

SE Farm **Business**
HD **Dairy** fires up big **China** FTA offensive

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THE **dairy** industry is firing up a major offensive to convince Canberra that **milk** products must be a key priority when Australia sits down to sign a free trade agreement (FTA) with **China**.

Already bruised by a similar recent agreement with Japan which achieved negligible gains for **dairy** farmers and processors burdened by tariff barriers of almost 30 per cent on some products, the **dairy** sector is fearful about the consequences of a half-hearted effort in negotiations with Beijing.

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The biggest fear is that New Zealand's **dairy** sector, already the dominant export supplier to **China**, will enjoy even stronger preferential treatment thanks to its trade deal sealed back in 2008, unless Australia's tariff cuts are fast-tracked to match NZ's position.

While Australian **dairy** products **sold** to **China** are weighted down with tariffs averaging about 9pc, NZ exports are moving towards zero tariffs and duties by 2017 and pay an average of just 3pc.

The stark difference in opportunities in the hungry **Chinese dairy** market are epitomised by the much-applauded new fresh **milk** trade from New South Wales, which cops a 15pc tariff when it lands in Shanghai, while NZ's booming nutritional powder exports pay no tariff at all.

Every litre of fresh **milk** sent to **China** by the Norco co-operative attracts a tariff of about 60 cents, while Australian infant formula powder exporters pay \$1.50 a kilogram.

Unlike many farm and mining export industries with hopes for **China**, removing import barriers on **dairy** exporters promises to create enormous job and cashflow gains in regional Australia because **milk** products must be processed and value-added before they leave our shores.

"Compared to a lot of other stuff that's just dug out of the ground or harvested and poured into the hull of a ship, a lot of people and skills are involved in the **dairy** supply chain," said Australian **Dairy** Farmers president Noel Campbell.

About 43,000 Australians are directly employed in **dairy** sector jobs, with the booming export sector mostly concentrated in south eastern regions from the NSW Riverina to Tasmania and eastern South Australia.

"About \$1 **billion** in further investment is also going into upgrading our industry infrastructure, largely to improve our export capabilities," said Mr Campbell who milks about 450 cows in Victoria's west Gippsland.

"More investment is also likely to come into Australia from places such as **China** if the FTA works out positively for our industry."

The ADF is driving home the point in Canberra that an FTA deal matching NZ's trade barrier dismantling gains would save Australian exporters about \$630 **million** between 2016 and 2025.

Farmers in NSW and Queensland are excited by prospects for their largely domestic-based sector too, because improved export opportunities and the chance to keep pace with NZ's sales efforts in **China** would let them break free of the crippling \$1-a-litre supermarket **milk** environment.

"**Dairy** regions across NSW have a wide variety of current and proposed manufactured products to supply the high-end **Chinese** consumer market," said **Dairy** Connect NSW president Adrian Drury.

Apart from existing processors such as Richmond Dairies, Bega **Cheese**, Norco and Hastings **Milk** already exporting goods ranging from frozen cream to extended shelf life **milk** and fresh **milk**, new powder processing plants were planned for the Mid North Coast, the Illawarra and Central West.

These new ventures, which were likely to have a mix of local and **Chinese** investment backing, would also supply an infant **milk** processor in Sydney.

NSW Farmers **dairy** committee chairman Rob McIntosh said the infant formula market alone offered extraordinary potential with the relaxation of **China**'s one child policy.

"Last year 16 **million** babies were born in **China** and that number is soon projected to rise to 20m annually," he said.

China's total **dairy** product imports jumped more than 40pc between 2012 and 2013 to two **million** tonnes and are forecast to keep growing at 14pc annually, according to **Dairy** Australia.

But without an even footing alongside NZ exporters in **China**, the NSW industry could not grow to take advantage of the global export boom, said **Dairy** Connect chief executive officer Mike Logan.

"We need access to the export market for **dairy** and that's basically in **China** where the Kiwis have an advantage over us at the moment," he said.

"A suitable NZ-plus FTA deal would resolve that and allow us to grow by attracting up to \$300m each for on-farm and manufacturing upgrade investment and injecting \$500 into regional economies."

Dairy Connect and NSW Farmers have teamed up to join an ADF initiative to ensure every federal parliamentarian and the wider community understood what was at **stake** in the FTA talks with **China**, due to be finalised by year's end.

"We all know that **milk** is worth more than \$1/litre," Mr Logan said.

"An FTA with **China** will allow our farmers to get fair value for their product it's vital to the NSW **dairy** industry."

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