31 March 2017

Mr Andrew Dawson
Inquiry Secretary
Joint Standing Committee on Foreign Affairs, Defence and Trade
PO Box 6021
Parliament House, Canberra ACT 2600

Inquiry into Australia's trade and investment relationship with the United Kingdom

This submission has been compiled by Meat & Livestock Australia (MLA) on behalf of the Australian red meat industry[1], in response to the Joint Standing Committee's inquiry into Australia's trade and investment relationship with the United Kingdom (UK).

The UK has historically been an important customer for Australian red meat. However a disproportionately low European Union (EU) tariff rate quota (TRQ) import regime involving high above quota tariffs has constrained the ability for Australia to respond to ongoing consumer demand for high quality red meat in the UK and compete equitably with other suppliers.

Australia's red meat trade to the UK

Prior to joining the EU, the UK was one of Australia's largest export destinations for red meat. In 1955 for example, Australia exported 47,000 tonnes of sheepmeat to UK (93% of Australia's sheepmeat exports at the time). Additionally, beef exports to the UK reached a peak in 1959 of approximately 149,000 tonnes (65% of Australia's beef exports at that time); a similar size to the Korean market for Australian beef today.

Incorporation of the UK into the highly restrictive EU import regime in 1973, however, severely curtailed Australia's red meat trade volumes via restrictive arrangements (which still operate today). These arrangements currently include:

For beef:
- 7,150 tonnes of country (Australia) specific High Quality Beef (HQB) quota access with a 20% in-quota tariff;
- shared access (with the US, Uruguay, Argentina, Canada, and New Zealand) to a 48,200 tonne global grainfed beef quota with a 0% in-quota tariff;
- access above these quotas via import duties of 12.8% plus up to €3/kg – which for many beef products makes trade above the quotas commercially unviable; and
- access (via EU importer held licences) to a shared frozen beef quota and a frozen beef for processing quota - which at varying times source Australian product.

For sheepmeat and goatmeat:
- A 19,186 tonne country (Australia) specific combined sheepmeat / goatmeat quota with a 0% in-quota duty; and
- access above this quota via import duties of 12.8% plus up to €3.1/kg - which again effectively stifles most above-quota trade opportunities.

[1] Red Meat Advisory Council; Australian Lot Feeders' Association; Australian Meat Industry Council; Cattle Council of Australia; Goat Industry Council of Australia; Sheepmeat Council of Australia

Additional products:
- for offal, tariffs of 12.8-15.4% and / or up to €3/kg apply;
- for co-products, tariffs of up to 16.6% or €3/kg apply;
- for prepared meat tariffs of up 16.6% or €3/kg apply; and
- some live animal tariff lines also incur duties of 3.2-10.2% and / or €80.5-93.1/100kg.

Australia's current trade and investment relationship with the UK

The UK imported 243,250 tonnes of beef and 87,337 tonnes of sheepmeat in 2016 to feed its growing population of 64 million. However, Australia's market share represents just 5% (or 15,897 tonnes in 2016) of the UK's total red meat imports (including EU and non-EU).

For Australian beef; 7,699 tonnes was exported to the UK out of Australia's total exports of 20,841 tonnes to the EU in 2016 (consisting of 15,980 tonnes of high quality grainfed beef and 4,862 tonnes of high quality grassfed beef). Over the past decade Australian beef has represented on average, only 2% of all UK's beef imports (approximately 67% of imports are from Ireland).

For Australian sheepmeat; 12,378 tonnes was exported to the UK out of Australia's total exports of 16,471 tonnes to the EU in 2016 (consisting of 11,512 tonnes of lamb and 4,959 tonnes of mutton). Over the past decade, Australian sheepmeat has represented, on average, only 13% of the UK's sheepmeat imports (approximately 73% of imports are from New Zealand). There were no shipments of Australian goatmeat to the UK in 2016.

Despite low volumes into the EU overall, the UK remains Australia's single largest market for beef and sheepmeat exports within the EU, importing 46% of beef and 75% of all Australian sheepmeat exports to the region. Additionally, the EU (currently including the UK) is Australia's highest value beef export market on a per tonne basis - reaching $13,430/tonne in 2016, almost double the global average.

Implications for Australia's trade relationship subsequent to the UK's exit from the EU

Brexit provides an unprecedented opportunity for the Australian red meat industry to enhance its trading relationship with the UK. Capitalising on import reform opportunities in a timely manner (i.e. a re-examination of the previously mentioned EU access arrangements) will help position the Australian red meat industry for more competitive access and set up an advantageous trading regime for years to come.

The decision to depart the EU will require the UK to develop a trading regime incorporating its own World Trade Organisation (WTO) tariff schedule as well as adjusting its bilateral relations accordingly.

In both instances, a more liberalised UK import regime than is currently in place, would deliver substantial advantages not only to the Australian red meat industry but to UK importers, wholesalers, distributors, foodservice and retail operators as well as consumers – all of whom value Australia's beef and sheepmeat products for their consistent and predictable quality.

With the UK being an importer of high quality food products, our industry is ideally positioned to help meet future demand, providing the construct of the import regime is similarly supportive. Our aim is to continue to provide the UK with the choice of a range of superior imported beef, veal, lamb, mutton and goat meat products - via helping to fill a portion of the gap between UK domestic red meat production and projected consumer consumption requirements.

Australian red meat industry priorities for enhanced trade into the UK therefore include:
- facilitation of access to ensure existing trade to the UK continues in light of the disruptive political environment;
- securing more liberalised access as the UK constructs its new post-Brexit import regime; and
- advocating the swift commencement of an Australia-UK Free Trade Agreement (FTA) in order to procure long-term preferential access - which would be a substantial improvement on the current punitive arrangements.

Role of Government in identifying and pursuing trade and investment opportunities in the UK

In relation to these priorities, the Australian red meat industry strongly supports the Government's position of exploring ways to enhance Australia's current trade ties with the UK. Although the regulatory environment in the UK (post the Brexit vote) remains opaque, industry has been encouraged by the recent Australia-UK trade dialogue, including the establishment of a bilateral Trade Working Group to scope out the parameters of a future ambitious and comprehensive FTA.

Ongoing dialogue with UK trade officials must continue and industry welcomes a partnership with the Australian Government in implementing targeted advocacy. Industry's preference is to lead a collaborative discussion and assist the UK in framing their future import regime, by finding solutions which provision the supply of imported beef and sheepmeat as well as satisfying current consumer demand and continuing to support domestic production.

In so doing, however, the red meat industry recommends that equal priority be given to progressing bilateral discussions with the EU including the earliest possible commencement of Australia-EU FTA negotiations– where the demand for Australian red meat is similarly stifled by the current import regime.

In essence, the opportunity that Brexit and a subsequent Australia-UK FTA now provide in working with the UK to transform current import arrangements for Australian beef, sheepmeat, goatmeat and associated products is unprecedented - and one which must be pursued with vigour and accordingly allocated the highest priority.

Industry contact

Industry representatives would welcome elaborating on the above with the Committee in due course. In the interim, for additional information in relation to the red meat industry's position on Australia's trade with the UK, please contact:

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