

**Australia – United Arab Emirates Comprehensive
Economic Partnership Agreement
and
Gulf Cooperation Council Free Trade Agreement**

Submission

COMMERCIAL-IN-CONFIDENCE

May 2022

Australian Dairy Industry

The dairy industry is the third largest rural industry in Australia and is a key sector of the rural and agricultural economy. Dairy generated \$4.7 billion in farmgate value in the 2020-21 financial year with the sectors exports totalling \$3.3 billion for the same period. Australia is a significant exporter of dairy products. It ranks fifth in terms of world dairy trade, with a five per cent market share behind the United Kingdom, New Zealand, the European Union, and the United States.

The Australian Dairy Industry Council (ADIC) is the peak national representative body of the Australian Dairy Industry, representing the interests of dairy farmers and processors through its two constituent bodies, Australian Dairy Farmers (ADF) and the Australian Dairy Products Federation (ADPF), to create a more prosperous and sustainable future for the local industry and the regional communities that rely on it.

Dairy Australia is the national services body for dairy farmers and the industry. Its role is to help farmers adapt to a changing operating environment, and achieve a profitable, sustainable dairy industry. As the industry's research and development corporation (RDC), it is the 'investment arm' of the industry, investing in projects that cannot be done efficiently by individual farmers or companies.

Executive Summary

The ADIC and Dairy Australia welcome the opportunity to present this submission to the Department of Foreign Affairs and Trade (DFAT). The Australian Dairy Industry supports the pursuit of a Comprehensive Economic Partnership Agreement (CEPA) with the United Arab Emirates (UAE) and is also supportive of a potential FTA with the Gulf Cooperation Council (GCC) countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates. In a global market impacted by supply chain disruption, geopolitical tensions, trade disruptions and food insecurity the ability to secure agreements with countries with longstanding economic relationships with Australia is critical.

The GCC members have long been important export markets for Australian dairy and represent the most significant market outside of East and Southeast Asia, importing 13,500 tonnes of Australian product. Due to increased pressure from key competitors such as the European Union and New Zealand, and demand pressure from large and growing Asian markets, the share of Australian dairy being exported to the GCC has reduced over time. Nevertheless, the GCC remains a priority for several industry players and is an important region particularly from a trade diversification perspective. The GCC is currently a very large importer of dairy (900,000 tonnes) and will likely remain so into the future.

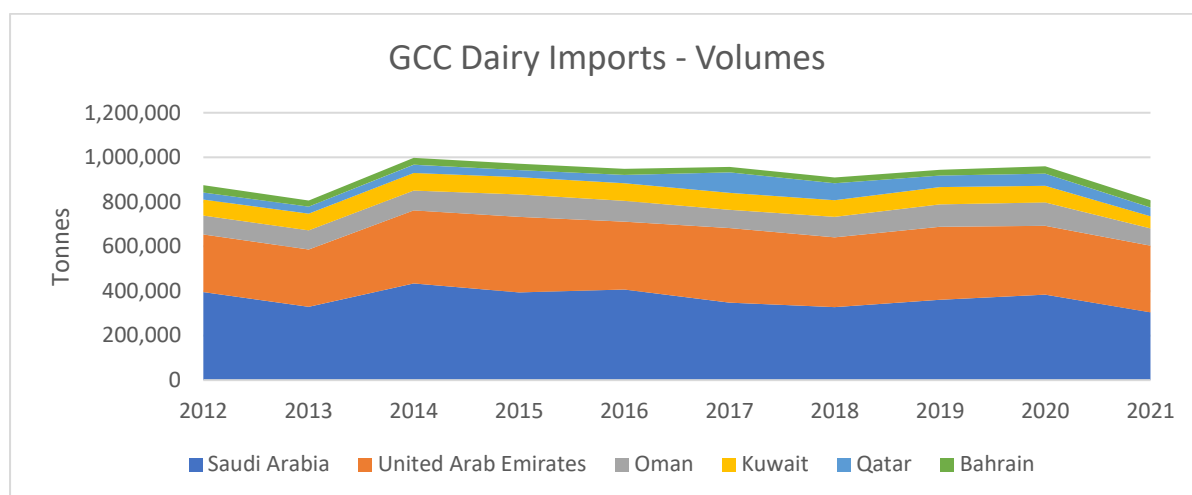
The UAE is an important export market for Australian dairy products in the GCC region and is a priority for improved market access. The Australian Dairy Industry recognises the need to progress market access when the opportunity arises and supports the Government exploring free trade agreements both with the UAE and GCC. An FTA with either the UAE or GCC, or both, would represent a notable improvement in market access for the Australian dairy industry. Considering the scale of exports to the broader GCC region and the desire to ensure consistency across the region in relation to tariffs and regulatory barriers, the industry would want reassurance that pursuing an FTA with the UAE would not compromise potential market access improvements with the GCC.

Currently most Australian dairy products do not face significant barriers entering GCC markets with the majority facing a 5 per cent tariff. However, a reduction or removal of tariffs would assist Australian exporters price competitiveness in market. The key issues impacting exports are a range

of non-tariff barriers (NTBs) outlined in this submission including shelf-life requirements which differ significantly from Australian industry standards as well as burdensome costs associated with labelling and certification requirements. The establishment of a Technical Barriers to Trade committee or mechanism, similar to what has been drafted in the Australia – United Kingdom Free Trade Agreement and the Indonesia – Australia Comprehensive Economics Partnership Agreement, would be a positive outcome from any trade agreement with the UAE and/or GCC.

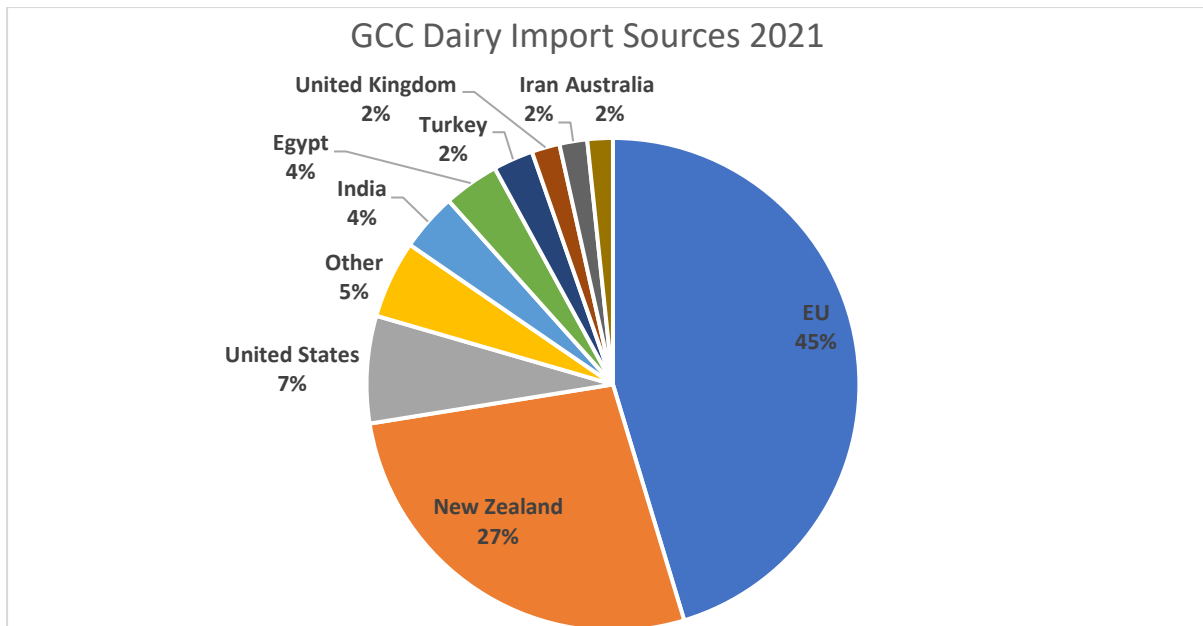
The GCC Dairy Import Market

Over the last five years the GCC member countries have imported on average approximately 900,000 tonnes of dairy product annually. As a combined market the GCC is one of the largest dairy import markets globally, roughly equivalent in size to large economies like the United Kingdom and Mexico. The UAE and Saudi Arabia are the largest dairy import markets in the GCC, accounting for approximately one third of total GCC dairy imports respectively. The UAE is also an important sea and air freight hub for the region.

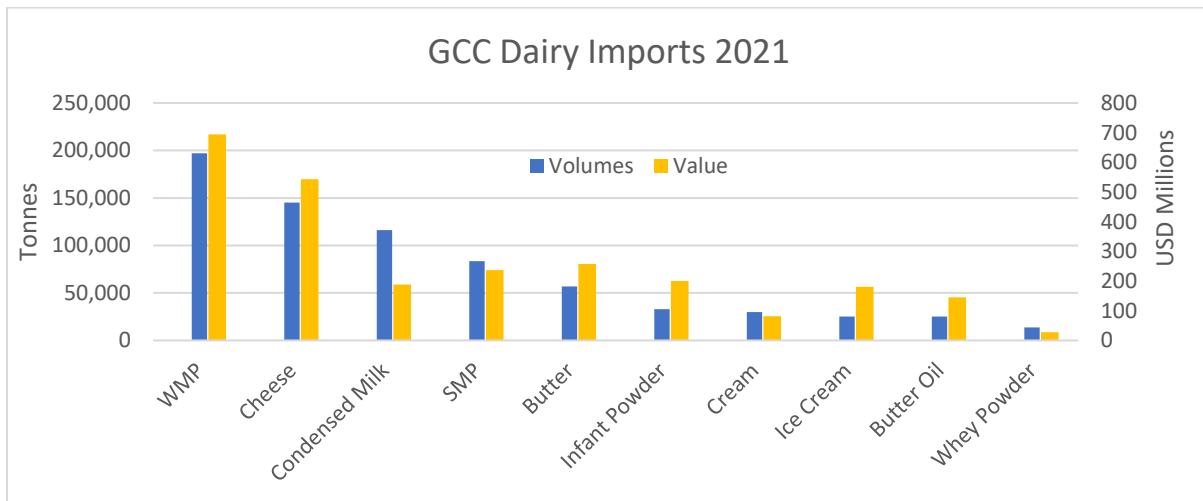


Source: Trade Data Monitor data analysed by Dairy Australia, April 2022

Compared to other major dairy exporting countries, Australia is a relatively minor supplier of dairy products to the GCC region, though historically has been a more significant import source. In 2011, Australia supplied seven per cent of dairy products imported into the GCC region, however that has dropped to 2 per cent in 2021.



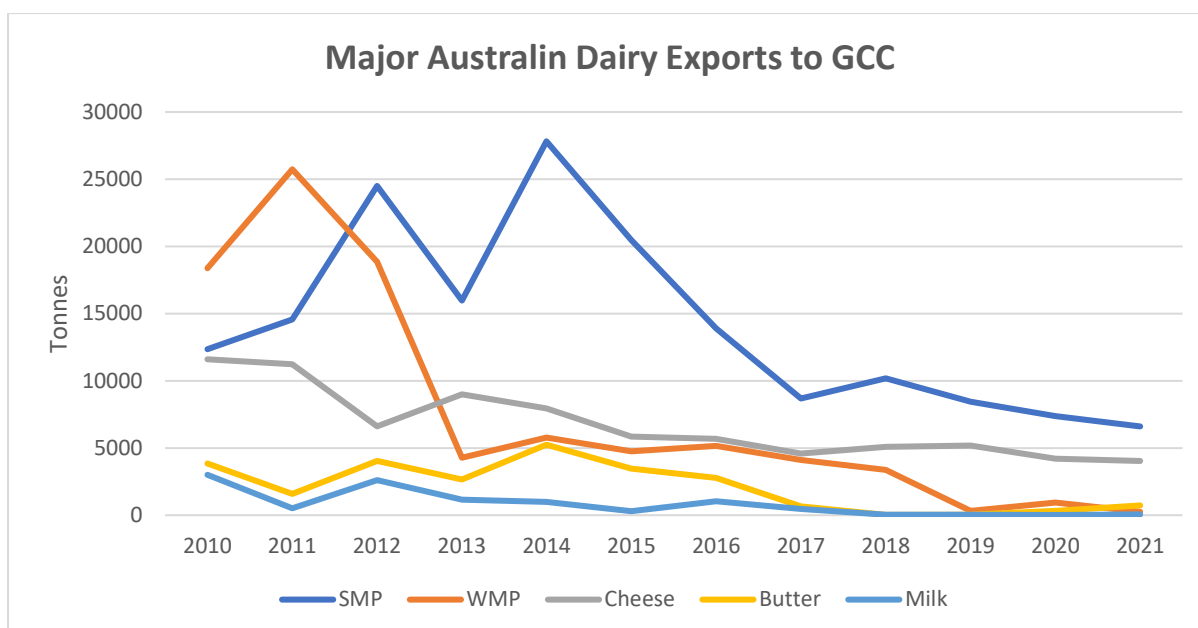
Source: Trade Data Monitor data analysed by Dairy Australia, April 2022



Source: Trade Data Monitor data analysed by Dairy Australia, April 2022

Australia's dairy trade with the GCC

In recent history the GCC region has been Australian dairy's most significant market outside of East and Southeast Asia. As recently as 2012 the GCC accounted for 8 per cent by volume of Australia's dairy exports. However over recent years the volume exported to the region has declined due to a variety of factors, including increased competition from other suppliers, particularly the European Union. Additionally, the attractiveness and ease of access to other markets has increased, in particular China and ASEAN, where a more supportive trading environment (off the back of securing enhanced market access through FTAs) has bolstered their positioning as a customer of choice for Australian dairy exporters. As a result, GCC markets accounted for only 2 per cent by volume of Australia dairy exports in 2021.



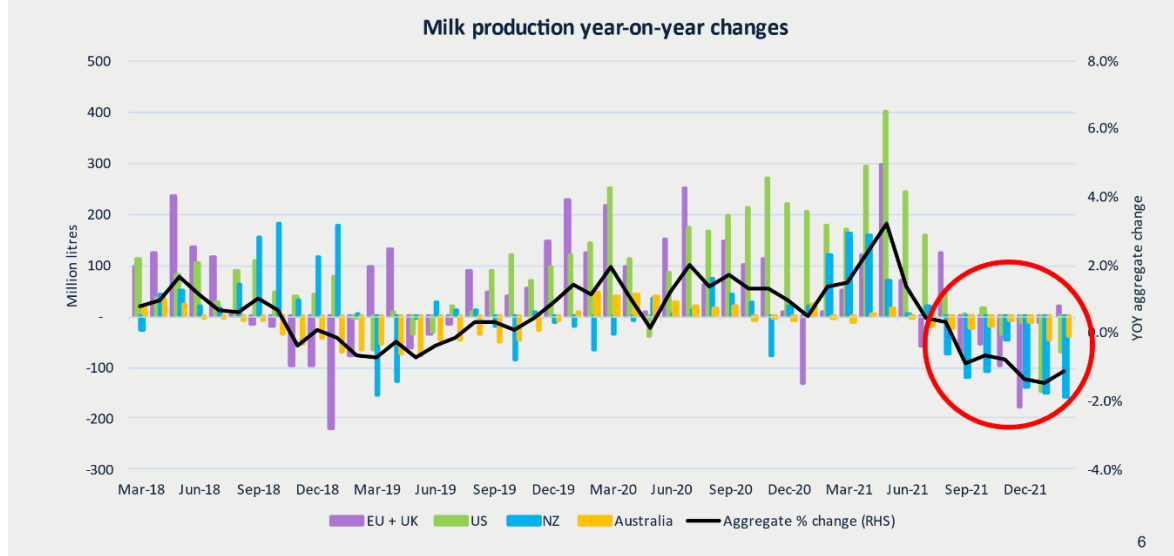
Source: Trade Data Monitor data analysed by Dairy Australia, April 2022

Australian Dairy Exports to GCC Countries				
	2021		Last 5-year annual average	
	Volume - tonnes	Value – A\$ m	Volume	Value – A\$ m
Kuwait	7,211	\$31.2	7,735	\$28.7
United Arab Emirates	2,950	\$15.1	3,232	\$15.6
Saudi Arabia	1,999	\$12.7	2,199	\$11.5
Bahrain	604	\$4.1	1,130	\$7.6
Qatar	432	\$3.2	653	\$4.1
Oman	306	\$1.5	981	\$4.4
GCC total	13,502	\$67.8	15,929	\$71.9

Source: Trade Data Monitor data analysed by Dairy Australia, April 2022

While the importance of the market has declined, it still presents considerable opportunity to the Australian Dairy Industry. Trade diversification is an important strategic objective and the opportunity of enhancing market access with receptive countries should be seized. Furthermore, the current economic and geo-political environment is placing extreme pressure on global supply chains and driving food inflation. Global supply of dairy remains highly constrained and therefore Australia should highlight importance of the UAE and GCC to position themselves as a customer of choice to ensure that Australian exporters are considering them as prospective and valuable markets.

Supply – Milk flows remain stagnant



Source: Dairy Australia, May 2022

Issues impacting Australian Dairy Exports to the UAE and GCC

Currently most Australian dairy products to GCC markets face a 5 per cent tariff, with the main exception of infant formula which enters duty free. While a 5 per cent tariff is comparatively low compared to many other markets, its removal would see Australian product become more price competitive against key suppliers such as the European Union and New Zealand. Dairy tariffs in the GCC region are bound at a higher rate (in some markets, the bound tariff for key products is upwards of 30%) so an FTA which included tariff reduction and potential elimination with the GCC or UAE would also add predictability and certainty for exporters.

Dairy trade into GCC is also impacted by Non-Tariff Trade Barriers (NTBs). At a high-level improved harmonisation of regulations and standards, including halal, across the GCC would benefit dairy trade and could be encouraged via an Australia – UAE CEPA negotiations or through dialogue directly with the GCC. Other key issues exporters face includes mandatory shelf life and expiry date requirements for some products, inconsistencies with how these are applied/interpreted across the markets and hidden costs of specific label requirements and turnaround time of approvals.

Product Shelf Life		
Product	GCC	Australia
Pasteurised Milk (Fresh)	5 days	14-21 days
Pasteurised Yoghurt	14 days	30-45 days
Pasteurized Cream	21 days	30 days
Butter (chilled)	60 days	180 days
Long life Milk (UHT)	6 months (Qatar only 3 months)	9 months
Butter (frozen)*	18 months	24 months
Skim Milk Powder*	18-24 months (varies by packaging)	24 months
Whole Milk Powder*	12-18 months (varies by packaging)	24 months

Source: Trade Data Monitor data analysed by Dairy Australia, April 2022

**GCC shelf-life requirements for these products are recommended rather than mandatory*

Across the world it is generally accepted that manufacturers are best placed to determine appropriate expiration period aligned with prescribed safety and quality standards, according to the composition, processing, packaging and storage conditions of their specific products. However, the GCC, through the Gulf Standards Organisation (GSO), diverges on this issue compared to most markets and stipulates their own shelf-life requirements, noting these are voluntary. Australia has a long history of making representations to GCC countries regarding the shelf life of dairy and other products.

A specific issue regarding the UAE is that exporters need to comply with the Emirates Conformity Assessment Scheme (ECAS) Mark of Conformity. The process to comply with this regulation adds significant cost and time and isn't recognized or required by regional partners. Furthermore, the policy or technical basis for the ECAS Mark of Conformity is limited as to be eligible, a product only needs to meet Australian Government export certification requirements. At this stage the requirement only concerns some dairy products, such as yoghurt and flavoured milk drinks, however there is concern that the scheme may expand and cover a greater number of products. Removal or at minimum a reduction of the cost and complexity of securing the Mark would be more supportive of trade.

These issues outlined are unlikely to be fully resolved through trade agreement negotiations. Therefore, a prospective Australia-UAE CEPA should help to reduce and eliminate trade barriers via the introduction of a Committee on Technical Barriers to Trade, similar to what has been committed to under the Indonesia – Australia Comprehensive Economics Partnership Agreement and Australia – United Kingdom Free Trade Agreement. Such a development should also help to influence the GCC and should also be included if negotiations between Australia and the GCC were to recommence.

ADIC and Dairy Australia would be happy to provide additional background or technical detail on our submission and the recommendations as required, and look forward to working collaboratively to favourably progress these trade agreements.

Yours sincerely,



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Chair
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