



Your strong and independent voice for livestock producers

9L040

5 April 2019

Tom Leuner
General Manager
Merger Investigations Branch
Australian Competition & Consumer Commission
GPO Box 3131, CANBERRA ACT 2601
(By Email: mergers@acc.gov.au)

Dear Mr Leuner,

Submission re: Landmark – Ruralco attention Matthew Thomas

Livestock SA was formed in 2013 to represent the interests of beef cattle, sheep and goat producers across South Australia. Currently Livestock SA has in excess of 3,500 members.

The Livestock SA Board, comprising ten elected producers from various parts of South Australia, canvassed members and others involved with livestock in South Australia to get feedback on Landmark's proposed acquisition of Ruralco and how this may affect individual producers, regions and the whole industry.

This engagement has highlighted widespread concerns about the reduction in competition, with some of these concerns specific to livestock production as well as some more general concerns.

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.

In 2016-17 the ACCC's Agriculture Unit conducted a market study of the cattle and beef sector. The market study examined competition, transparency and efficiency in cattle and beef supply chains. The ACCC study highlighted shortcomings in price reporting, a lack of trust in the carcase grading system, and concerns about

anti-competitive conduct affecting competition in cattle and beef sales. 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.

For more information or to discuss this matter further, please contact Livestock SA's Chief Executive Officer Andrew Curtis on 8297 2299 or acurtis@livestocksa.org.au.

Yours sincerely



Joe Keynes
President