

## **Australian Dairy Industry**

Represented by

Australian Dairy Industry Council Inc.

and Dairy Australia

In response to

## **Inquiry into Australia's Trade and Investment Relationships with Countries of the Middle East**

### **Contacts**

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## **The Australian Dairy Industry**

The dairy industry is a \$13 billion farm, manufacturing and export industry. Australia's 6,400 dairy farmers produce around 9.2 billion litres of milk a year. 43,000 Australians are directly employed on farms and in dairy processing. More than 100,000 Australians rely on dairy for their livelihoods. Ninety-eight percent of Australian dairy farms are family-owned businesses. Our dairy quality and safety processes are among the best in the world.

Australian dairy makes a vital contribution to the national economy. With a farmgate value of approximately \$4 billion, dairy enriches regional Australian communities. Australia is the fourth largest dairy exporter in the world, accounting for 7% of global trade. More than 40% of milk production is exported, and Australian exports are worth around \$2.7 billion a year. More than 125 Australian companies export dairy.

Our industry has the potential to grow substantially over the next decade to meet increasing domestic and international demand. Realising this growth potential and expanding the industry's economic, social and environmental benefits depends on a positive national and international operating environment.

This is a joint submission from the Australian Dairy Industry Council (ADIC) and Dairy Australia.

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 – Australian Dairy Farmers Limited (ADF) and the Australian Dairy Products Federation (ADPF) – represent the interests of dairy farmers, manufacturers, processors and traders across Australia.

Dairy Australia is the dairy industry-owned R&D service company, limited by guarantee, whose members are farmers and industry bodies, including the ADF and the ADPF.

The ADIC appreciates the opportunity to provide a submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade inquiry into Australia's Trade and Investment Relationships with Countries of the Middle East.

### *The nature of Australia's existing trade and investment relationships with countries of the region*

Australia has a long history of trading, investment and collaboration in the region. The Australian Dairy Corporation subsidiary AustDairy Ltd was active in the region until the mid-1990s, in particular through a joint venture and technical support capacity into Saudi Arabia. The Middle East has also been a valuable export market for the Australian dairy industry, demonstrating robust growth between 2008 and 2012. However, Australian dairy exports to the region decreased by 6 percent in 2013 to 80,881 tonnes. The United Arab Emirates is the top Middle Eastern buyer of Australian dairy products, as both an end market and redistribution point for near markets. In 2013, it purchased over a quarter of total Australian dairy exports to the region; exports to this nation are largely concentrated in mixtures and skim milk powder (SMP). Other important export markets include Saudi Arabia, Bahrain, Kuwait and Oman, with mixtures, SMP, butter and cheese featuring heavily.

### *Emerging and possible future trends in these relationships*

In a price-sensitive region such as the Middle East, Free Trade Agreements (FTAs) will have enormous influence in trade and investment relationships. FTA negotiations with the Gulf Cooperation Council (GCC), comprising Australia's top dairy customers in the region including Bahrain, Kuwait, Oman, Saudi Arabia, and the United Arab Emirates as well as Qatar, commenced in July 2007. Australia is one of a number of countries negotiating FTAs with the GCC. Of concern to the Australian dairy industry is the potential for competitors such as New Zealand, who is also involved in long-standing negotiations with the GCC, to complete a trade deal before Australia and gain a commercial advantage within the region. Also of concern is the potential for EU countries to focus additional exports into Middle East markets when production quotas are removed in 2015.

### *The role of government, including DFAT and Austrade, in identifying new opportunities and assisting Australian companies to access existing and potential opportunities in the Middle East*

While FTAs will play an important role in carving future trade patterns between Australia and the Middle East, it is far from the only opportunity to strengthen and improve Australia's presence in these dairy markets. The Department of Agriculture's (DoA) Agricultural Counsellor program is also very useful in its ability to assist the Australian dairy industry in overcoming technical market access issues. Agricultural Counsellor posts play a major role in Australia's efforts to: remove or lower market access barriers for agricultural products; facilitate trade; monitor emerging international issues; help resolve quarantine issues; and, provide briefings and assist with visiting delegations. DoA Agricultural Counsellors are able to more effectively engage directly with local officials and government representatives to address access issues as they arise, and work proactively to identify and prevent non-tariff barriers affecting dairy. This network should be expanded to increase regional coverage in the Middle East, particularly in emerging markets such as Saudi Arabia.

### *Dairy Australia In-Market programs*

Annual Dairy Australia seminars are held in a number of key Middle East markets each year. These markets include the United Arab Emirates, Saudi Arabia and others. Technical and marketing presentations are designed to update customers on the Australian industry situation and world dairy market analysis.

The Australian dairy industry believes it is important to continue to create and deepen meaningful trade relationships with countries in the Middle East, and has noted strong potential for growth in exports to markets in this region.