



Inquiry into Microeconomic Reform in Western Australia

Potato Marketing

ISSUE

The potato industry in Western Australia remains highly regulated.

It is illegal to sell fresh potatoes grown within Western Australia for human consumption ('ware potatoes') without a licence from the Potato Marketing Corporation, which is a statutory marketing organisation of the Western Australian Government.

These regulations were established after the Second World War to ensure supply and to control prices. The ERA considers the restrictions on potato marketing are no longer necessary. The Western Australian ware potato market is one of only two regulated agricultural industries remaining in Australia.

These restrictions increase the incomes of potato growers in Western Australia.

However, this occurs at the expense of Western Australian consumers, who pay higher prices than they would otherwise, have a limited choice of potato varieties, and endure poor product quality.

The restrictions have also constrained productivity growth in the industry.

WHAT WE RECOMMENDED

The ERA recommended that the Government repeal the *Marketing of Potatoes Act 1946* and *Marketing of Potatoes Regulations 1987*.

WHY WE RECOMMENDED THIS

The ERA found that the *Marketing of Potatoes Act 1946* and the *Marketing of Potatoes Regulations 1987* impose a net cost on the Western Australian economy.

We estimate that the net cost of the regulated potato market to the State economy will be \$33 million over the next 15 years.

Deregulation of the industry would lead to a net benefit to the economy.

BENEFITS OF REFORM

Consumers receive a benefit of \$44 million resulting from lower prices, increased production and improved quality and choice.

Further benefits include increased retailer profits, of which \$2.5 million is expected to remain in Western Australia.

Continued regulation of the potato market will cost the Western Australian economy around \$33 million over the next 15 years.

The seed potato industry¹ is expected to benefit from increased export profits, better international competitiveness and greater potential for expansion. These benefits are valued at \$3.18 million.

Potato growers benefit \$11.7 million from removed administration costs and expanded production resulting from improved productivity.

¹ Seed potatoes are specially grown, high health tubers used to grow further crops of ware, processing or seed potatoes.

Regulation has resulted in consumers paying higher prices than they would have otherwise, having only a limited choice of potato varieties, and enduring poorer quality produce.

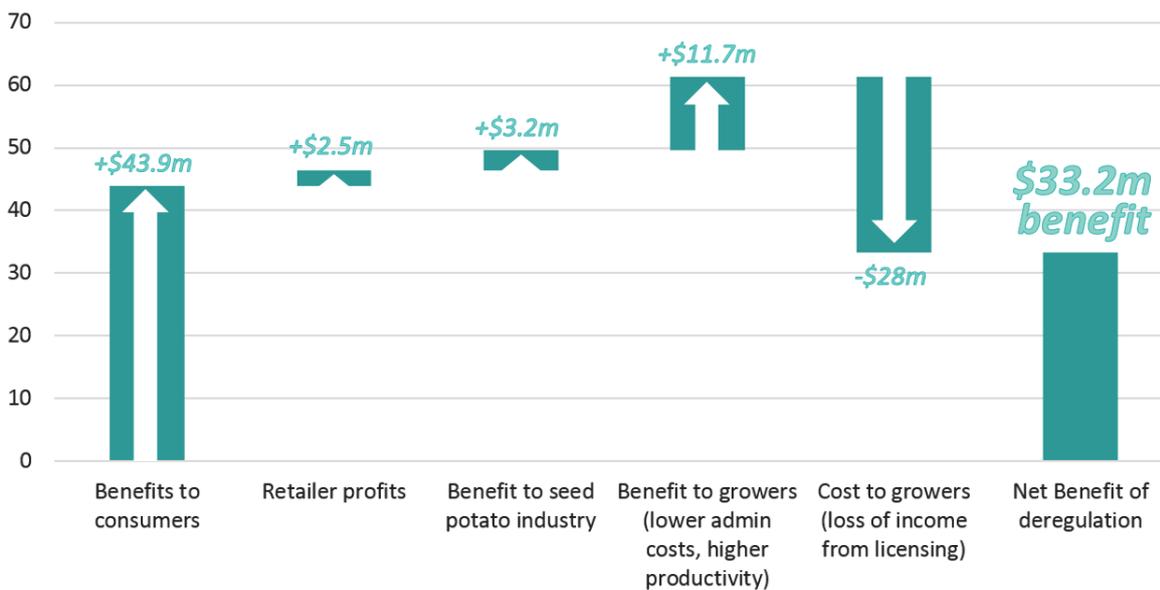
COSTS TO INDUSTRY

Growers will benefit from the removal of administration costs, and opportunities to expand production that reform will bring.

However, this will be offset by a loss of income associated with the removal of Domestic Market Entitlements (licenses to grow ware potatoes).

This loss of income is valued at \$28 million. When offset against the benefits of deregulation, this results in a net cost of reform to growers of \$16 million.

NET BENEFIT OF DEREGULATION TO WESTERN AUSTRALIA



This fact sheet is part of a series on the ERA's 2014 Inquiry into Microeconomic Reform in Western Australia

The full report and additional fact sheets are available at erawa.com.au

CONTACT US

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