Accessing premium markets

The Government will open new export markets and continue to work to eliminate tariffs and address technical barriers to trade. We will protect Australia's highly prized biosecurity status, which underpins our valuable exports.

CHAPTER FIVE

Accessing premium markets

Action 5 Improved market access underpinned by a strong biosecurity system

5A Capturing premium agricultural markets

The Government will secure new and better access to overseas markets for all sectors, including agriculture.

Growth in wealth, including in Asia, has created new opportunities for Australia's premium agricultural exports. But these opportunities will not be delivered on a plate; our exporters face an increasingly competitive trading environment. Our exporters will need to seek out markets that offer premium returns and then out-compete exporters from other countries. The Government has a critical role in removing or lowering technical barriers to trade and reducing tariffs through free trade agreements.

Building on the gains from free trade agreements with Japan, the Republic of Korea and China, the Government is negotiating trade agreements with other major trading partners, including India, and in our region, through the Trans-Pacific Partnership and the Regional Closer Economic Partnership Agreement. The Government will also remain active in the World Trade Organization to reform global agriculture trade rules and to reduce unfair subsidies provided to producers in other countries.

More needs to be done to improve market access and ensure the outcomes from trade negotiations turn into additional agricultural trade. The Government will **invest $30.8 million to remove technical trade barriers** in key markets for agricultural exports and increase the number of agriculture counsellors overseas. This will result in real gains in access, providing additional export returns to Australian farmers and food processors.

5B A stronger biosecurity system

The Government will strengthen Australia's biosecurity system. This will be essential to maintain Australia's favourable pest, disease and weed status, reduce costs to producers from exotic pest and disease incursions, and secure improved export market access. By effectively managing biosecurity risks in Australia and through the trading system, we are also contributing to strengthening global food security.

Australia's biosecurity system is coming under increasing pressure from greater movements of vessels, aircraft, people and goods across our border from a wider range of countries and regions.

The Commonwealth will work with State and Territory governments and industry to eradicate or better manage pests, diseases and weeds that have entered Australia; improve surveillance and analysis to reduce the risk of a new entry; and enhance existing traceability systems to enable efficient tracing of problems back to source. Improved traceability enables issues to be addressed quickly and allows trade to continue from unaffected locations.

The Government will **invest an additional $200 million in biosecurity surveillance and analysis** to protect our animal and plant health status. This will include additional resources needed for biosecurity activities in northern Australia, including $12.4 million for Indigenous Rangers. Northern Australia faces different risks from other parts of Australia due to its proximity to other countries and its tropical environment, which is more receptive to certain pests, diseases and weeds.

We will also invest **$12.4 million to enhance traceability** of Australian products to maintain market confidence in exports and respond to incidents. The Government will consider further improvements to information systems in 2016 to better support enhanced surveillance and analysis and the implementation of the more flexible *Biosecurity Act 2015*.

With biosecurity risks on the rise, better surveillance and intelligence are needed to safeguard Australia from these threats. Fast and effective traceability systems are critical to provide the assurance required by trading partners to maintain market access. Australia's existing traceability systems are paper based, cumbersome and slow, and need modernisation. The additional biosecurity funding will help to address these concerns.

Capturing premium agricultural markets

Australia's agriculture sector is already a strong performer in international markets. Australia is among the top 10 agricultural exporting countries in the world (WTO 2014). Australian producers account for almost two-thirds of global wool exports, a fifth of beef exports and more than 10 per cent of global wheat and cotton exports (ABARES 2014).

Around two-thirds of all Australian agricultural produce is exported. Much of this is to bulk commodity markets where competition is intense. To stay competitive and to increase the value of exports, Australian farmers must be given the best possible chance of also capturing high-value premium markets.

By 2060, over one billion people will shift into the middle classes in the developing Asia region alone (Hajkowicz & Eady forthcoming). Future growth in global demand presents a significant opportunity for Australian agriculture, as populations and incomes increase in developing countries (Gray, Oss-Emer & Sheng 2014). Australia currently feeds around 60 million people globally each year

(PMSEIC 2010). We cannot hope to be the food bowl of Asia, but we produce far more food and fibre than can be consumed here in Australia.

As a net agricultural and food exporting country, we can, and must, capture a greater share of the growing demand in our region. We cannot afford to be complacent. We must complement our existing trade and produce the premium agricultural products that increasingly affluent consumers in overseas markets want. We must supply these products regularly and reliably. We need to target high-end food segments by producing differentiated products built around a reputation for safety, integrity and quality. The future profitability and competitiveness of our farmers depends on this.

Having overseas alternatives to domestic markets can also help producers achieve higher margins. Farmers are in a stronger negotiating position, both at home and abroad, when they can sell their products in a greater range of markets. Diversifying their client base will help producers and exporters manage risk.

It is up to farmers and agribusiness to decide where and how to sell their products. It is the Government's job to help open those markets and enable exporters to sell their products overseas. This includes working to remove unnecessary barriers to trade including high customs duties (tariffs), subsidies and taxes, and fees on local and international transactions.

All countries, including Australia, have the right to implement systems and standards that protect their human, animal and plant health and food safety. However, countries are required to minimise trade distortions and must not breach international trade obligations. Some standards, such as excessive quarantine and food safety requirements, can also constitute unnecessary barriers to trade. This means not only a loss of export income, but also more produce being sold domestically. This lowers the prices producers receive. Such barriers can generally only be addressed at a government-to-government level.

Producers and exporters must overcome these barriers to capture high-value export opportunities. The Government can help by working closely with industry to negotiate the best possible commercial deal in bilateral and regional free trade agreements (FTAs). The Government can work globally in the World Trade Organization (WTO) to reinforce and reform the global rules for agriculture trade and lower trade barriers. The Government can also take action in the WTO's dispute settlement system or use dispute settlement mechanisms in Australia's FTAs. This allows the Government to challenge trade initiatives that are inconsistent with WTO rules or FTA commitments. The commitments we secure in trade negotiations are enforceable under international law. Dispute settlement mechanisms allow the Australian Government to better protect Australia's agricultural exports.

FTAs with Japan and the Republic of Korea have now entered into force, and we have now signed an FTA with China. To explain the opportunities these FTAs can deliver for business and advise on services available for exporters, the Government is delivering a North Asia FTAs Information

Seminar Series in all capital cities and rural and regional centres. The Government will also provide extensive online information, including step-by-step guides and factsheets, and a web-based tariff finder to help businesses compare opportunities in different markets.

Reliable, current information about the requirements of importing countries will help all participants along the production chain to adjust their systems and businesses accordingly. This will ensure they are more flexible and competitive.

Beyond market access, it is industry's responsibility to convert opportunities into business outcomes—including by marketing its own products (for example see Box 12). The Government welcomes industry efforts to promote coordinated branding efforts for Australian agricultural and food products, including consistent national promotion and messaging overseas.

Industry branding has the potential to build on the strong reputation among overseas buyers of Australian agricultural commodities, and consumers of products such as Australian wine, red meat and dairy products. This would help link perceptions of Australian food to the unique strengths of Australia's agricultural production and biosecurity systems, and clean environment.

The Government can help by continuing to work with State and Territory governments to reinforce Australia's reputation as a producer of reliable clean, green and safe premium products by strengthening Australia's biosecurity and maintaining food standards. This will reassure trading partners of the quality and integrity of Australian products.

Box 12 Free trade agreements boost cherry exports to Asia

Australian cherry exports are now more competitive, after the Australian Government signed free trade agreements with Japan and the Republic of Korea.

After the Korea–Australia Free Trade Agreement was signed in December 2014 Australian producers benefited from the elimination of a 24 per cent tariff on cherry exports to the Republic of Korea. Australia exported almost 250 tonnes of cherries to Korea in 2014–15, compared with only 5 tonnes the previous year. This increased the export value to Korea from $69,000 in 2013–14 to $3.5 million 2014–15 (ABS 2015c).

Australian cherry exports no longer face an 8.5 per cent tariff in Japan, after the Japan–Australia Economic Partnership Agreement was signed in January 2015. This makes Australian cherries more competitive in the Japanese market compared with competitor countries and will increase returns to growers. The agreement contributed to a 35 per cent increase in the value of cherry exports to Japan in the 2014–15 season compared to 2013–14; and increased the total export value to Japan in 2014–15 to $280,000 (ABS 2015c).

However, the quarantine conditions that Japan and Korea put on cherries mean that only growers in Tasmania can meet them. This reinforces the importance of addressing technical barriers to trade as well as tariff barriers. The Government is increasing resources to address such barriers, to ensure new trade agreements maximise opportunities for Australian producers and exporters.

We have delivered

While more remains to be done, the Commonwealth has delivered better overseas market access for our agricultural producers and created new opportunities in high value markets.

Freeing up markets

FTAs with Japan and the Republic of Korea have entered into force, and we have now signed an FTA with China. These markets accounted for 33 per cent of Australia's agriculture, fisheries and forestry trade in 2014. (DFAT 2015)

Agreements are being progressed with India and with countries in the region through the Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership Agreements. (DFAT 2015)

The Government has invested $24.6 million to promote business understanding of the recently concluded FTAs in North Asia and to assist businesses to access and maximise their benefits under these agreements. (DFAT 2015)

New trade opportunities have been realised for Australia's livestock producers. We achieved new or improved market access for livestock exports to Lebanon, Iran, Thailand, the Philippines, Malaysia and Cambodia. Many of these markets are beginning to show significant potential for growth for Australian industries. (Department of Agriculture 2015h)

Livestock trade to Bahrain and Egypt has also been reopened. Trade recommenced in early 2014 and in the first year 513,629 sheep and 27,598 cattle were exported. (Australian Government 2014a)

Growing markets

The Government is supporting the growth in overseas markets, by:

- investing $188.5 million to set up five Industry Growth Centres, including a Food and Agribusiness Growth Centre, to lift industry competitiveness and help the food and agribusiness sector capture high-value export opportunities (Australian Government 2015a);
- providing a $50 million boost to the Export Market Development Grants scheme (ATC 2015a);
- providing a $200 million boost for the Export Finance and Insurance Corporation to better support small and medium-sized exporters (Australian Government 2015i);
- providing $15 million for small exporters, including grants to help improve market access for small exporters, a rebate for export registration charges in 2014–15 and a review of export fees and charges (Department of Agriculture 2015i);
- promoting Australian products overseas, including expanding Australia Week to ASEAN countries and the United States (Australian Government 2015j); and
- providing Austrade services for agricultural and food exporters, including export facilitation and promotion, which help businesses capture premium niche opportunities and position our agricultural products as high quality, safe and worth a price premium. (ATC 2015b)

White Paper actions

Breaking down trade barriers

Reducing tariffs and quotas through FTAs and the WTO is only part of the story in achieving market access. Capturing opportunities from trade agreements depends on delivering products that meet the pest, disease, food safety standards and regulations set by governments in other countries.

For Farmers

Farmers and food processors will achieve increased returns from increased security of existing market access and access to new markets.

Even after an FTA is negotiated, technical requirements can make it difficult for producers to get their products ready for export. When requirements are overly complicated or standards are unnecessarily high, they can affect or even stop, agricultural trade. Technical negotiations between governments are often needed to reduce these barriers and to open or maintain access for specific commodities in a particular country. We must convert agreements into real opportunities by securing technical market access with our new trading partners.

The Government will invest **$30.8 million over four years to break down technical barriers to trade** and appoint **five new agriculture counsellors** in key overseas markets to help industry maintain access and achieve new access.

The Commonwealth will expand its work with industries, and State and Territory governments to better understand the commercial impact of technical barriers on Australian agriculture exports. This information will be used to prioritise and coordinate technical market access efforts, and reduce trade barriers. Better information will help influence international standards and trade policies that affect Australian exports. It will help industry better understand overseas market opportunities and risks, including consumer trends and import requirements in key markets. The Government will also raise awareness of existing support programmes for agricultural exporters that will assist them to export to those markets.

Australia has fewer agriculture counsellors overseas in key markets such as China, than competitor countries, including New Zealand. We need to bolster our strength overseas. Five new overseas agriculture counsellors will work with industry, the Department of Foreign Affairs and Trade and Austrade in Australia's overseas missions to lower technical barriers to trade in key markets, including in North Asia, South Asia and the Middle East.

Agriculture counsellors will focus their efforts overseas working with industry to strengthen relationships with key trade partners, remove technical barriers, help industry to quickly resolve agriculture trade-related incidents, and gather and share practical market information. Regular opportunities for face-to-face interaction between counsellors and industries will also help better position our producers and exporters in the international market-place.

The Government will increase its capacity to connect all aspects of our agricultural relationships with trading partners. These include export ambitions, import requests, market access priorities, market trends, cooperation activities, and bilateral and multilateral objectives. As a result, the Government will be better placed to help Australian agriculture capture premium export opportunities.

A stronger biosecurity system

Good biosecurity makes good business sense

Australia's geographical isolation and robust biosecurity system mean we remain free of many of the major pests, diseases and weeds that affect agriculture. Protecting Australia's reputation for quality and safe produce is crucial to safeguarding market access and for our farmers to remain competitive.

Biosecurity is about managing the risk of entry, establishment and spread of pests, diseases and weeds that could pose a threat to animal, plant or human health or the environment. These risks are managed across a continuum (Figure 11):

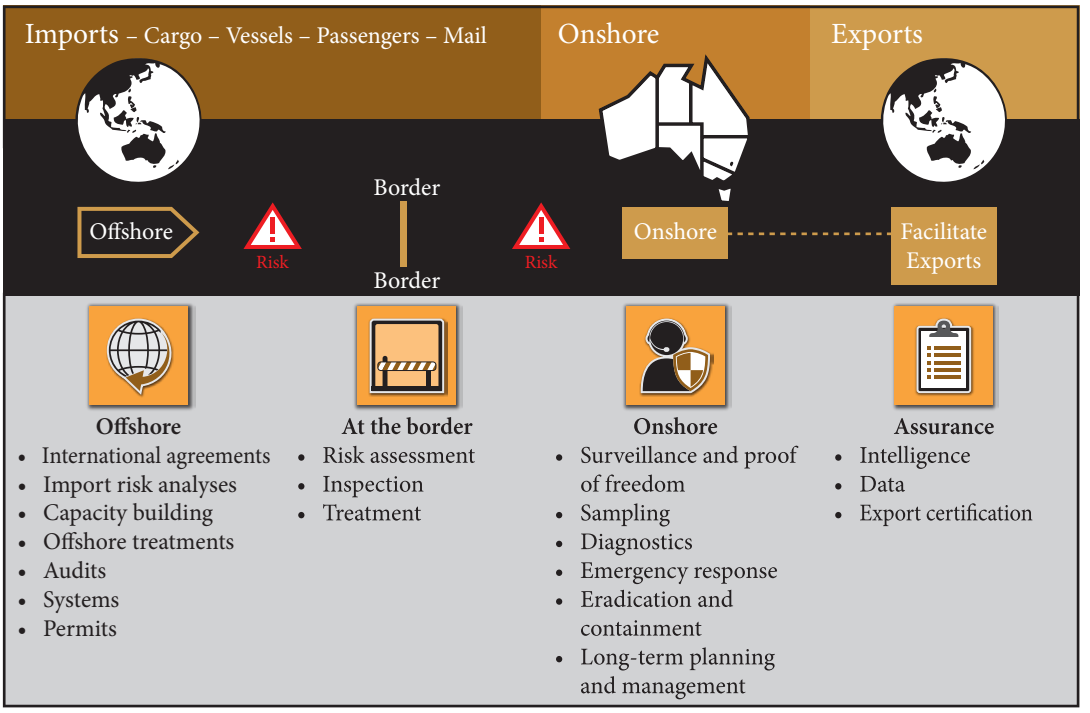
- **offshore**, before goods reach the Australian border;
- **at the border**, to prevent entry of exotic pests, weeds and diseases; and
- **onshore**, through activities to enable the continued productivity of our domestic industries, to minimise the impact of incursions and to facilitate trade.

Australia's pest, disease and weed status is directly related to market access and farm gate returns.

ABARES has recently examined the contribution Australia's biosecurity system makes to the financial performance of farms. ABARES found that, in the absence of Australia's current biosecurity system, the average annual profits of broadacre farms would be $12,000 to $17,500 lower due to the greater risk of foot and mouth disease, Mexican feather grass and Karnal bunt outbreaks (Hafi et al. 2015). Good biosecurity also lowers costs for consumers. According to the CSIRO, 25 per cent of food product costs are due to pests, diseases and weeds (CSIRO 2009).

In its Australia's Biosecurity Futures' report, the CSIRO stated that we cannot be complacent about biosecurity (CSIRO 2014). If Australia were complacent, we could be vulnerable to biosecurity 'megashocks' such as nationwide incursions of virulent plant pests or epidemics of animal borne diseases.

Figure 11 Biosecurity continuum



Last year alone, the Australian Government responded to over 100 pest and disease detections, 11 of which required a shared national response by industry and governments. The cost of exotic pest, disease and weed incursions can be large. The cost of an outbreak of foot and mouth disease in Australia has been estimated at $50 billion over a decade, due to lost markets and eradication efforts (Buetre et al. 2013). The response to red imported fire ants has been long and protracted and has already cost $411 million (2001–2012). However, without any government funded biosecurity activities, red imported fire ants could cause losses of $8.5 billion over a 70-year period (Hafi et al. 2013).

Strong biosecurity also requires good research and cooperation with international bodies and experts. The Australian Centre for International Agricultural Research (ACIAR) advances Australia's national interests by supporting Australian scientists and research institutions to develop solutions to agricultural problems in developing countries. But these efforts can also reap benefits at home. For example, the Queensland banana industry is currently battling an outbreak of Panama disease in the Tully Valley. Researchers involved in controlling the Queensland outbreak are drawing on expertise and findings developed by ACIAR-funded research collaborations in Indonesia and the Philippines.

Good biosecurity not only protects agricultural industries, but also provides opportunity for growth. For example, it ensures farmers can access safe genetic material from overseas—which is vital to continued productivity growth in Australian agriculture. Most agricultural industries are based on species that were originally exotic to Australia and many still rely on overseas services for new genetic material.

Risks are on the rise—better surveillance and traceability are needed

Australia's biosecurity faces an increasingly complex global environment, characterised by increased tourism and growth in passenger and cargo movements. By 2030–31, Australian airports are expected to handle three times as many international passengers than in 2010–11 (BITRE 2012). Factors such as increasing global trade and the changing prevalence of pests, diseases and weeds in the region mean biosecurity risks are rising.

An expansion of agriculture in northern Australia will create additional biosecurity challenges. This is because of the proximity to neighbouring countries and the different eco-climatic conditions of the north, which may be conducive to the introduction of exotic pests, diseases and weeds. It is in Australia's national interest to develop the north, but the Government will need to ensure additional biosecurity arrangements are applied to ensure risks are managed.

Australia manages biosecurity risk to a very high standard. Australia's biosecurity system identifies and manages high-risk pests, diseases and weeds and their pathways through surveillance, intelligence-gathering and analysis, supported by science. With biosecurity risks rising, better surveillance and intelligence is needed to safeguard Australian produce from these threats.

Strong biosecurity is integral to maintaining overseas market access. Trading partners want better assurance that Australia's produce is high-quality, safe and free of pests, diseases and weeds. Our trading partners increasingly expect robust traceability systems to verify product integrity at all steps along the supply chain. Modern, responsive traceability systems are likely to become a compulsory importing country requirement in the future.

The proposed initiatives in this White Paper seek to deal with:

- pests, diseases and weeds that have already entered Australia (see Chapter 4—Farming smarter);
- improvements to surveillance and analysis to reduce the risk of new entry of exotic pests, diseases and weeds and support market access; and
- enhancements to traceability systems to enable efficient tracing of problems back to the source, which allows issues to be addressed quickly and trade to continue from unaffected locations.

We have delivered

The Government is delivering on its 2013 election commitment to strengthen Australia's biosecurity system.

New modern legislation

The Government has strengthened Australia's biosecurity legislative framework by delivering a long overdue and modern *Biosecurity Act 2015* to replace the outdated *Quarantine Act 1908*.

The new legislation will support the risk-based approach to managing biosecurity, simplify the existing regulatory framework, reduce unnecessary regulation and introduce a broader range of compliance measures. It is expected to result in a reduction of more than $6.9 million in compliance costs on businesses (Australian Government 2014c). (Department of Agriculture 2015j)

World-class biosecurity

A new government-run post entry quarantine facility in Victoria will have its first phase completed and operational by late 2015 and its second phase completed by 2017. This facility will be fully operational by 2018 and will enhance processes for plants and animals. It will also allow safe access to genetic material from overseas. (Department of Agriculture 2015k)

The Government has previously announced $20 million investment in faster, more effective responses to pest and disease incursions. This funding has recently helped northern Queensland deal with the impacts of Panama disease on the banana industry. (Australian Government 2014c)

The Government is supporting biosecurity research, development and extension, including through the CSIRO Biosecurity Flagship. (CSIRO 2015b)

Australian Trusted Trader Programme

The Government is working with industry to design and establish the Australian Trusted Trader Programme to complement the biosecurity approved arrangements. The programme will help exporters and importers that have strong security practices in place and a history of trade compliance. Once approved, a Trusted Trader will be offered several trade facilitation benefits including streamlined customs procedures, options to pay duty periodically and greater access to international markets through mutual recognition agreements with trading partners.

Working with partner agencies, the programme will reduce the regulatory burden for accredited participants. It is estimated this programme will generate annual average regulatory savings of $24.3 million a year across the economy. (Australian Government 2015k)

White Paper actions

A strong biosecurity system that reduces the risk of entry of exotic pests, diseases and weeds and effectively manages outbreaks is essential to maintaining Australia's favourable animal and plant pest and disease status. This safeguards market access, reduces production costs for farmers, and protects our communities and environment.

Strengthening Australia's biosecurity

The Government will invest **$200 million over four years to improve biosecurity surveillance and analysis** to better target critical biosecurity risks.

Investing in surveillance will improve Australia's ability to detect and manage biosecurity risks early. This will prevent damage to farmers, the environment and the economy in the long run. In 2016, the Government will also make further improvements to information systems to capture, use and manage data to better target the risks that matter most. This will support enhanced surveillance and analysis, and better implementation of the new *Biosecurity Act 2015*.

For Farmers

Effective biosecurity protects agricultural industries and the community from the impact of exotic pests and diseases, and supports our access to overseas markets.

Boosting surveillance will grow the evidence base around our pest and disease status. This will help Australia to negotiate favourable protocols to start trade in new markets and prove compliance with importing country requirements when disputes arise.

Additional resources will be applied in northern Australia to ensure the specific regional biosecurity risks are appropriately managed. This includes a commitment of $12.4 million to boost Indigenous Rangers groups in northern Australia. The additional funding will complement nation-wide efforts by providing the additional resources necessary for a more developed northern Australia, which faces different risks from other parts of Australia. Northern Australia's proximity to other countries means incursions can occur through natural processes as well as trade and movement of people. Also its tropical environment is more receptive to certain pests, diseases and weeds.

The Government will be informed on how the Department of Agriculture's biosecurity activities and resources should be best allocated following the completion of an independent functional and efficiency review in 2015.

Sound traceability to prove the quality and safety of our produce

The Government will invest **$12.4 million over four years to modernise Australia's traceability systems**, to verify product integrity and secure access to overseas markets.

Our ability to increase agricultural exports depends on our favourable animal and plant health status, the integrity of our food safety systems and our ability to meet importing country requirements and certify products for export. Modernising existing traceability systems will enable quicker trace-back to the point of origin to identify the source of disease, residue, contamination or any other problem that becomes apparent.

For Farmers

Sound traceability systems help to ensure markets remain open, thereby increasing access and returns to farmers.

A food contamination issue linked to an Australian product can damage our ability to export to the country where the problem was detected and potentially other markets. Effective trace-back means that the problem can be quickly identified, contained and addressed, and that the impact on trade can be limited to the business or geographic region where the incident occurred. A modern, efficient system is needed to meet the increasing demand for food quality and guaranteed safety in international markets.

For example, in August 2013 New Zealand reported the possible presence of botulism in whey protein powder exported to Australia and other countries. The whey protein was further processed in Australia for export, so significant potential existed for Australian dairy exports to be adversely affected. Effective trace-back procedures enabled potentially contaminated product to be quickly identified and withdrawn from the market. This safeguarded consumers and protected trade in Australian dairy products. The additional funding will enhance our capacity to respond to incidents involving Australian products in the future.