

THE LAND

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HD AUSTRALIA'S rural sector might not want to rush into
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AUSTRALIA'S rural sector might not want to rush into a free trade agreement (FTA) with **China**, but with the rest of the world eyeing the Asian consumer powerhouse we could soon find **China** is busy doing a lot more **business** with our competitors.

It has been nearly a decade since negotiations began and we've heard plenty about the benefits of getting into **China** from New Zealand's booming **dairy** trade.

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Our **dairy** trade for the previous financial year almost doubled to \$440 **million** without an FTA, so the potential is massive and a good deal for **dairy** would help our processing sector as well.

However, with **China** investing in its own **dairy** herd, including importing as many as 79,000 head from Australia last year, is it going to risk undermining that investment by allowing in more Australian products on lower tariffs?

And if it does, what could be the trade-off? Relaxed policies around **Chinese** investment on our shores?

With comparatively low tariffs on **Chinese** goods already, we've entered negotiations with one less bargaining chip than many other countries.

Agriculture should benefit from a signed deal, but there will be trade-offs along the way.

With the Black Sea region now supplying much of our traditional Middle Eastern grain markets, it's important we increase the volumes going into Asia.

However, gains in other commodities, like the opening of gas exports into **China**, will increase our processing costs.

So cost of production will remain a ball and chain on our competitiveness.

Therefore, once a deal is signed we need to have relationships and potential supply chains established.

We also need a FTA which allows us to do more than just pour bulk commodities into the hull of a ship.

We need to sell our products at a price premium.

Northern Australian beef, for example, could be **sold** as a premium, healthy grass-fed product, even if its main market was **Chinese** hot pots.

In fact, branded beef could go a long way to reducing the price pressure the cattle market has experienced throughout the past couple years.

And given our size or lack thereof compared with many other countries as a producer of most products, branding and well-managed supply chain relationships will be key to turning a dollar in **China**.

But without a good deal, progress will be slow.

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