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MEDIA RELEASE

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ACCC EXAMINATION OF FERTILISER PRICES

The Minister for Competition Policy and Consumer Affairs, Chris Bowen MP, today released the Australian Competition and Consumer Commission's (ACCC) report on fertiliser prices.

The ACCC has conducted an informal examination of fertiliser prices and, in particular the reasons for dramatic increases in domestic fertiliser prices. As part of this examination, the ACCC considered the key factors underlying the increase in the price of fertilisers supplied in Australia.

As part of this examination, the ACCC received voluntary submissions from fertiliser suppliers, industry associations and representative bodies of end user groups, including the peak national farming group.

The ACCC concluded that significant rises in fertiliser prices in Australia are mainly attributable to rapidly increasing global fertiliser prices.

It was found that these international price increases have been caused by a substantial increase in world demand for fertilisers associated with an expansion in agricultural production (particularly grains for food, feed for livestock and bio-fuels) and by rises in costs of production associated with the increasing cost of energy. This has been occurring in a market where the global supply capacity is limited in the short-to-medium term.

The ACCC also noted concerns among interested parties in relation to the operation of fertiliser markets in Australia during the period from late 2007 to early 2008. Much of the conduct that raised concerns arose because of a deficiency in short-term supply associated with an unexpected bringing forward of domestic demand by end users due to improved growing conditions which occurred in the context of rapidly increasing world prices.

The Government notes that the Senate Select Committee on Agricultural and Related Industries is currently investigating similar issues in the fertiliser industry, as requested by Senator Heffernan. The committee is due to report on 16 October 2008.

The report is available on the ACCC website via the following link
<http://www.accc.gov.au/content/index.phtml/itemId/810233>.

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