

SE News
HD **Dairy** sees big gain ahead
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THE uncapped volume on **dairy** products into **China** will help the industry compete against New Zealand, according to the national lobby **group**.

Australian **Dairy** Farmers president Noel Campbell said tariffs on New Zealand **dairy** product into **China** would run out in 2018, before some major Australian **dairy** products lose tariffs, but this didn't necessarily put Australia at a disadvantage.

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"New Zealand has a small quota on UHT, less than two **million** litres a year," he said.

"A big part is we can put UHT in (to **China**) easier although we have tariffs. "WMP (whole **milk** powder) is the only one with a safeguard on it. It is a product New Zealand excels at — they can produce it a lot cheaper than us." The WMP safeguard, or volume cap, is 17,500 tonnes for the first year and will increase by 5 per cent a year.

Mr Campbell said he didn't know why under the trade agreement some products, such as ice cream, lactose and casein had tariffs reduced within four years and other products had a longer phase-out time.

According to **Dairy** Australia, ice cream exports to **China** were worth \$2.1 **million** this year — a drop of 28 per cent from last year.

Lactose was worth \$6.6 **million** this year, a decrease of 40 per cent from 2013, while Australia **sold** \$25 **million** of infant formula to **China** this year and \$38 **million** in 2013.

In volume terms it was the eighth largest **dairy** export to **China** in 2014 and the sixth largest in value.

WMP exports to **China** was worth almost \$139 **million** this year, a 97 per cent lift in value from the previous year.

The 10-15 per cent tariff on **cheese**, **butter** and yoghurt will be eliminated in nine years and the 15 per cent tariff on liquid **milk** will also be finished in nine years.

Cheese was the third largest **Chinese** export earner for Australia this year at \$82 **million** with **milk** worth \$39 **million**.

Mr Campbell said he expected **China** to push for "quite significant quotas" — similar to its agreement with New Zealand — but this wasn't the case.

He thought **China** felt "over exposed to New Zealand" when it came to **dairy** products.

Describing the deal as "excellent", he said it was a medium to long-term deal where **dairy** farmers would see the benefits in their **milk** cheque in a couple of years.

“(Farmers) can see it as security,” he said. “If they increase production or expand their **business** there is a market for it. Look at Japan, Japan is a mature market ... this market is growing.” **Milk** processors applauded the deal. Fonterra labelled it a “game changer” while Murray Goulburn said it “seemed to tick all the boxes”.

CO adryfl : Australian Dairy Farmers Limited

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