

30 April 2017

Australian Competition and Consumer Commission  
Attention: Andrew Gallagher  
By email

Dear Mr Gallagher

**Response to the Statement of Issues re: AGT proposed acquisition of InterGrain**

GrainGrowers has considered the statement of issues released by the ACCC and reiterates it is not opposed to the acquisition proceeding (with certain undertakings) as it will provide long term stability to barley breeding and will preserve essential germplasm in an Australian breeding program. GrainGrowers also concurs with the ACCC's view that the acquisition is unlikely to raise concerns about competition in wheat breeding in Australia.

GrainGrowers recognises the loss of competition in barley breeding which would result from this acquisition, and under many situations would oppose any lessening of competition in the marketplace. However in this case, as it appears InterGrain's future is uncertain given its financial situation, the worst possible outcome is that the company closes with valuable breeding programs and germplasm potentially lost to the industry. The exit of other companies and organisations from plant breeding outlined in the statement of issues suggests there are unlikely to be new entrants into the market, nor many alternative buyers for InterGrain. Accordingly, GrainGrowers believes a specific undertaking by AGT to provide open access to AGT germplasm for crossing purposes for a period of time (eg 10 years) is important to ensure that the germplasm remains available to Australian growers.

On the matter of end point royalties (EPRs), GrainGrowers shares the ACCC's concerns about the impact of less competition on the level of EPRs. Clearly this acquisition exacerbates an existing problem and could lead to increasing EPRs unless there are specific undertakings given as part of the acquisition process. Growers recognise the need for plant breeding companies to get a return on their investment through EPRs. Growers also believe it is essential that EPRs reflect the quality of varieties being released into the market and are willing to pay for new varieties which deliver to specification in a production environment. To this end, GrainGrowers seeks an undertaking by AGT to cap existing barley EPRs at existing levels for a period of time (eg 10 years) and proposes the ACCC provide a level of independent oversight in relation to all EPRs.

In our previous submission, GrainGrowers expressed its concern about the price differential between the market seed price charged by the breeding companies and the price these companies pay to the seed growers. Similar to setting EPRs, as the market becomes more concentrated, the negotiating position of an individual grower lessens and the price paid for seed is essentially at the discretion of breeding companies. GrainGrowers requests the ACCC also consider this aspect of the acquisition.

I would be happy to provide further information and can be contacted on 02 9286 2000 or by email.

Yours sincerely



David McKeon  
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Grain Growers Limited