unjust gains of international companies?

We make these submissions in the knowledge that we have not been able to supply answers to these complex issues but we do so in the hope that our support of Committees such as yours will eventually cause a shift in the way we think about some of these problems.

Yours sincerely,
Tony Reeves.
Secretary.