



Australian Government
Department of Agriculture
and Water Resources

DEPUTY SECRETARY

Ref: EC19-000139

Mr Jason Lange
Executive Director
Office of Best Practice Regulation
Department of the Prime Minister and Cabinet
1 National Circuit
BARTON ACT 2600

Email: helpdesk-OBPR@pmc.gov.au

Dear Mr Lange

REGULATION IMPACT STATEMENT – FINAL ASSESSMENT SECOND PASS

I am writing in relation to the attached Regulation Impact Statement (RIS) prepared to inform a decision by the Australian Government about how to address concerns about unfair or anti-competitive business practices by dairy processing businesses in their dealings with dairy farm businesses. The regulatory burden to business, community organisations and/or individuals has been quantified using the Regulatory Burden Measurement framework.

I am satisfied that the RIS addresses the issues raised in your letter of 13 February 2019.

I note your assessment regarding the existence of pervasive market failure, broader equity issues, and a prescribed mandatory code's potential to put further downward pressure on price. The RIS now recommends to decision-makers further impact analysis on the micro- and macroeconomic outcomes that could arise from the implementation of the preferred option, specifically:

- the practical effect of a mandatory code on the business operations of various-sized industry participants (small and large dairy farmers and small and large processors)
- the impact of a mandatory code on farmgate price and overall market operation
- examination of the larger market forces that led to power imbalances in the dairy industry.

The RIS now describes how the obligations under the preferred option would address the problems of power imbalance, unfairness and deterrents to farmers responding to market signals (refer page 32).

To address your recommendation that downside risks should be made clearer to ensure decision-makers can make an informed decision, the considerations and risks in the analysis of a mandatory code (option 3 and option 4) have been expanded regarding

industry codes of conduct more broadly and their inability to address higher-level structural issues in a market.

Accordingly, I am satisfied that the RIS now meets best practice consistent with the *Australian Government Guide to Regulation*.

I submit the RIS to the Office of Best Practice Regulation for formal final assessment.

Yours sincerely

A handwritten signature in blue ink that reads "Cindy Briscoe". The signature is written in a cursive style with a large initial 'C'.

Cindy Briscoe

15 February 2019