

**Opportunities and impacts of Costa Rica's potential
accession to the Comprehensive and Progressive
Agreement for Trans-Pacific Partnership**

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Introduction

The Australian Dairy Industry Council (ADIC) appreciates the opportunity to provide comment to the Department of Foreign Affairs and Trade on the opportunities and impacts of Costa Rica's potential accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

We have worked with Dairy Australia in the development of this response.

Dairy farming is the third largest Australian rural industry and a key sector of the agricultural economy, with a farmgate value of \$6.2 billion. Overall the dairy industry generates \$18.5 billion in economic impact across products and value chains and employing a direct workforce of almost 31,300 across dairy farms and processing. Australia is a significant exporter of dairy products. In 2023/24, 32% of milk production was exported, worth around \$3.6 billion. It ranks fifth in terms of world dairy trade, with a five per cent market share behind New Zealand, the European Union (EU), the United Kingdom, and the United States (US).

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). It aims 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, it is the 'investment arm' of the industry, investing in projects that cannot be done efficiently by individual farmers or companies.

The importance of free trade to the Australian dairy industry

The Australian dairy industry relies heavily on Free Trade Agreements (FTAs) to enhance global competitiveness, diversify markets, and build resilience against economic volatility.

We support FTAs that deliver expanded market access outcomes for Australian exporters while balancing the needs and interests of domestic industries.

FTAs play an important role in enhancing global competitiveness, diversifying markets, and building resilience against economic volatility, ultimately contributing to broader societal and economic gains.

With a significant reliance on exports, the Australian dairy industry actively leverages the opportunities provided by 18 existing FTAs to access global markets, providing significantly greater market opportunity than could be met by the domestic market alone.

The potential accession of Costa Rica to the CPTPP offers an important opportunity for the Australian dairy industry, which has experienced a gradual reduction in export volumes to the country over the past decade and a half. While Costa Rica remains a peripheral market for Australian dairy products, its potential to benefit from reduced tariffs as a CPTPP member could have positive implications for trade.

Historically, Australian dairy exports to Costa Rica were valued at approximately \$2.5 million, primarily focused on whole milk powder (WMP) and whey protein. However, this market has significantly dried up over time, in part due a shift in trade dynamics.

As of 2024, Costa Rica is importing around 20,000 tonnes of dairy products valued at \$80 million, with over half of this coming from the United States. The US enjoys duty-free access under the Central America – United States Free Trade Agreement (CAFTA), which further underscores the competitive disadvantage faced by Australian dairy products, particularly when compared to US exports.

Australian dairy products enter Costa Rica at most-favoured-nation tariff rates which range from 9% to 65%. These high tariffs contribute to a challenging market environment for Australian exporters, making it difficult to remain competitive.

If Costa Rica were to accede to the CPTPP, Australian dairy could benefit from tariff reductions, bringing the country's trade terms more in line with those enjoyed by other CPTPP members, including the US and New Zealand. As noted, while Costa Rica's dairy market is relatively small in the broader regional context, the reduction of tariffs would provide a more level playing field and a pathway to potentially increasing exports to this market over time.

Conclusion

In conclusion, while Costa Rica remains a secondary market for Australian dairy exports, its potential accession to the CPTPP offers an opportunity to reduce tariff barriers and improve market access. This would align Australian dairy with preferential trade terms already enjoyed by the US and New Zealand and encourage future export growth, benefiting the Australian dairy industry in the long term.

Yours sincerely,

Ben Bennett
Chair
Australian Dairy Industry Council

John Williams
Deputy Chair
Australian Dairy Industry Council

Contact

Shehara Pillai – Policy Lead – Economic Sustainability and Competitiveness, Dairy Australia
T: 0405 584 440
E: Shehara.pillai@dairyaustralia.com.au
Dairy Australia, Level 3, HWT Tower, 40 City Road, Southbank, Victoria