



HD Australian farmers seek alternative markets after Russia bans food imports

BY ABC rural reporters

WC 1,935 words

PD 8 August 2014

SN Australian Broadcasting Corporation (ABC) News

SC ABCNEW

LA English

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Australian beef and **dairy** producers are looking for alternative markets after Russia announced export sanctions.

Australia's annual farm exports to the Russian Federation are worth \$300-400 **million**.

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Russia will ban fruit, vegetables, meat, fish, **milk** and **dairy** imports for a year as it retaliates to sanctions imposed over the the crisis in Ukraine.

Agriculture Minister Barnaby Joyce says the Australian Government can't really do anything about what Russia, as a sovereign nation, decides to do, so instead he'll focus on finding other markets for Australian produce.

"What I have to do on behalf of other people in Australia is make sure we have alternate markets," Mr Joyce said.

"Last night and yesterday I was talking to the Indonesians about their capacity for the **purchase** of more beef and **dairy** products.

"So we just try to work with these issues as they are presented to us, knowing that I can't really affect Mr Putin and what Mr Putin decides to do.

"Most of the time I have a real struggle trying to affect my colleagues."

National Farmers Federation general manager of policy Tony Mahar says it could result in lower prices for farmers.

"The complicating factor is, and we don't know what the impact will be, is these bans are also put in place for the US and EU, so it will be interesting to see and we'll monitor the impact of the potential increase in supply and what that means for prices globally.

"They have to go somewhere, so if there is a ban in place, then those products automatically go onto the global market and everyone is competing to sell their products to other markets.

"Australians have to join that battle and make sure we find markets for our products."

Chief executive officer of the Tasmanian Farmers and Graziers Association, Jan Davis, agrees the Russian bans will have a flow-on effect to some markets.

"What happens is the products that were going into Russia, and there's a lot of American stuff going in there, will then back up into other markets, because it's got to find a home somewhere.

"And some of those markets will inevitably have a knock-on effect to us."

Southern NSW grazier and former president of the National Farmers Federation, Duncan Fraser, says Russia's bans are significant.

He says he feels for both farmers involved in the export trade and the Russian people.

"The Russian President enjoys a high degree of popularity in Russia because of his anti-western stance on these things.

"He just sees this as a way, probably one of the few measures he can take, to get back at western countries.

"It's for the 12 months, so it'll be interesting to see what happens on the political and trade negotiations behind the scenes.

"I really think its going to be as much harm to Russian consumers as to Australian farmers."

Mr Fraser doesn't expect the ban will be extended to other agricultural products, including wool.

Dr Mark Melatos, an economics lecturer at the University of Sydney, predicts the sanctions could **lead** to significant changes in global trade of farm products.

He expects the European Union will be worst affected by the food bans.

The EU's exports to Russia are worth about \$15 **billion** a year and it also produces about a third of world **dairy** products, with much of that **sold** into Russia.

"The stuff that Russia doesn't **buy** has to go somewhere," Dr Melatos said.

"With this reorganisation of exports, Australian farmers might find themselves competing against European **dairy** farmers, for example, in markets where that competition didn't exist before."

Effect on **dairy**

One of Australia's major **dairy** processors says Russian sanctions on agricultural products such as **dairy** won't have a direct impact, but the knock-on effect is a major concern.

Bega **Cheese** chair Barry Irvin says Russia and **China** are the world's two major importers of **dairy** products.

He says Moscow shutting the door will mean the European Union, which presently supplies much of Russia's **dairy** imports, will now be looking elsewhere to unload its product.

"It will see a major shift in global supply and demand. It is not good news for the Australian **dairy** industry," Mr Irvin said.

Processed beef was already banned

There has been no Australian beef exported to Russia since April, when the trade was disrupted over concerns about import protocols and beef quality.

Meat and Livestock Australia chief economist Tim McRae says global demand for beef is very strong at the moment, so exporters would easily be able to find other markets for their product.

Mr McRae says in the first four months of this year, Russia took just over 1,000 tonnes of Australian beef.

"That's a very small market in the scheme of things when you are exporting 120,000 tonnes a month.

"The Russian market for Australian beef is very small. There's been no beef exports to Russia since April and even before that we were talking a very small volume.

"Simply on the basis that demand from a lot of other markets, be it **China**, the US, the Middle East, Korea, Japan has been so strong, that it's just really attracted the beef."

News of the ban hasn't come as a surprise to a meat processor and exporter in northern NSW.

The Northern Co-operative Meat **Company** in Casino was one of a list of Australian exporters affected by the temporary restrictions imposed in April, after an offal import ban imposed by Russia in January.

The **company's** chairman, John Seccombe, says it's disappointed that the negotiations to reopen that market have now stalled.

"The main issue was with HGP (hormone growth promotants) product and we certainly working our way through protocols to be able to send HGP-free product back into Russia," he said.

"We used to send a lot of veal product, forequarter cuts and also it was a very good market for some of our offal products.

"It was a very lucrative market but unfortunately since April we lost that so we've had to transfer those products into other markets around the world."

Mr Seccombe says the other markets weren't as lucrative as Russia and the co-operative is feeling the loss.

"Every meat exporter has had to do the same thing, find alternative markets," he said.

"Fortunately some markets have stepped up in the meantime, and obviously **China**'s the big one that's taken a lot of product from Australia, but we do miss that Russian market."

But Mr Seccombe says that Australia only counts for about 3 per cent of Russia's total beef imports.

"A lot of their imports come in from South America and I believe that this ban doesn't actually affect those countries," he said.

"Importantly the meat going into Russia at the moment won't be affecting our traditional markets around the globe."

Greenmountain Trading **Company** runs an abattoir at Cominya, west of Brisbane, specialising in veal.

It hasn't sent any product since Russia banned imports of Australian boxed beef in April.

Managing director David Scarrabelotti says the **company** had been looking forward to that ban being lifted.

"Prior to that, we were sending significant volumes of high value products out of the veal to Russia to two long-term customers that we've had there for probably 14 or 15 years.

"It wasn't a significant total impact on the **business**, but it was an impact on the return on the vealers, in that those products probably had a movement of \$4-5 a kilo in their value to what we'd be writing into the Russian market.

"And if you look at that across a body, it'd probably be to the extent of \$40, \$50 a head."

Mr Scarrabelotti says the **company** was looking forward to the ban on Australian boxed beef being lifted.

"Our customers over there require the product and they were looking forward to it being lifted as well.

"I wouldn't say we're totally counting on it - the **business** is here, we have a cross-section of customers - but every customer is important.

"Our Russian customers have a very good view of the Australian product that they **buy** and their customers are the same, they look for the product. It's impacting them as much as it impacts us."

Queensland Minister for Agriculture John McVeigh says the cattle sector is unlikely to be affected.

"Russia's been an expanding market for Queensland beef. We need to put that in perspective though.

"We've got Japan representing \$1 **billion** for our industry, the US half a **billion**, South Korea being another important market.

"So it's not our most important market by any means."

Not everyone is so optimistic, however.

Charters Towers mayor Frank Beveridge says it's a 'blow' for already-struggling producers.

"Russia may not be our most significant market, but it's certainly relevant, and we have to remember that this is a ripple effect.

"Any impact on the grazing industry at this time can only be bad.

"In the end, consumers will be suffering as well."

It's a concern shared by rural advocacy **group** AgForce Queensland.

Vice-president Ian Burnett says the sanctions could have serious implications for the industry.

"As far as beef goes, Russia had been emerging as a very significant and important export partner with Queensland.

"There's \$178 million of beef exports to Russia. We're talking significant numbers."

Reaction from other industries

Historically, Russia has been a significant buyer of Australian kangaroo meat.

But kangaroo exports to Russia were banned in 2008, and the industry says it's learned its lesson.

Macro Meats managing director Ray Borda says the company can't sell kangaroo to Russia, but there's plenty of other buyers.

"We're lucky in the way that you can only get kangaroo from one place, and it's Australia. We have the rest of the world to deal with, with a limited amount of product.

"It's not good for anybody, but personally we work fairly well ahead of ourselves and we'd wound down reliance on Russia a fair while ago."

Even though it appears wool exports have escaped the current ban, some producers are expecting Russia's sanctions to drive the commodity lower.

New South Wales superfine grower John Ive believes the Russian announcement will have an impact.

"It certainly will, because that'll affect overall confidence.

"If the beef market tightens up, then that causes a ripple through the whole economy and it'll affect people's buying habits for even quality wool products."

While the prospective fallout from the sanctions has left Queensland beef producers with a sense of uncertainty, the state's \$2 billion sugar industry is set to fare sweetly.

Queensland Sugar Limited, which exports 80 per cent of the state's sugar produce, says Russia hasn't imported Australian sugar since the 1990s.

In horticulture, Growcom chief advocate Rachel Mackenzie says although exports 'are not huge in the grand scheme of things', some fruit and vegetable growers will be 'significantly affected' by the decision.

"Obviously for those growers who rely on those markets, it's a big dint to their income.

"Getting stuff into foreign countries is quite complicated, and then for them to go 'oh', for some political reason, is quite challenging."

IN i010010502 : Dairy Cattle Farming | i0 : Agriculture | i01001 : Farming | i0100105 : Cattle Farming | ilsfarm : Livestock Farming

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AN Document ABCNEW0020140808ea8800033