

Australian Dairy Industry

Represented by: Australian Dairy Industry Council Inc.
and Dairy Australia

Submission to:

The Joint Standing Committee on Treaties
regarding the Trans Pacific Partnership

Contacts

March 2016

ADIC: David Losberg – Senior Policy Officer, Australian Dairy Farmers
03 8621 4209 | dlosberg@australiandairyfarmers.com.au
Level 2, Swann House, 22 William Street, Melbourne, Victoria 3000

Dairy Australia:
Robert Pettit – Manager Trade Policy, Trade and Industry Strategy Group
03 9694 3715 | rpettit@dairyaustralia.com.au
Level 5, IBM Centre, 60 City Road, Southbank Victoria 3006

The Australian Dairy Industry (the Industry)

The dairy industry is one of Australia's major rural industries. Based on the farmgate value of production it is ranked third behind the beef and wheat industries.

There are approximately 6,100 farmers who produced 9.731 billion litres of milk in 2014-15. Slightly under 40 per cent of this total production was exported, encompassing a wide range of value added and innovative dairy products; generating export income of \$2.9 billion.

The dairy industry is the largest value added food industry, contributing \$13.8 billion at wholesale to the economy and employing directly an estimated 39,000 people on farms and in the processing of milk. Dairy processing and service industries are largely based in regional areas, thus generating significant employment and economic activity in regional Australia.

More than 100,000 Australians rely on dairying for their livelihoods, including veterinarians and animal nutritionists, scientists, transport industry (drivers and mechanics), financial advisors and feed suppliers. Approximately 97 per cent of Australian dairy farms are family owned businesses.

Australia's dairy quality and safety processes are among the best in the world matched by a reputation as a reliable and innovative supplier. Dairy is a highly nutritious food with a diverse and growing range of ingredient applications.

With a farm gate value of \$4.7 billion in 2014-15, dairy is a major contributor to the economic and social fabric of regional Australian communities especially in the south-east and also to the national economy in view of the downstream linkages to the retail and food service industries and exporting.

Our Industry has the potential to grow substantially over the next decade to meet growing domestic and international demand. Realising this growth potential and expanding the industry's economic, social and environmental benefits depends on an open and transparent trading system and regulatory environment.

The Industry welcomes the opportunity to present this submission on the Trans Pacific Partnership (TPP). This is a joint submission from the Australian Dairy Industry Council (ADIC) and Dairy Australia (DA).

The ADIC is the national peak policy body for the Australian dairy industry and represents all sectors of the Industry on issues of national and international importance. Its constituent organisations, the Australian Dairy Farmers Limited (ADF) and the Australian Dairy Products Federation (ADPF), represent the interests of dairy farmers and processors and traders respectively.

Dairy Australia is the dairy farmer funded and owned services company, limited by guarantee, whose core stakeholders are farmers, processors and industry associations.

Background

The TPP involves Australia and 11 other countries representing almost 40 per cent of world GDP (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam).

These countries include important dairy export markets – Japan, Singapore and Malaysia, as well as competitor suppliers - New Zealand and the USA. Australia does not have free trade agreements with Canada, Mexico, and Peru. There is considerable dairy trade growth potential.

Australia exports dairy products to all eleven other TPP countries – between 250,000 and 300,000 tonnes valued at around \$US1 billion per year.

Comments

The ADIC has previously acknowledged the completion of negotiations under the TPP, noting modest but important gains made for the Australian dairy industry in improving access to global markets and the subsequent benefits to the Australian economy.

The TPP continues a historic period of increased trade liberalisation over the past few years.

The Industry appreciates the sustained commitment of the Federal Government to create a twenty-first century agreement by removing both tariff and non-tariff impediments to the trade in goods. Imports of dairy products has grown rapidly in a number of the TPP countries over many years.

TPP, when implemented, will create export opportunities for the Australian dairy industry. Specifically, there is the potential to grow exports to Canada, Japan, Malaysia, Mexico, Peru, United States and Vietnam.

Of most value within TPP markets is Japan. Japan is traditionally the most valuable dairy export market to the Australian industry, with nearly 50 per cent of the value of Australian dairy exports to TPP countries exported there (\$483 million in 2014/15).

Japan is the Australian Industry's most important cheese export market. This status is under threat from dairy products of United States (US) origin. US product into Japan is subsidised by the dairy farmer funded Cooperatives Working Together (CWT) export subsidy program.

TPP was originally envisaged as creating both a free trade region for dairy products within a relatively short implementing period and sustainably enhancing the profitability of exporting; thereby raising returns to the dairy supply chain in Australia.

Over time TPP will achieve these goals in some areas, although it should be noted that in many export markets of potential gain there is retention of tariffs and pervasive non-tariff barriers to trade.

Whilst tariffs and quotas are generally transparent and declining over time, the range of behind the border (non-tariff) measures have a significant impact on profitability. Examples include product labelling, age and testing requirements; certification of dairy products and food safety rules and more broadly, a lack of adherence to sound science principles in the regulatory decision making process.

TPP has made constructive steps to address and facilitate the resolution of these measures through an innovative chapter on regulatory cooperation and the Industry welcomes this outcome, but notes that the reality is yet to be tested.

One particular matter of concern that complicated achieving a transparent and commercially meaningful outcome from entry-into-force was the less than full adherence to the plurilateral negotiating concept.

The US regarded dairy as a sensitive product and negotiated bilaterally to the overall detriment of a comprehensive outcome on dairy.

In addition, the prohibition on government financed export subsidy schemes was not extended to privately financed schemes, which cooperatively owned processors in the US can take advantage of.

The Industry remains adamantly opposed to any “re-negotiation” of the Agreement, including through the implementation process. If this were to happen there is the real prospect of unravelling a carefully crafted and balanced agreement amongst the twelve countries involved (the dairy industry notes the growing interest in joining TPP by countries outside the current membership).

If re-negotiation were initiated by any party, and were to occur, a major opportunity for realising the economic potential of the Pacific Rim could be lost.

Conclusion

TPP presents an opportunity to be part of a trade agreement that represents almost 40 per cent of world GDP, including important dairy export markets; an opportunity that cannot be missed. The dairy industry appreciates the efforts of the Australian Government in continuing to seek trade agreements that benefit the Australian economy.

The dairy industry notes the potential for a Regional Comprehensive Economic Partnership (RCEP) and the historic opportunity this presents to address a whole range of distortions across a number of countries.

This will help ensure that consumers throughout the region have access to the safe, high quality products available from the participating countries and potentially lay, along with the TPP, the groundwork for negotiation of a Free Trade Agreement of the Asia-Pacific.