

SE News
HD Joyce looks to **China** to make up for lost trade
BY Luke Malpass, Tim Binsted
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TRADE SANCTIONS

Agriculture Minister Barnaby Joyce says Australian exporters can make up for lost Russian sales "in a heartbeat" by increasing exports to **China** or Indonesia, but the **dairy** industry is less certain.

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In response to criticism of Russia's handling of the MH17 disaster, Russia announced export sanctions valued at \$405 **million**, including a \$158 **million** export ban announced in April.

The sanctions, to last a year, mainly affect beef, **butter** and nuts. Hides and skins, worth \$44 **million** a year along with sheep meat and horse meat, are not on the banned list.

Citing Russia's April ban on Australian beef, Senator Joyce said: "When we say it's not going to have the effect everybody thinks, we are serious about it.

"Everything Russia doesn't use we'll sell to **China** in a heartbeat, and last night I was having dinner with the Indonesians, it was the same deal. [They said] If you've got any spare stuff just give us a phone call," he said.

"It's like a person who comes into your shop, once in a while with not a lot of money, and says, 'I'm not coming here any more'. You don't dismiss it, you treat them as a client, you treat them with respect, but you don't ring your bank manager either.

"The only people this ultimately hurts is the Russian consumer. The idea of having grocery stores with only one product in it that no one could **buy**, I thought were over in Russia," he said.

Australia's burgeoning **dairy** trade to Russia will be hardest hit by import sanctions announced on Thursday. Rival **dairy** exporter New Zealand escaped the sanctions entirely.

Russia has been a fast-growing, but volatile market for **dairy** products in the past few years, and is now worth \$112 **million**, 83 per cent of it **butter**. Although Russia accounts for only 3 per cent of **dairy** exports, it took 46 per cent of Australian **butter** exports in 2013-14, according to **Dairy** Australia.

Bega **Cheese** chairman Barry Irvin said the impact the ban could have on global dairy commodity prices was worrying.

After **China**, Russia is the world's second-biggest importer of **dairy** products.

"It is a concern for the industry but the level of impact is difficult to assess," he said. "The ban has left out New Zealand and that could present an opportunity for New Zealand."

The impact on Australia is difficult to measure, but European and American **dairy** products destined for Russia will now be displaced into other markets, which may hurt prices.

Gary Helou, managing director of Australia's biggest **dairy** exporter Murray Goulburn, said the ban was another blow for the industry after the recent decline in **dairy** commodity prices. "Russia is a very important market. It's disappointing and it's frustrating," he said.

Fonterra Australia said its exposure to Russia was "negligible".

"Fonterra Australia is part of a wider global network, accessing over 100 markets. We are monitoring the situation closely - it's still early days," director of ingredients and operations Bruce Donnison said.

"When politicians play around in the market, it never works out well for anyone," the chairman of the Federated Farmers of New Zealand **dairy** industry **group**, Andrew Hoggard, said.

The impact of the move was uncertain and the New Zealand **dairy** industry would certainly not be thrilled about the development, he said.

The impact on sheep and beef is also expected to be negligible.

At the start of the year, Beef and Livestock Australia projected only 3000 tonnes of beef for the Russian market out of a total of 1.5 **million** tonnes.

"We haven't sent any beef in any form to Russia since April," Meat and Livestock Australia chief economist Mark McRay said.

"We've got markets that are clamouring for our product and paying high prices," Mr McRay said, pointing out that while Russia was briefly a large market worth about 70,800 tonnes in 2008-09, other, closer markets have emerged making Russia less important.

"The interesting thing will be the effects on global supply. Worst-case scenario: there is a glut of products on international markets. It's a bit of a waiting game," he said.

"Any disruption to export markets is a concern to the sector. That said, there is high demand for high quality, safe product," said Tony Maher, National Farmers Federation general manager of policy.

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