



15 May 2014

Joint Standing Committee on Foreign Affairs, Defence and Trade
PO Box 6021
Parliament House
Canberra ACT 2600

RE: Inquiry into Australia's trade and investment relationships with countries of the Middle East

Dear Chair

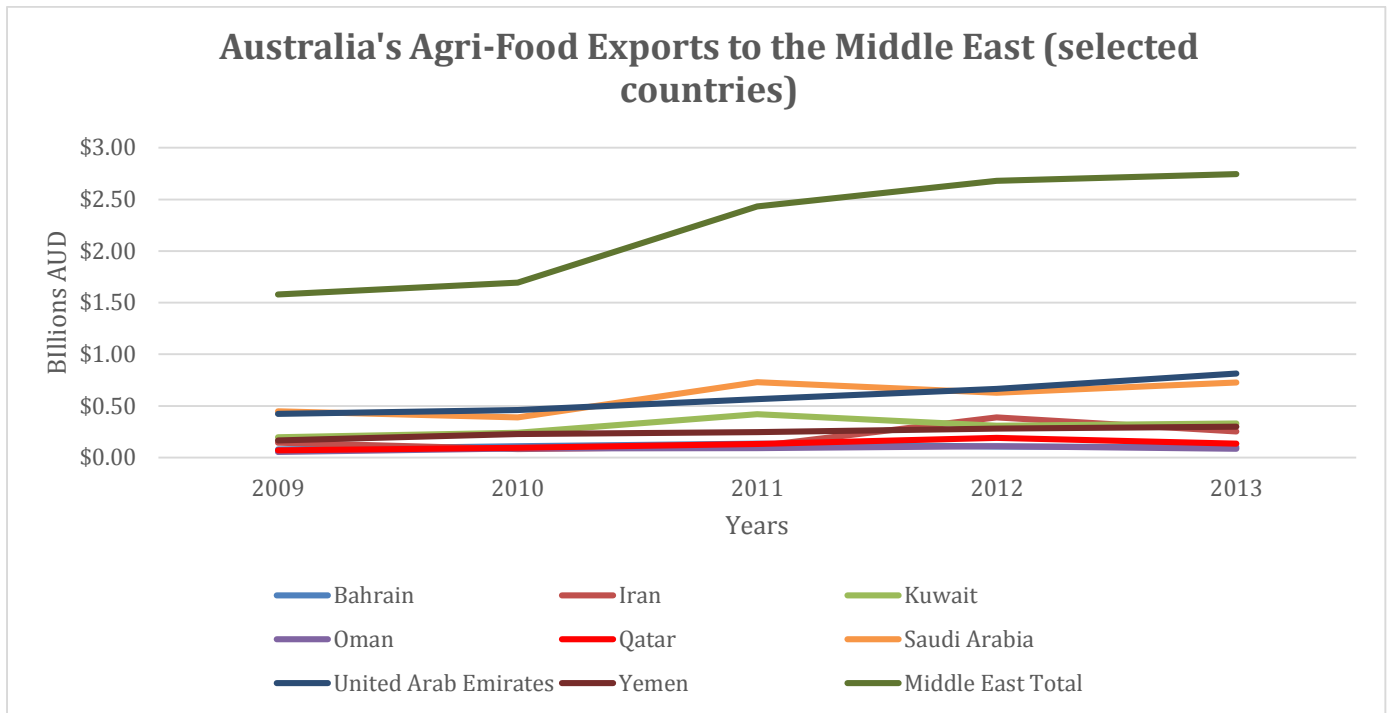
The Australian Food and Grocery Council (AFGC) welcomes the Committee's Inquiry into Australia's trade and investment relationships with countries of the Middle East. Countries of the Middle East are increasingly important markets for Australian agri-food exports. Into the future, Australia's trade and investment relationships with the Middle East will be continue to be important for market diversification, and as launching pads into the broader Middle East and North Africa (MENA) region.

The AFGC is the peak national body representing the food, beverage and grocery manufacturing industry, Australia's largest manufacturing sector. Through the Agribusiness Forum, the AFGC also represents companies involved in the early stage processing of agricultural commodities (otherwise known as semi-processed food). The Australian food, beverage and grocery manufacturing industry has an annual turnover of approximately \$111 billion, directly employs almost 300,000 people, with half of those in rural and regional areas, and generates \$24 billion in exports.

The enormous opportunities for Australian agriculture, agribusiness and food industries presented by increasing global food demand have been highlighted extensively. Increasing global population, rising incomes and greater demand for protein and high value foods presents Australian agri-food industries with a platform for growth to 2050.

The Middle East region is large and diverse with a population of approximately 220 million. Average incomes and living standards vary within and between countries with energy exports underpinning a number of economies. The Middle East and North Africa (MENA) region has a population of approximately 350 million and diversity between countries is even greater.

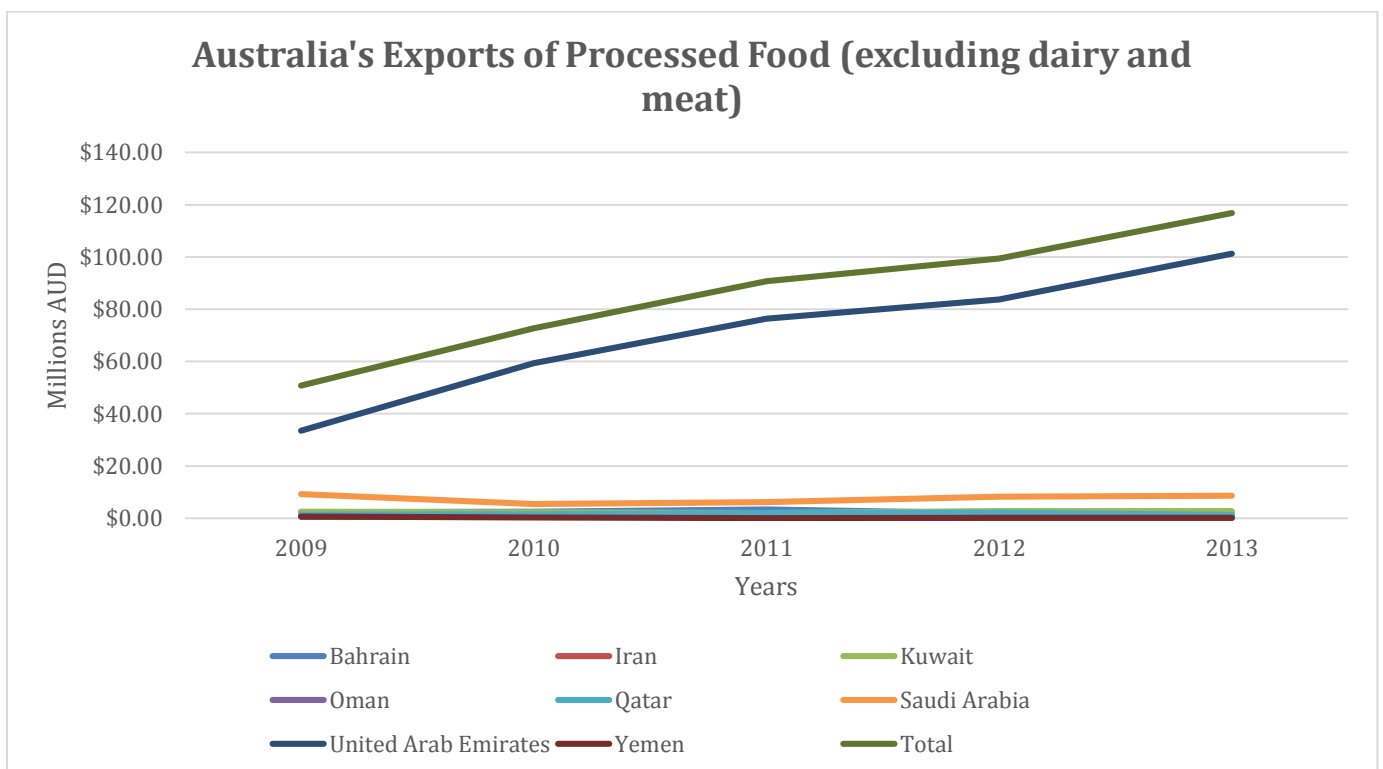
While Australian agri-food exports to the Middle East have traditionally been focussed on bulk commodities and live animals, the growing tourism and related services sectors in Middle East economies has underpinned growing exports of processed food products.



Source: UN Statistical Database 'Comtrade'. Agri-food includes live animals and grains through to processed foods but excludes fishery products.

The chart above highlights the growth in Australia's agri-food exports to selected Middle East countries from 2009 to 2013. Australia's exports increased at an annual average growth rate of 15 per cent, from approximately \$1.6 billion in 2009 to \$2.7 billion in 2013. Saudi Arabia and the United Arab Emirates are the largest markets for Australian agri-food exports, with exports to the United Arab Emirates growing consistently to become the largest in 2013.

While much of the focus of Australia's trade with the Middle East has traditionally been on bulk grain and live animals, and now more recently packaged meat and dairy products, there is a significant opportunity for Australia's broader packaged food exports.



Source: UN Statistical Database 'Comtrade'. Processed Food includes HS Tariff Chapters 16-22.

Australia's exports of processed food products averaged 23 per cent growth over the years 2009 to 2013 but this is almost wholly attributable to the increase in exports to the United Arab Emirates. Australia's exports of processed food to the United Arab Emirates increased from approximately \$34 million in 2009 to \$101 million in 2013 – average annual growth of 32 per cent. While trade in processed food may be a small proportion of the overall agri-food trade with the Middle East, there is a significant opportunity to build on recent growth in the United Arab Emirates. Just as recent increasing exports of packaged meat and dairy products built on long-standing trade in bulk grains and live animals to the Middle East, packaged food exports can leverage existing supply chains, networks and infrastructure to meet demand across the Middle East.

As part of greater engagement on international trade issues, the AFGC has begun efforts to support Australia's agri-food trade with Middle East. The AFGC has promoted the Arabian Gateway Global Gathering, to be held in late 2014, to agri-food companies as an opportunity to better understand markets in the Middle East. The annual AFGC Highlands conference will feature a speaker from an importer and retailer based in the United Arab Emirates who will provide market insights to the assembled senior executives of Australian food companies. Reflecting a renewed focus on the Middle East, the AFGC is aware of an increasing number of food companies making concerted efforts to build relationships, and in some cases on the ground presence, in relevant countries.

Recently much focus has been placed on growing food demand in Asia and the opportunities for Australian companies. It is critical that Australian companies are fully engaged in markets across Asia and meeting the rapidly growing demand however it is also important to maintain access and trade with other markets. Past disruptions to markets, such as with live exports to Indonesia, highlight the importance of market diversification.

The ongoing development of global supply chains presents opportunities for Australian companies to adopt new business models. In a recent market visit to Malaysia, Malaysian companies highlighted the opportunities for Australian raw or semi-processed food products to be further manufactured in Malaysia's halal business parks for consumption in Malaysia and/or export to the Middle East. There is also opportunity for Australian companies to set up operations in Malaysia's business parks and export to the Middle East. Two way investment between Australian and Middle East countries is also an area where significant developments are possible.

People to people links are integral to establishing and maintaining international trade flows. Companies will travel to markets and seek out opportunities and relationships but there is an important role for Australian government officials based in overseas markets. Sharing of networks and an understanding of cultural interaction is a key area for Australian government officials to support companies seeking to do business in the Middle East. Greater information sharing and cooperation between industry and government will assist in continuing to develop Australia's presence in Middle East markets.

A number of countries across the Middle East are major net food importers and some have adopted comparatively low barriers to food trade. Australia has previously been negotiating a trade agreement with the Gulf Cooperation Council (GCC) and there have been separate suggestions of bilateral deals with individual countries. Any proposal for a new trade agreement (or renewed negotiations with the GCC) needs to be subject to a clear eyed assessment of the current barriers to trade and whether a formal trade agreement is required and/or likely to address those issues. Industry would support more formal Government to Government ties but this does not necessitate a trade agreement unless clearly warranted.

The AFGC appreciates the opportunity to provide input to the inquiry and looks forward to the final report.

Yours sincerely

Gary Dawson
Chief Executive Officer
Australian Food and Grocery Council