

18 April 2019



Mr Thomas Leuner
General Manager
Merger Investigations Branch
Australian Competition and Consumer Commission
GPO Box 3131
Canberra, ACT, 2601

By Email: mergers@accc.gov.au

RE: Submission on Ruralco Holdings Limited (Ruralco) proposed acquisition by Nutrien Ltd (Landmark).

Dear Mr Leuner

The National Farmers' Federation (NFF) welcomes the opportunity to provide a submission to the Australian Competition and Consumer Commission's (ACCC) investigation into the proposed acquisition of Ruralco Holdings Limited (Ruralco) by Nutrien Ltd (Landmark).

The NFF is not in a position to provide views on the specific questions raised in the Request for Submissions regarding the commercial impact and implications of Ruralco's proposed acquisition by Landmark.

Rather, the NFF would emphasise the importance of strong ongoing investment, healthy competition, and equitable contractual arrangements for increasing the productivity of Australian agriculture. The NFF 2030 Roadmap identifies the actions, agreed by industry, which the sector needs to take to achieve \$100 billion farm gate returns by 2030. These include enhancing the ability of agricultural businesses to source capital, and implementing value chain technologies and processes that inform prices and strengthen market signals. The NFF therefore recognises that investment in Australian agriculture – particularly long-term and ongoing investment – is critically important to the continued growth of the sector.

The NFF also acknowledges, however, the importance of healthy competition within the sector. Any situation in which a single firm dominates the market for a particular agricultural input is likely to give that firm excessive price-setting power. If farmers and agribusinesses have limited or reduced access to alternative sources of inputs, it increases the ability of the dominant firm(s) to raise prices in the knowledge that their customers have no alternative suppliers. The NFF does not view this as healthy competition.

We note that the implementation of competition policy has failed to achieve the outcomes sought in many markets, most notably the energy markets, and we believe that the food supply chain is another where there has been a detrimental influence of a small number of large players impacting on the market. Noting the significant concentration within food

supply chains, and the inferior bargaining power of small businesses such as farmers, we believe there needs to be a focus on:

-) Access to justice – including affordable avenues to arbitration and dispute resolution for farmers
-) Workable provisions with the ACL that deal with the monopsony-like power of supermarkets and processors, including the review and reform of unconscionable conduct provisions; and
-) An absolute focus on ensuring procedural and substantive fairness for small businesses and farmers who are forced to participate in highly concentrated markets that are defined by uneven power relationships.

Landmark and Ruralco are both suppliers of the following products:

-) Rural merchandise retailing and wholesaling;
-) Livestock and stud stock agency;
-) Live export;
-) Wool broking;
-) Real estate agency;
-) Insurance; and
-) Financial services.

These two firms have a combined 331 storefronts in Australia. So, while the NFF makes no particular comment on whether this acquisition restricts competition in the industry, or has any impact on the provision of storefronts we would like to ensure any acquisition would not give any single firm excessive price-setting power. The NFF is of the view there should be an increase rather than a decrease in the service capacity of the sector to enable growth and improve the competitiveness of farm business across Australia. We note that the market for a range of these services is broad and product offerings differ from region to region and there is a large number of independent providers outside the major corporate organisations.

We do note concerns raised by Livestock South Australia, quoted below and which have been in general echoed by some other NFF members, regarding the potential commercial impact of Landmark's acquisition of Ruralco.

‘A major concern for livestock producers in South Australia is that the acquisition will result in less retail outlets and a likelihood of a reduction in the number of products available to producers for use on their properties. While there may be cheaper prices, it is this availability of products that is of most concern. Currently there is a relatively comprehensive range of animal health, crop protection products, fertilisers and general rural merchandise available to producers. The effective use of these products often depends on specific seasonal conditions, diagnosis of animal health problems, the specific outbreaks of plant pests and diseases, and so on. Producers find that no one product is entirely effective in all instances and having a wide range of products is essential to cover all circumstances.

In addition to less lines being available, it is expected that the acquisition will result in a lessening in service through a reduction in the range of quantities of the products. A

certain product may only be available to purchase in bulk when all that is required is a small quantity. If these products have short use-by dates, it may not be cost effective to buy in bulk quantities when needed for a small job – and this can lead to difficulties for the producer when there is no alternate supplier.

... The Landmark acquisition of Ruralco will lead to a reduction in competition at saleyards (some of which are owned by these or similar companies) further affecting competition in not only cattle and beef sales, but also sheep and other livestock sales. This reduced competition will be translated in most other selling options. With less bidders, prices will in most instances be lower.

There are also several more general concerns;

In South Australia, CRT is the second largest supplier of rural products and after the merger Landmark will have a much higher proportion of the trade, leading to less competition. CRT is one of the brands under which Landmark operates its rural supplies businesses.

The comments of one member succinctly reflect the concerns of many:

“I currently have the ability to access three separate rural supply businesses within easy reach, as well as Elders and Landmark. With an amalgamation, I would be limited to just two. All facets of rural support are affected, from agronomy through grain marketing, real estate, livestock, chemicals, merchandise, and so on. Those farmers I have spoken to are 100% opposed to the takeover. They are all concerned that there will be a reduction of local services, and open competition, and are not confident that Landmark will keep the access to local services that is available at present. All indicators are pointing to a less robust, less competitive rural services sector.”

From a local community perspective, where there have been both Landmark and Ruralco businesses in a town, there will be rationalisations and decisions on which will close, and this will have implications affecting not only clients but local communities. Branch closures will clearly lead to disruption of staff and job losses.

There will obviously be complexity with the changeover with franchises and independent ownership of some Ruralco businesses and what happens may depend on agreements currently in place. It is anticipated that it will be the independent ownerships by local people employing other local people who will be most under threat and these businesses may just close with nothing replacing them.

In addition, CRT has a reputation of being good sponsors of local sporting clubs and activities and losing this may even place clubs and activities in jeopardy of not being able to continue, leading to further losses in small communities. This will be a direct response to a diminution in competition.

Livestock SA urges the ACCC to reject Landmark’s proposed acquisition as it will substantially lessen competition in the rural services sector, and this will severely affect the productivity and profitability of livestock producers as well as being detrimental to rural communities.’

In summary, the NFF makes no comment regarding the commercial impact of the proposed acquisition of Ruralco Holdings Limited by Nutrien Ltd. We do, however, wish to stress the importance of substantial and ongoing investment in Australian agriculture and of healthy competition in agricultural markets. We understand that a conflict between these two goals may sometimes arise. These conflicts must be resolved on a case by case basis.

Should you have any questions with regard to this submission, please do not hesitate to contact Dr Prudence Gordon, General Manager Trade and Economics at pgordon@nff.org.au or on 0404670434.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tony Mahar', with a stylized, cursive script.

TONY MAHAR
CEO