



Submission to:

Australian Competition and Consumer Commission

Proposed merger of Dow Chemical Company and E.I. Du Pont de Nemours and Company

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The Western Australian Farmers Federation (Inc.) (WAFarmers) welcomes the opportunity to comment on the proposed merger of Dow Chemical Company and E.I. Du Pont de Nemours and Company. 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 relationship/s with either Dow or DuPont.

WAFarmers interest in the acquisition is on behalf of our members that utilise the products and services offered by Dow and DuPont.

Questions for users and retailers of agricultural chemicals

3. To what extent can Dow and DuPont's products be used for the same purpose or otherwise be substituted for each other? [please list them]

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.

4. 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 providing 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.

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

It is unlikely for the grower to experience price increases on the purchase of chemical. However, if the quality of the active ingredient declines, a grower will experience an increase in cost due to being required to purchase more chemical. This is not just an additional cost to the producer, but also a loss in farm productivity. The reliability, consistency and cost of chemicals are key factors that dramatically influence producer purchasing behaviours.

6. 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.

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.

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 has been raised by our membership, this not only proposes issues with potential crop damage, but also impacts that may be experienced to chemical application equipment. There needs to be measures in place that ensures the quality of chemical actives, but also the amount of active present is represented in the cost being incurred by the producer. Producers often purchase patent chemicals as labels clearly state the ingredient breakdown, this regulation may also need to be applied and enforced in generic space to provide product certainty and transparency.

7. 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, insecticides and fungicides)?

Questions for retailers of agricultural chemicals

Not applicable

Questions for producers of agricultural chemicals

Not applicable.

Questions for customers and retailers of seeds

No additional comments.

Performance materials (material science) including high pressure ethylene derivatives

Not applicable.

Speciality products – carboxymethylcellulose (CMC) and semiconductor packaging

Not applicable.

Other information or competition issues

No additional comments.