



WA FARMERS

Submission to:

Australian Competition and Consumer Commission

ChemChina's proposed acquisition of Syngenta

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Prepared by:

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The Western Australian Farmers Federation (Inc.) (WAFarmers) welcomes the opportunity to comment on ChemChina's proposed acquisition of Syngenta. In response to the question in the Market Inquiries letter, WAFarmers offers the following comments:

1. Please provide a brief description of your business or organisation.

WAFarmers is the state's largest and most influential rural advocacy and service organisation. WAFarmers represents around 3,000 Western Australian farmers from primary industries, with the majority being grain growers. As the largest WA rural advocacy group, our members are responsible for approximately 35 per cent of the overall grain production in WA.

2. Please outline the reasons for your interest in the proposed acquisition, including any commercial relationships with Syngenta, ChemChina or Adama.

WAFarmers interest in the acquisition is on behalf of our members that utilise the products and services offered by Syngenta and Adama in their businesses.

3. If you purchase pesticides, herbicides, fungicides or seeds from any of these parties, please describe the type of purchases that you make.

Our members include broadacre cropping, livestock production, as well as the horticultural and dairy sectors. They would utilise a wide range of products available from all agricultural businesses, including pesticides, herbicides, fungicides and seeds.

Questions for users and retailers of agricultural chemicals

4. To what extent can ChemChina's (Adama's) and Syngenta's products be used for the same purpose or otherwise be substituted for each other?

A number of products offered by Adama and Syngenta have the same active ingredients, and therefore could be substituted.

These include a number of actives that are no longer on patent, including herbicides, insecticides, pesticides such as paraquat, diquat, azoxystrobin, tebuconazole, pirimicarb, to name a few. A list of products, including the g/kg of active constituents, was not able to be compiled during the consultation period. However there are a significant number of active constituents that are sold by both Adama and Syngenta.

The level of substitution will depend on the availability of the product in the area, the price of the products, efficacy of the generic versus label chemical, as well as the ability for each chemical to tank mix.

A grower will generally use a product that is readily available, that suits their production system, and that is cost effective, with fewer resistance issues than the other options.

5. For any of the products identified in response to question 4, if the price were to increase by 10% are customers likely to switch to other products? If so, are they likely to switch to:

A customer would switch, depending on the availability of the alternative chemicals in the area, as well as the comparative price differences in the products.

- a) the same chemical produced by a different supplier or;

A customer would switch between suppliers, depending on their proximity to alternative suppliers, and the efficacy of the active constituents. This would also depend on the g/kg of active, and the rates required to provide the same level of control or management.

- b) an entirely different chemical produced by a different supplier?

A customer may switch chemical compounds, depending on their rotations, levels of resistances, and any differences in withholding periods or other factors that would impact on their production system.

6. If growers switch chemicals or chemical suppliers are they likely to face any costs in doing so?

It is unlikely, however possible if the customer has specific contractual obligations.

7. To what extent do originator chemical companies (such as Syngenta, Bayer and Monsanto, who develop their own chemicals) compete with companies who produce generic products (such as Adama, which focus on producing off-patent chemicals)?

Generally speaking, once an active compound is off patent, the originator chemical company will need to adjust pricing mechanisms to ensure they remain competitive with generic products. However there is variable uptake of generic actives, as there have been issues with variable quality and the reliability and stability of the active.

In answering this question, please consider:

- a) the extent to which the original branded version of a patented product is favoured over a generic version of this same product even once patents have been lifted, and why

Customers view the original branded version as somewhat more reliable, as they may have been using the brand for a number of years before the generic is available. There have been issues with generic reliability and quality issues, and that may lead to favouring the branded chemical.

- b) the difference in the formulation and application of branded products compared to generic products

There can be differences in the quantity of the actives between branded and generics, as well as the approved usages of those formulations. There may be greater approved uses between branded and generic actives.

c) the price of branded products compared to that of generic products

The generic brand is usually cheaper, however this also depends on the availability of alternative suppliers in the area of the customer.

d) the effectiveness of branded products compared to generic products.

Efficacy of actives is a significant concern for farmers, as there is anecdotal evidence of generic active compounds dropping efficacy following approval into the country. The issue of contaminants is also an influential factor.

8. How far will growers travel to acquire agricultural chemicals? Would growers be likely to source chemicals from further away in response to an increase in price?

Growers will utilise local competition to ensure that their business is as effective as possible. Growers will also back load from larger areas, such as Northam, Merredin, Esperance, Albany, Geraldton and Perth, if they already have transport in those areas. Growers will source chemicals from further away, if it is cost competitive to do so.

However growers also rely on the availability of local products, as it generally suits their immediate requirements. While growers would prefer to support local businesses, they are willing to shop around to ensure the local businesses do not have a monopoly on the local chemical market.

9. Are there any especially vigorous or effective competitors in the industry, in terms of price discounting, promotional activity, product innovation or new technologies? Does this vary across different active chemical ingredients or crop protection product type (i.e. herbicides, pesticides and fungicides)?

Questions for retailers of agricultural chemicals

Not applicable.

Questions for producers of agricultural chemicals

Not applicable.

Other information or competition issues

No additional comments.