

General Review of the China-Australia Free Trade Agreement

Submission to Department of Foreign Affairs and Trade

March 2026

Introduction

The Australian Dairy Industry Council (ADIC) welcomes the opportunity to provide this submission to the Department of Foreign Affairs and Trade as part of the General Review of the China-Australia Free Trade Agreement (ChAFTA).

This submission has been developed in consultation with Dairy Australia.

Since its entry into force in 2015, ChAFTA has played a pivotal role in supporting Australian dairy exports to China, Australia's single largest dairy export market, accounting for about 20 per cent of exports by volume. In 2024–25, Australian dairy exports to China were valued at approximately \$987 million, underlining the importance of the Agreement to the sector.

Rising incomes, urbanisation and increased awareness of the nutritional benefits of dairy in China continue to create opportunities for Australian exporters. These opportunities are supported by Australia's geographic proximity, strong bilateral trade relationship and the market access outcomes secured under ChAFTA.

This submission focuses on the operation and impacts of ChAFTA for the Australian dairy industry and identifies areas where targeted improvements would materially enhance its effectiveness. In particular, the dairy industry seeks to:

- (i) Improve the competitiveness of ChAFTA outcomes relative to key competitors, including through removal of the one remaining safeguard arrangements for whole milk powder.
- (ii) Enhance trade facilitation under ChAFTA by modernising certification processes, including the introduction of exporter self-certification of origin.
- (iii) Strengthen border efficiency and reduce commercial risk for time-sensitive agricultural products such as dairy, through the inclusion of an explicit perishable goods provision in the Customs Procedures and Trade Facilitation Chapter.
- (iv) Strengthen transparency and evidence-based policy development through improved government reporting on the utilisation of free trade agreements, including ChAFTA.

We expand on this below.

The Australian dairy industry

Dairy is the third-largest rural industry in Australia, with a farmgate value of \$6.2 billion. Across the full value chain, the dairy industry generates an estimated \$18.5 billion in economic activity and directly employs almost 31,300 people across farming and processing. Australia is a significant dairy exporter, with around 36 per cent of milk production exported in 2024–25, valued at approximately \$3.8 billion. Australia ranks fifth globally in dairy trade, with around five per cent of global market share, behind New Zealand, the European Union, the United Kingdom and the United States.

ADIC is the peak national representative body for the Australian dairy industry, representing dairy farmers and processors through its constituent bodies, Australian Dairy Farmers (ADF) and the Australian Dairy Products Federation (ADPF).

Dairy Australia is the national services body and research and development corporation for the dairy industry, supporting farmers to adapt to a changing operating environment and to build a profitable and sustainable future.

ChAFTA for the Australian dairy industry and areas for improvement

1. ChAFTA market access uptake and competitive impacts

Exports are critical to the long-term sustainability of the Australian dairy industry, as domestic milk production exceeds domestic consumption requirements and surplus production must be directed to international markets. Exports, supported by free trade agreements, provides resilience against market volatility and reduces reliance on the highly concentrated domestic market.

China has become a particularly important destination for Australian dairy exports. While dairy products have not traditionally featured prominently in Chinese diets, rising incomes, urbanisation and growing awareness of the nutritional benefits of dairy continue to drive demand growth.

Since its entry into force in 2015, ChAFTA has materially improved market access for Australian dairy exporters and has been a key factor supporting the expansion of dairy exports to China in both volume and value. In 2024-25 China accounted for approximately 24 per cent of Australia's total dairy export value and around 20 per cent of export volume.

ChAFTA has enabled Australia to compete more effectively with major dairy exporters such as the United States and the European Union in the Chinese market.

However, **Australia continues to face a structural competitive disadvantage relative to New Zealand**. New Zealand's free trade agreement with China, signed in 2008 and upgraded in 2022, delivered earlier and more comprehensive tariff liberalisation for dairy products. The 2022 upgrade preserved duty-free access for all dairy products and removed the whole milk powder safeguard mechanism from 1 January 2024, further strengthening New Zealand's competitive position.

In contrast, while ChAFTA has delivered significant tariff reductions for Australian dairy exporters, **the one remaining safeguard arrangement continues to constrain Australia's ability to fully realise the Agreement's economic benefits**. In 2025, Australia exported 20,644 tonnes of whole milk powder to China, valued at \$278 million. Although this volume was below the applicable safeguard threshold of 28,506 tonnes, the ongoing existence of safeguard volumes can influence commercial decision-making and competitiveness.

Overall, the impacts and uptake of ChAFTA should be assessed not only in absolute terms, but also relative to the market access outcomes secured by competing exporting nations.

Maintaining the competitiveness and relevance of ChAFTA will be critical to sustaining Australia's position in the Chinese dairy market over time.

The Australian dairy industry recommends the safeguard mechanism for Australian whole milk powder is removed as a priority.

2. Barriers to benefits created by ChAFTA

A key impediment of ChAFTA is the **administrative burden associated with demonstrating eligibility for preferential treatment**.

To access ChAFTA benefits, **exporters are required to obtain shipment-specific certificates of origin through authorised bodies**, which adds cost and administrative complexity and can limit flexibility for exporters managing frequent or high-volume shipments. This approach contrasts with more modern trade agreements, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which allows for self-certification of origin by exporters or producers. Self-certification enables a single declaration to apply across multiple consignments of identical goods over a defined period, significantly reducing compliance costs and administrative burden.

The Australian dairy industry seeks introduction of self-certification under ChAFTA. This would better reflect contemporary trade facilitation practices and support exporters to more fully leverage ChAFTA.

In addition to administrative barriers, non-tariff measures can further erode the value of tariff concessions. **Export establishment registration requirements, prescriptive food safety and testing regimes, and duplicative compliance obligations** can impose significant costs on exporters, even where tariffs have been reduced or eliminated. Addressing these issues through **enhanced regulatory cooperation, continued engagement by Australian Government agriculture counsellors in China, and ongoing dialogue** would help ensure that market access commitments translate into practical, commercially meaningful outcomes.

Overall, while ChAFTA provides an important mechanism for trade liberalisation, reducing administrative complexity and addressing non-tariff barriers is critical to maximising the Agreement's effectiveness and ensuring Australian dairy exporters remain competitive in the Chinese market.

3. Perishable goods provision

The Australian dairy industry recommends that the Parties consider incorporating an explicit perishable goods provision within the Customs Procedures and Trade Facilitation Chapter of the ChAFTA, consistent with Article 7.9 of the World Trade Organization Trade Facilitation Agreement and more recent agreements such as the CPTPP.

An explicit commitment to priority treatment and release of perishable goods within the shortest possible time would reduce commercial risk, minimise spoilage, and enhance supply chain certainty for exporters on both sides.

This would deliver mutual benefit: Australian exporters of dairy, chilled meat, seafood and horticulture products to China face time-sensitive clearance pressures, while Chinese exporters of perishable goods such as fresh seafood and berries to Australia similarly depend on rapid border processing to preserve quality and value.

Strengthening ChAFTA in this area would modernise it in line with contemporary trade facilitation standards and reinforce the **shared objective of supporting resilient, high-quality agri-food trade between our two economies.**

4. Monitoring and measuring utilisation of Free-Trade Agreements

Currently, the Australian Government does not provide any reporting on the utilisation of FTAs, including ChAFTA.

However, the Australian dairy industry would greatly benefit from comprehensive reporting from the government regarding the utilisation of FTAs. This type of reporting would offer clear insights into which FTAs are actively utilised by exporters and to what extent.

Such transparency is essential for verifying whether the barriers discussed in the previous section are influencing exporters to prioritise certain FTAs over others. It would also help identify opportunities to improve the effectiveness and uptake of existing agreements.

Conclusion

ChAFTA has been instrumental in supporting Australia's dairy trade with China.

However, ongoing challenges, including non-tariff barriers, administrative complexity, and increasing competitive pressures, highlight the need for continued engagement and targeted improvements to ensure the Agreement remains effective and fit for purpose.

The Australian dairy industry looks forward to continuing to work closely with the Australian Government to strengthen ChAFTA, maximise its utilisation and ensure Australian dairy exporters remain competitive in the Chinese market in the years ahead.

Yours sincerely,



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