

JOINT STANDING COMMITTEE ON
FOREIGN AFFAIRS, DEFENCE AND TRADE
TRADE SUB-COMMITTEE

INQUIRY INTO AUSTRALIA'S TRADE AND INVESTMENT
RELATIONSHIPS WITH COUNTRIES OF THE MIDDLE EAST

SUBMISSION FROM
AUSTRALIAN GOVERNMENT DEPARTMENT OF AGRICULTURE

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Foreword

On 27 March 2014, the Trade Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade announced an inquiry into Australia's trade and investment relationships with countries of the Middle East. This followed receipt of a reference from the Minister for Trade and Investment, the Hon Andrew Robb AO MP.

The following submission is made by the Australian Government Department of Agriculture (including the Australian Chief Veterinary Office and ABARES) addressing the Sub-Committee's terms of reference for the inquiry:

- *the nature of Australia's existing trade and investment relationships with countries of the region;*
- *emerging and possible future trends in these relationships;*
- *barriers and impediments to trade and investment with Middle Eastern countries for Australian businesses, including examination of supply chain costs;*
- *opportunities for deepening existing commercial and cultural links, and developing new ones, with the countries of the Middle East; and*
- *the role of government, including DFAT and Austrade, in identifying new opportunities and assisting Australian companies to access existing and potential opportunities in the Middle East.*

In providing its submission, the Department of Agriculture has considered agricultural trade relationships with the countries of the Middle East and north Africa region (MENA) as defined by the Sub-Committee to cover Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, United Arab Emirates (UAE) and Yemen. Agricultural statistics are largely drawn from ABS/ABARES data.

Overview

The MENA region continues to be a significant market for Australian agricultural exports, taking some 10 per cent (valued at \$4.4 billion) of total Australian agricultural exports in 2012-13.

Grains (wheat and barley); frozen and chilled red meat; dairy (principally powdered milk); livestock; and horticulture, are key exports but Australia faces continuing competition from north and south American, New Zealand and European suppliers.

Australia's positive reputation in the region is built on our:

- reliability as a supplier of high quality, safe food and raw agricultural products;
- favourable pest and diseases status; and
- history of agricultural cooperation.

Looking ahead, physical limitations of climate, suitable land and scarcity of water will continue to challenge development of agriculture in many areas of MENA. With current population of the region over 350 million and further growth forecast, food security dominates government priorities and economic planning. Furthermore, there is a shifting demand pattern from traditional staple foods to imported higher-value products.

While these characteristics provide opportunities for Australian agricultural exporters, political instability and the often extensive involvement of governments in delivering food security, require ongoing involvement of the Department of Agriculture (and other Australian Government agencies) to establish and nurture government-to-government links and frameworks in support of market access for Australian exporters. This includes the ongoing need to reassure MENA markets that Australia's quality and safety of its agricultural exports remain of the highest standard.

Key areas of work for the Department of Agriculture include:

- maintaining and expanding access for agricultural exports by providing assurance of the safety and quality of Australian agricultural commodities and food and its compliance with importing country requirements;
- identifying and supporting new and established market access for agricultural commodities, including through the in-market activities of the Department of Agriculture's Consul (Agriculture) based in Dubai;
- engaging with trading partner governments to strengthen bilateral relationships and commitment to trade links;
- facilitating technical assistance and supporting technical cooperation to underpin the sustainability of trade and expand recognition of agricultural expertise that could be sourced from Australia;
- engaging with Australian industry to identify emerging market access opportunities and threats; and
- increasing the international competitiveness and sustainability of Australia's agricultural industries through Australian Government support of industry research and development corporations (RDCs).

Such work, in conjunction with action by the Australian agricultural industry, has seen increased agricultural market access into MENA (an almost 80 per cent increase in the value of exports in the four years since 2009-10) and should continue to provide an effective basis for addressing future trade and investment issues.

Existing Agricultural Trade

Trade flows

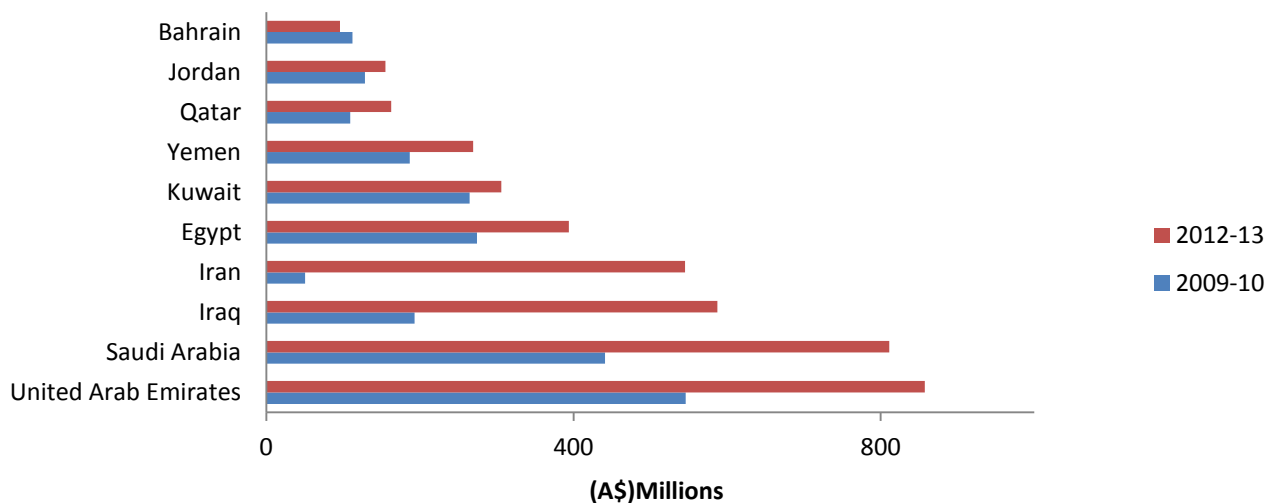
Australian exports

MENA is a significant market for Australia's agricultural commodities, with 2012-13 exports valued at \$4.4 billion, representing some 10 per cent of Australia's total agricultural exports.

There has been significant growth in agricultural exports to the MENA region, with an almost 80 per cent increase in value of exports in the four years since 2009-10 (when exports were valued at \$2.5 billion). Appendix A - details Australian agricultural exports to each MENA country in 2009-10 and 2012-13.

Over this same period, the top 10 export destinations (covering about 95 per cent of exports) have remained the same, although there have been some changes in relative significance (see below). While the UAE (\$858m in 2012-13) and Saudi Arabia (\$811m) have remained the top two markets, the growth in exports to Iraq (\$587m) and Iran (\$545m) has been particularly notable.

Top 10 export markets in MENA



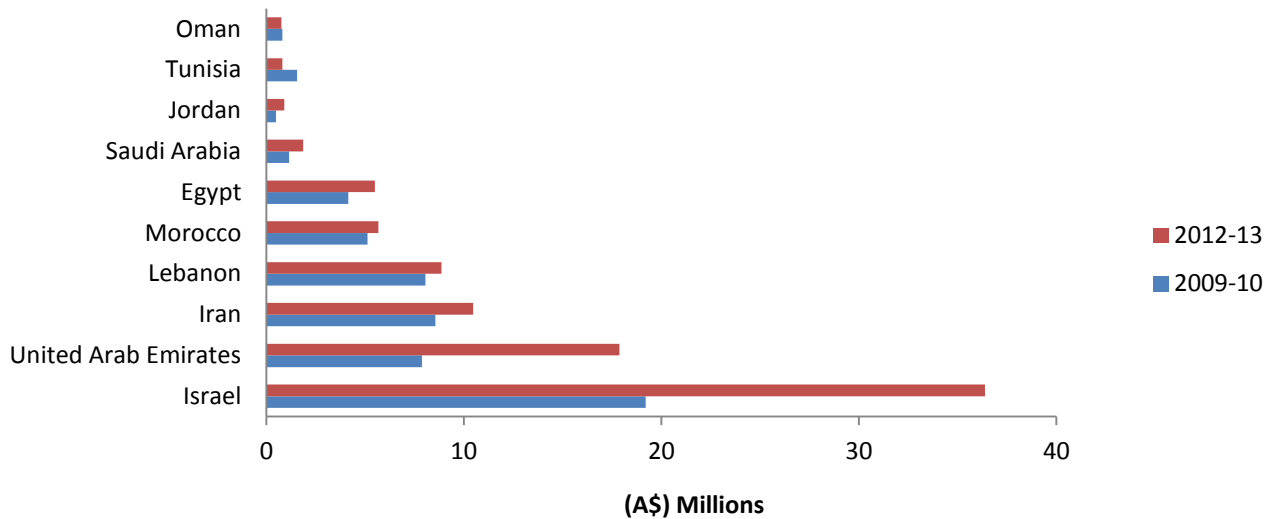
Australian imports

Reflecting the very limited agricultural production capacity in the MENA region, it is not surprising that Australia's agricultural imports from the region totalled only \$90 million in 2012-13. Appendix A - details Australian agricultural imports from each MENA country in 2009-10 and 2012-13. This represented only 0.51 per cent of Australian agricultural imports in 2012-13.

Nevertheless, the value of agricultural imports from MENA in the period 2009-10 to 2012-2013 grew by more than 50 per cent.

The top 10 source countries from the MENA region (covering 85 per cent of total imports) also remained unchanged between 2009-10 and 2012-13, with Israel (\$36m in 2012-13) remaining the most significant supplier (see below).

Top 10 import markets from MENA



Commodity composition

Australian exports

In 2012-13, exports to MENA were dominated by grains worth \$2.57bn (principally wheat, barley and canola - \$2.5bn); frozen and chilled sheep meat worth \$489m; dairy worth \$302m (principally powdered milk - \$121m); livestock (sheep and cattle) worth \$267m; frozen and chilled beef worth \$251m; and horticulture worth \$325m (principally pulses - \$139m). Appendix B - details Australia's agricultural exports by major commodity sectors to each MENA country in 2012-13.

Grains

MENA is an important export destination for Australian wheat and barley exports, accounting for 26 per cent and 37 per cent of the total volume of Australian exports in 2012-13, respectively. The region is a minor market for Australian canola exports.

In 2012-13, Iraq and Iran were the largest export destinations for Australian wheat in the region, receiving 1.8 million and 1.3 million tonnes respectively. However, Australian shipments vary significantly from year to year, with exports to both countries more than 1 million tonnes lower in 2011-12.

Saudi Arabia is the largest export destination for barley, accounting for around 70 per cent of Australian exports to the region. In 2012-13, the volume of barley exports (including the grain equivalent of malt and malt extract) from Australia to Saudi Arabia was around 1.1 million tonnes.

Red meat

MENA is an important export destination for Australian red meat, particularly sheep meat.

In 2012–13, Australia exported \$489 million of sheep meat to the region (around 30 per cent of the value of total Australian sheep meat exports). The major destinations were the UAE (\$131 million), Saudi Arabia (\$70 million), Jordan (\$61 million), Bahrain (\$55 million) and Iran (\$50 million). Lamb, rather than mutton, was the main product exported to most of these markets, and accounted for around 54 per cent of total sheep meat exported there.

In 2012–13, Australia exported \$251 million of beef and veal to the region (around 5 per cent of the value of total Australian beef and veal exports). In that same year, the major destinations for beef and veal were Saudi Arabia (\$88 million), the UAE (\$57 million), Iran (\$22 million) and Jordan (\$20 million).

Dairy

MENA is an important market for Australian dairy exports. In 2012–13, Australia exported \$302 million of dairy products to the region (around 11 per cent of the value of total Australian dairy exports).

UAE was the largest market in the region for Australian dairy exports in 2012-13 (at \$97 million), followed by Saudi Arabia (\$74 million), Kuwait (\$31 million) and Yemen (\$29 million).

Milk powder (skim and whole milk) exports to the region were the most valuable dairy product exported in 2012–13 (at \$121 million), followed by cheese (\$55 million) and butter (\$33 million).

Livestock

MENA is a key region for Australian live animal exports (for slaughter and feeder under the Exporter Supply Chain Assurance System - ESCAS), accounting for 98 per cent of Australian live sheep exports, and 15 per cent of total cattle exports in 2013. Current markets with ESCAS approved supply chains for Australian livestock exports include Bahrain, Israel, Jordan, Kuwait, Oman, Qatar and the UAE.

In 2013, 1.9 million sheep were exported to MENA, with the largest export markets being Kuwait, Qatar, Jordan and the UAE.

Live cattle exports were smaller totalling 112,000 head. Major cattle markets in MENA were Israel and Jordan.

There have been limited exports of breeder livestock (cattle, sheep, goats and camels) to MENA countries in recent years (some 5,000 head per year since 2009). However, as countries, such as Iraq, seek to significantly rebuild herd numbers and quality, opportunities for export of livestock and genetic material are expected to grow.

Horticulture

Australia is counter-seasonal to northern hemisphere production and can supply fresh fruit and vegetables into the MENA region during the northern hemisphere “off season”.

The UAE market is especially important for Australian horticulture produce. The UAE, particularly Dubai, is used as a trans-shipment point for other middle eastern markets, especially Gulf Cooperation Council (GCC) countries.

The largest export markets for Australian vegetables in MENA are Egypt, the UAE and Saudi Arabia. Australia exported around \$246 million of vegetables into the region in 2012-13, of which Egypt accounted for 42 per cent, the UAE around 34 per cent and Saudi Arabia around 12 per cent. The majority of vegetables exported to these countries are pulses such as broad beans and lentils with some quantities of fresh vegetables including carrots, onions and potatoes.

The UAE receives the majority of Australia's fruit and tree nut exports to the area, accounting for almost 81 per cent of fruit exports and around 53 per cent of tree nut exports. The value of Australia's fruit exports to the UAE in 2012-13 was around \$36 million (mainly grapes, citrus, stonefruit and melons) while the value of tree nut exports (mainly almonds and some macadamia exports) was around \$15 million. Tree nut exports are subject to variation, with shipments to the UAE in 2012-13 nearly twice the value of exports in 2010-11.

Australian imports

Australia's agricultural imports from MENA in 2012-13 were dominated by horticulture (\$47m) and seafood (\$19m).

For horticulture, the four major import sources were UAE (principally tea - \$10m); Israel (principally fruit and vegetable juices - \$2.5m; prepared horticultural products - \$2.3m; and fresh or dried fruit - \$1.9m); Iran (principally dried dates - \$3m; and sultanas - \$2.9m); and Lebanon (principally prepared horticultural products - \$3m).

There is also interest amongst a number of MENA countries in the export to Australia of fresh dates – currently all dates from this region must be dried (ie 30 per cent or less moisture content) because of concerns over pests such as fruit fly.

For seafood, imports largely consist of marine fats and oils from Israel (\$17m).

Investment

Total investment flows with the MENA region (see table below) represented less than 1 per cent of total foreign investment into Australia in 2013. Foreign investment into the Australian agricultural sector is not specifically quantifiable.

Australian investment flows with MENA – 2013

MENA	Total value of MENA investment** into Australia in 2013 (A\$million)	Total value of investment by Australia into MENA in 2013 (A\$million)
Saudi Arabia	4,490	<i>np*</i>
Bahrain	10	<i>np</i>
Kuwait	<i>np</i>	12
Qatar	17	42
Oman	<i>np</i>	24
United Arab Emirates	17,215	133
Algeria	<i>np</i>	<i>np</i>
Egypt	<i>np</i>	171
Iran	<i>np</i>	<i>np</i>
Iraq	<i>np</i>	<i>np</i>
Israel	131	616
Jordan	<i>np</i>	3
Lebanon	<i>np</i>	<i>np</i>
Libya	<i>np</i>	<i>np</i>
Morocco	<i>np</i>	4
Tunisia	<i>np</i>	<i>np</i>
Yemen	<i>np</i>	<i>np</i>

Source: 5352.0 - International Investment Position, Australia: Supplementary Statistics, 2013; ABS

* = not published

** = no published breakdown of total foreign investment for the agriculture, fisheries and forestry

The Department of Agriculture is aware that a number of countries in the MENA region have an interest in investing in Australia. Certainly, the countries of the Gulf Cooperation Council (GCC) have enormous capacity through their various Sovereign Wealth Funds to undertake strategic investment.

In 2008, Qatar established the Hassad Food Company, a wholly owned subsidiary of the Qatar Investment Authority (QIA) to support the country's long-term food security program. In 2009, the Australian company, Hassad Australia was established. The company operates a diversified portfolio of sheep and grain enterprises across the mainland states of Australia, consisting of a quarter of a million hectares of farmland, producing 165,000 tonnes of grain and exporting about 110,000 Awassi fat-tailed sheep annually to Qatar.

The Saudi Arabian King Abdullah Initiative for Agricultural Investment Abroad (KAI) has expressed interest in investing in Australia. The US\$800 million initiative supports private investment in agricultural projects outside Saudi Arabia by providing finance and grants to projects. Saudi investment authorities recently indicated an interest in Australia's wheat, barley and red meat sectors across the value chain, rather than simply purchasing property. However, Australia's high labour costs and perceived investment limitations were raised, and Saudi authorities noted other regions were also being considered for investment including South America, Canada and Europe.

Media reports suggest that Kuwait has invested heavily in farmland and other agricultural assets in the developing world, mainly Africa.

Trends and Opportunities

MENA provides ongoing opportunities for Australian agricultural exporters. The growth of exports in recent years (as noted in the previous section) should be able to be maintained given:

- Climate, limited agricultural land and scarcity of water, restrict development of agriculture in many areas of MENA and the region will continue to rely on agriculture and food imports. Bahrain ranks as the most water-stressed country in the world, followed by Qatar, Kuwait, Saudi Arabia and Libya (Maplecroft risk analysis 2011).
- With current population of the region around 355 million (World Bank 2012) and further growth forecast, food security is an increasing priority and target for economic planning for governments in the MENA region.
- Strong consumer demand for Australian product, spurred on by a growing local food manufacturing sector.
- Shifting demand patterns from traditional staple foods to imported higher value products.
- Development of hospitality and tourism sectors in a number of MENA countries provides further potential in this high-end market segment.

Grains

Australian grains and oilseeds exports to MENA face strong and increasing competition from the European Union and the Black Sea region (Russian Federation, Ukraine and Kazakhstan). Favourable transport costs and lower production costs, particularly in the Black Sea region, mean that grains and oilseeds from these sources are more cost competitive.

Despite the increase in competition, Australia is likely to retain an important share of the Middle East and North Africa market, particularly at the specialised high value end of the market, reflecting Australia's reputation and ability to consistently supply quality grains and oilseeds.

Red meat

The value of lamb exports to MENA is expected to rise in 2013–14, reflecting the lower Australian dollar, strong consumer demand, and reduced competition from New Zealand. (New Zealand's lamb exports are forecast to fall by 10 per cent in 2013–14 reflecting a decline in ewes being mated and poor lambing conditions as a result of drought in early 2013. The New Zealand sheep flock has also been contracting as land use has shifted toward dairy farming, a trend that is expected to continue over the medium term.) However, exports of mutton to the Middle East are expected to fall, with exporters shifting product away from the Middle East to meet growing demand from Asian markets.

Bahrain has recently emerged as a major export destination for Australian lamb meat, due in part to the suspension of the live sheep export trade in Bahrain in August 2012. The re-opening of the live export trade in April 2014 may cause a decline in lamb meat exports, although not to previous lower levels.

Exports of beef and veal to the region are also expected to rise in 2014–15, with demand for Australian beef being supported by limited supplier options – there are bans on beef from the US and Brazil in some Middle Eastern markets due to concerns about bovine spongiform encephalopathy in these source countries.

Dairy

With little expansion in milk production expected in MENA over the short to medium term, the region is expected to continue to meet growing domestic demand through higher imports, particularly imports of milk powders. As a result, the region is expected to continue to be an important market for Australian dairy exports over the short to medium term.

Livestock

The demand for live animals in MENA countries is expected to remain strong.

Many MENA consumers, particularly Muslims, prefer to purchase meat that comes from animals slaughtered under the guidance of local religious officials. Some slaughter facilities provide opportunity for buyers to view the slaughter of animals to ensure it occurs in line with their religious beliefs. Often, a premium is paid for freshly killed meat. Demand for live animals is particularly strong around some holidays and festivals such as Eid Al-Adha. For some markets, the lead up to the holiday can cause increases in exports while in other markets trade remains steady.

In addition, Australian livestock (particularly sheep) are preferred to imports from other countries in some Middle Eastern markets due to their consistent high quality and favourable disease status.

Horticulture

Exports of Australian summerfruit (peaches, nectarines, apricots and plums), grapes and citrus have been growing into the MENA region. With the climate in the region not conducive to fresh fruit production, import demand will remain high. In addition, increased air links to the region, particularly the GCC, are opening up new opportunities for high quality, time sensitive horticulture trade such as summerfruit and cherries. Australia's major competitor is South Africa (southern season) which is strongest for citrus. South American suppliers also compete to a lesser extent due to distance from market.

Australian vegetable exports to MENA have more than doubled since 2009-10. The increase in exports has been concentrated in Egypt and the UAE. For Egypt, this reflected increases in exports of beans, lentils and chickpeas. For the UAE, there were major increases in exports of lentils, pumpkins and peas. This general upward trend is expected to continue as Australia takes advantage of its reputation for reliable supply. China is the main competitor for vegetable products and supplies at much lower price points. The consistency in high quality and year round supply, targeting premium market sectors, provide Australia's competitive advantage.

Australian tree nut exports to MENA are expected to rise as demand grows, reflecting improved awareness of the health benefits of nuts and rising disposable incomes. Particular export markets of interest include:

- Egypt is the world's third largest importer of unshelled almonds (35,000t in 2010-11), the largest importer of pistachios (114,000t in 2010-11) and second largest importer of unshelled hazelnuts (74,000t in 2010-11).
- Algeria which imported 6,000t of shelled almonds/kernel in 2010-11.
- Lebanon, which is a significant importer of chestnuts (3,000t in 2010-11).

Australian trade policy developments

Australia-GCC Free Trade Agreement (FTA)

Early conclusion of the Australia-GCC FTA (stalled since 2009) would provide the opportunity to expand Australia's economic and trade relations with this key group of countries in MENA.

Removal of tariffs (even though they are currently generally low at 5 per cent) on Australian agricultural imports would increase their price competitiveness and avoid Australia falling behind should other countries, such as New Zealand, conclude FTAs with the GCC.

A comprehensive agreement could also help to address differences between Australia and the GCC on sanitary and phytosanitary regulations, standards for inspection and testing, and certification requirements.

Australian White Papers on Agriculture

The Australian Government is currently developing two White Papers that aim to identify approaches to increase Australian agriculture's economic and trade impacts. Revised and new policy approaches could increase agricultural export opportunities for markets in the MENA region.

The Agricultural Competitiveness White Paper will outline the Government's long term policy for the agriculture sector. It is scheduled to be released by the end of 2014. The Paper will look at ways to boost Australian agriculture's contribution to economic growth, trade, innovation and productivity by building capacity and enhancing the profitability of the sector.

The Government will also produce a White Paper on Developing Northern Australia by February 2015. This Paper will set out a clear, well-defined and timely policies aimed at realising the full economic potential of northern Australia, building on its existing strengths and natural advantages in agriculture, cattle and energy as well as seizing opportunities in tourism, education and health services.

Barriers and impediments

Tariffs

Generally, the applied tariffs on agricultural products imported by the MENA region are low.

Australia's agricultural exports to the Gulf Cooperation Council (GCC) member countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE) generally face minimal tariff levels, with rates largely around five per cent. With the exception of Oman, these countries feature in Australia's top ten markets for agricultural exports in the MENA region (with the UAE and Saudi Arabia being the top two).

However, in a number of other countries in the region, particularly those such as Israel and Morocco where domestic agriculture is more expansive, Australian agricultural exports face significant tariff barriers.

Grains

Tariffs on wheat, barley and canola are generally less than 5 per cent across the MENA region.

However, in Tunisia, Israel and Morocco, the applied tariff on wheat is 36 per cent, 50 per cent and 69.5 per cent, respectively. Canola is also subject to higher tariffs in Tunisia and Morocco at 15 per cent and 26.2 per cent.

Red meat

Morocco applies high tariffs to agricultural imports, particularly for meat. The applied tariff on live cattle is 233.5 per cent; on sheep and goats is 153.5 per cent; beef tariffs range from 195 per cent to 254 per cent; and sheep and goat meat faces a 304 per cent applied tariff.

Israel applies no tariff on frozen beef imports. However, a tariff of 190 per cent applies to fresh and chilled beef imports. On sheep meat, Israel in the last 18 months has lowered the tariff applied to sheep meat from 50 to 30 per cent following Australian representations. The Department continues to encourage Israel to further reduce this tariff rate for sheep meat imports from Australia, noting the preferential rates applying to imports from the European Union and Mercosur (a South American trade bloc covering Argentina, Brazil, Paraguay, Uruguay and Venezuela).

Dairy

Generally, the applied tariffs on dairy products imported by MENA countries are low.

However, there are some notable exceptions. Israel imposes tariffs on milk powders of 212 per cent, and tariffs on dairy products of between 40 per cent and 140 per cent. Morocco also has high tariffs on milk powders, between 92 per cent and 102 per cent, while butter faces tariffs between 30.5 per cent and 32.5 per cent. Imports of cheese face tariffs of up to 38 per cent, on average.

Horticulture

Fruit and vegetable tariffs for MENA mostly range between 0 per cent and 30 per cent.

However, the average applied tariff by Morocco is 49 per cent. In Israel, some tariffs applied to imported vegetables are as high as 75 per cent and some specialty fruits face tariffs as high as 95 per cent. Tunisia applies tariffs of 36 per cent to all vegetable and fruit imports. Iran totally prohibits the import of fresh fruit and potatoes.

Technical impediments

Red meat

An evaluation of technical barriers to trade (TBTs) on red meat exports (developed by the Australian Meat Industry Council and Meat and Livestock Australia in 2013) showed that the Middle East is where TBTs have the largest impact. Such technical barriers include shelf life requirements, document certification and additional testing (beyond Australia's meat production systems requirements).

For Middle East markets, the report estimated that such technical barriers cost around \$480m. North African markets were of concern for TBTs with impacts of \$163m. Of MENA countries, Egypt (\$129.9m) and Saudi Arabia (\$85.9m) were markets with the most substantial TBT impacts.

Livestock

Australian exports of feeder and slaughter livestock to MENA are subject to the Exporter Supply Chain Assurance System (ESCAS). This system requires Australian exporters to be responsible for ensuring that animals are treated consistent with international animal welfare standards through to the point of slaughter. Australia is the only live animal exporting country that seeks to achieve these standards and compliance with these requirements adds to the costs of Australian exporters.

Estimates of the costs of implementation of ESCAS in Indonesia (from the post-implementation Regulation Impact Statement) give an indication of implementation costs in other markets. Australian industry has estimated the establishment of new supply chains in Indonesia cost around \$0.5 million per exporter on average. Some costs associated with the establishment of ESCAS supply chains are one off costs. In addition, industry estimated that on-going costs of ESCAS equate to about \$2.00 per animal for cattle and are likely to be somewhat lower for sheep.

While accepting its application, some livestock importing countries have not supported the operations of ESCAS in their country as they see ESCAS as overly restrictive. For example, Saudi Arabia has not allowed ESCAS to be implemented within its borders due to these concerns and the belief that ESCAS impinges on domestic sovereignty, particularly in relation to traceability and audit requirements.

To streamline the process for seeking access to new markets for livestock, Minister Joyce announced on 28 February 2014 that Memorandums of Understanding for the livestock export trade would no longer be required by Australia prior to the commencement of trade. This change removed a market requirement (often requiring prolonged government-to-government negotiations) and is expediting access for the Australian livestock export industry to new markets in the MENA region (and elsewhere).

The Department of Agriculture is also working to develop closer relations with the Gulf Cooperation Council to harmonise import (quarantine) requirements amongst these countries, which are major livestock importers. Departmental officers attended the GCC 30th Livestock Committee Meeting in November 2012. The meeting was useful in understanding GCC's livestock priorities, such as GCC's intention to introduce centralised animal health import conditions by 2014. Officials offered Australian expertise to work with GCC technical experts to achieve standardised import certification.

Department of Agriculture's Roles

The MENA region will continue to provide opportunities for Australian agricultural exporters, political instability and the often extensive involvement of governments in managing and regulating food safety, supplies and security, require ongoing involvement of the Department (and other Australian Government agencies) to establish and nurture government-to-government links and frameworks in support of market access and maintenance.

The Department of Agriculture also works to increase the international competitiveness and sustainability of Australia's agricultural industries (recognising that some 60 per cent of agricultural production is exported).

Key areas of work for the Department of Agriculture include:

- *Maintaining and expanding access for agricultural exports by providing assurance* of the safety and quality of Australian agricultural commodities and food and its compliance with importing country requirements. This includes inspection and certification of Australian agricultural exports.

Similarly, the Department undertakes inspection of agricultural imports from the MENA region to ensure compliance with Australia's phytosanitary and sanitary requirements.

- *Identification of, and support for, new and established market access* for agricultural commodities. This work links with Austrade and the Department of Foreign Affairs and Trade, state governments, foreign governments and importers, and Australian agricultural industry efforts in identifying access opportunities. Departmental engagement with industry is particularly important. One example of this is the Protocol Committee, which acts as the peak industry consultative group between the Department of Agriculture and the Australian livestock export industry, and sets priorities for the development of health certification for livestock exports. The Committee also provides a forum for resolving day to day operational issues associated with livestock import health condition negotiations for export markets.

The Department of Agriculture also maintains a network of posted officers and locally engaged staff in key export markets and regions, including MENA. The Department of Agriculture's Consul (Agriculture) is based in Dubai, UAE, and has responsibility for in-market activities, including in support of Australia's agricultural market access, across the MENA region. The box below summarises (for February 2014) the typical breadth of market access, intelligence gathering, representational and relationship building tasks undertaken.

Activities undertaken by Consul (Agriculture) - February 2014

Market Access – operational activities

Animal Welfare

- Observation of unloading of Australian livestock from the *Ocean Drover* and discussions on GCC animal welfare law and regulations documents.

Live trade

- Participation in meetings with Jordanian authorities to discuss Australian livestock handling arrangements during major religious festival – Eid al Adha.
- Discussions with Department of Agriculture, Australian Embassy officials and Western Australian State officials on market access priorities for Australian livestock.

Biosecurity

- Animal Health – Advice to UAE agricultural authorities on restoration of freedom following Notifiable Avian Influenza detection in NSW in 2013.
- Discussions with Dubai racing officials over import horse testing requirements.

Food

- Scientific papers on bleeding and stunning for halal slaughter provided to religious authorities.
- Liaison with Austrade and Department of Agriculture on labelling requirements of Saudi Arabia for Australian meat processing establishment.

Other

- Discussions with Australian Embassy officials in Egypt and Saudi Arabia on preparations for the March 2014 meeting of G20 Agricultural Scientists.
- Discussions with Austrade in preparation for Australia Unlimited promotions in April 2014 in the UAE and Saudi Arabia.

In-market engagement/representation

- Participation in a range of activities at Gulfood (international food trade show in UAE – more than 55 Australian companies participated) on 23- 27 February including panel discussions on food security and halal foods and briefing of Australian industry.

Relationship building activities

- Meetings during February with Australian Commonwealth and State government officials, and industry representatives, on developments in agriculture markets in the region.

- *Engagement with trading partner governments* to strengthen bilateral relationships and commitment to trade links through:
 - negotiation of trade frameworks, such as animal health certification.

The Department's Animal Biosecurity Division delivers scientific and technical advice and analysis of the animal health risks for the import and export of all animals and animal products (such as ruminant genetic material). For the MENA region, the focus is on animal health protocols for the livestock export trade (mainly for cattle and sheep).

Export work includes negotiating the animal health certification requirements with overseas country authorities and liaising with the Department of Agriculture's operational and trade policy areas, state jurisdictions and local industry with a view to meeting importing country requirements and thereby facilitating exports.

In 2013-14, the Animal Biosecurity branch assisted with technical matters in the export of animals and animal products to the majority of Middle East countries. Specific issues included:

- Negotiating new market access to Iran and Iraq for cattle, sheep and goats.
- Regaining market access for livestock to Bahrain (see below).
- Reopening the live cattle and sheep market in Egypt.
- Working with the governments of Iran and Iraq to develop draft health certification for live cattle and sheep exports.
- Providing assurances and scientific information about the use and regulation of hormone growth promotants in cattle and red meat in various MENA markets.
- Negotiation of agreed health certification for barramundi fingerlings to Saudi Arabia
- Conditions for the export of horses to the UAE.

Resumption of livestock trade to Bahrain – health certification

Bahrain has historically been an important market for Australian live sheep exports – in 2011 it imported 400,000 Australian sheep, in addition to nearly 2,500 cattle. In August 2012, a shipment of Australian livestock failed to be unloaded due to Bahraini government concerns about scabby mouth. This created uncertainty regarding future shipments and the Australian livestock export industry voluntarily suspended trade until matters could be clarified.

Over the following 18 months, the Department worked with Australian industry and the Bahraini Government to establish a sustainable basis for the resumption of trade. The Protocol Committee - the peak industry consultative group between the Department of Agriculture and the livestock export industry on market access matters associated with the export of livestock from Australia –agreed on draft health certification, which was negotiated with the Bahraini government. Extensive discussions and representations by the Department of Agriculture, Department of Foreign Affairs and Trade and Meat and Livestock Australia resulted in specific assurances from the Bahraini Government on unloading of Australian sheep and handling of sheep affected by scabby mouth.

On 28 February 2014, Minister Joyce announced that all requirements for the recommencement of the livestock trade with Bahrain had been met. The Australian Livestock Exporters' Council (ALEC) also lifted its voluntary suspension of trade to Bahrain at that time.

One shipment of 25,000 head of sheep under the Exporter Supply Chain Assurance System (ESCAS) was completed in April 2014. Industry expects annual shipment levels to return to 3-400,000 sheep.

- representations on technical conditions that impede Australian exports to bilateral partners, as well as through international trade mechanisms such as the World Trade Organization (WTO) Agreement on the Application of Sanitary Measures (SPS Agreement). Such representations are usually undertaken in consultation with industry to ensure comprehensive identification of technical and market access impacts.

For example, the Department of Agriculture is working with Meat and Livestock Australia to address concerns on mandatory expiry dates (shelf life) applied by countries of the GCC. In the case of red meat for example, these expiry dates reduce the time available for importers to have chilled meat product on the shelf, when taking into account shipping time from Australia. In November 2013, Australia provided comments on the draft Gulf Standards Organisation (GSO) standard on 'Mandatory expiry periods for food products (meat and meat products -milk and milk products - baby food products- fresh foods and ready to eat foods)', as notified through the WTO's Technical Barriers to Trade (TBT) notification processes. Comments were supported by scientific studies based on Meat and Livestock Australia documents. The GSO is considering Australia's comments.

- support for industry in resolving commercial access issues such as shipments held for standards or labelling concerns. This has involved Departmental officers (particularly our Consul (Agriculture) posted in Dubai) making representations to national inspection authorities and working with local Austrade staff and importers to seek to overcome such problems as containers of meat apparently not having correct documentation.
- visits by Australian Ministers/departmental officials in company with industry delegations, and receiving visits from trading partner Ministers/officials (see box below). These provide opportunities to promote high level engagement between officials and commercial participants to underpin expanding agricultural trade and investment.

The importance of the MENA region to Australian agricultural trade was demonstrated by Minister Joyce's visit to Saudi Arabia (5-6 April 2014) and Bahrain (7 April 2014) – his first visit overseas as Minister for Agriculture. The Minister raised Australia's agricultural and food profile in these two markets through meetings with key ministerial counterparts and senior business leaders. The Minister led an industry delegation drawn from the meat, livestock, grains, pulses, dairy and agribusiness sectors.

Visit by Iraqi Minister for Agriculture – May 2013

The Department developed the program and hosted a visit by the Iraqi Minister for Agriculture, HE Sargon Lazar Slewa, and an accompanying 10 member delegation (including Mahdi Thumad Al-Kaisey, Deputy Minister) to Australia from 5-10 May 2013. Financial support was provided by the former AusAID (now DFAT).

The Minister's program included meetings with key Commonwealth, South Australian and Victorian government and industry experts in agriculture, with a particular focus on the areas of grains, dryland farming and water management. Field visits were made to South Australia's Murray Darling Basin and Mallee region (irrigation, plant research and cereal and livestock farming); Adelaide's WAITE Precinct (the largest concentration of expertise in the southern hemisphere in the areas of plant biotechnology, cereal breeding, sustainable agriculture, wine and horticulture and land management); and the Ports of Melbourne and Geelong (handling container and cargo exports like bulk and bagged grain). Opportunity was also included for a meeting with Universities Australia to discuss Australian educational capabilities for Iraqi students.

The visit provided an opportunity to broaden the bilateral relationship in agriculture and to establish and strengthen commercial links between the Australian and Iraqi agribusiness sectors. This included finalising certification for the export of Australian meat products to Iraq.

- bilateral meetings with trading partners including Senior Officials Talks with Iraq, Oman and Egypt and a Joint Ministerial Commission with Saudi Arabia. These provide forums for advancing Australia's market access agendas.
- *Facilitation of technical assistance and support of technical cooperation* between Australia and MENA countries extends the outreach of Australia's agricultural trade interests, raising appreciation of the technical capabilities and agribusiness expertise that could be sourced from Australia.

In the case of Saudi Arabia for example, the most recent Australia-Saudi Arabia Joint Ministerial Commission (held in Australia in March 2013) provided the opportunity for the Department to establish a Working Group on Food Security. Ongoing work following this Working Group meeting reflects interest in grains and wheat exports, meat facility inspection and food safety training, cooperation on fisheries and aquaculture, Saudi export of fresh dates and imports of Australian firewood.

Animal welfare improvement amongst Australian markets for livestock exports has been another area of focus by the Department of Agriculture. Programs, including funding of training, are intended to support better understanding and application of the international animal welfare standards of the World Organisation for Animal Health (OIE) as a basis for increasing the sustainability of Australia's livestock export trade (see box below).

Animal welfare improvement in Australia's livestock export markets

Under its Improved Animal Welfare Program (IAWP), the Department has engaged the World Organisation for Animal Health (OIE) to develop and deliver an animal welfare 'train the trainers' project on OIE animal welfare standards in countries that are Official Development Assistance (ODA) eligible and importing livestock for slaughter from Australia. In the MENA region, the OIE has delivered train-the-trainer courses in Egypt and Jordan (courses were delivered in March 2014).

The IAWP is aimed at assisting developing countries achieve animal welfare standards set by the OIE. The program is funded from the Official Development Assistance aid contingency reserve.

The Department has also provided funding (for 2011-12 and 2012-13) of approximately \$335,000 to Australian industry (Australian livestock exporters, Meat and Livestock Australia (MLA), LiveCorp and the Australian Livestock Exporters' Council (ALEC)) under the Approved Supply Chain Improvements Program (ASCIP). This Program is designed to encourage Australian industry' investment in Exporter Supply Chain Assurance System (ESCAS) approved supply chains in markets, including in the MENA region.

ASCIP was a reimbursement program where industry was reimbursed 25 per cent of its eligible investments in the ESCAS supply chains processing Australian livestock.

A further \$1.1 million was provided by the Department in June 2013 under the Australian Animal Welfare Strategy to MLA and ALEC to assist with improving animal welfare outcomes in ESCAS supply chains in export markets (a specific breakdown of expenditure for MENA is not available).

- *Increasing the international competitiveness and sustainability of Australia's agricultural industries* through Australian Government support of industry research and development corporations (RDCs). These corporations are a partnership between the Australian Government and industry. The Australian Government (through the Department of Agriculture) collects and disperses industry levies for the purpose of research, development and extension (RD&E) and/or marketing.

Dairy

Dairy Australia, the Australian dairy industry's RDC, annually receives approximately \$30 million in levies from dairy farmers.

Exports are critical to the Australian dairy industry with about 40 per cent of its dairy production being exported. International market access provides opportunity for expansion and increased profitability, which flows down the supply chain. Over the next three years from 2013-14 to 2015-16, under Dairy Australia's Strategic Plan, \$9.5 million is expected to be spent on strategies aimed at developing and consolidating export markets. This includes maintaining a global awareness of, and active buyer preference for, Australian dairy products in current and potential export destinations.

As part of its strategic priorities, Dairy Australia has a specific Middle East market support program. This program supports the Australian dairy industry to improve market access and its trade position into key Middle East markets including the United Arab Emirates, Saudi Arabia, Bahrain, Kuwait and Oman. The key ways in which Dairy Australia achieves this include:

- Coordinating the development of industry positions in market access negotiations.
- Providing direct technical support to strategic trade negotiations that affect Australian dairy competitiveness or conditions of access into key Middle East markets.
- Reassuring the various Middle East markets that Australian dairy processes and systems are compliant with importing country requirements.
- Analysing and communicating the effects of market developments that might impact the Australian dairy industry as a supplier into the various Middle East dairy markets.

Beef

MLA, the Australian red meat industry's RDC, annually receives about \$100 million in levies (\$60 million for general marketing and \$40 million for RD&E) from producers.

Exports are of critical importance to the Australian red meat industry with about 65 per cent of beef and 50 per cent of lamb/mutton produced being exported. Recognising this fact, MLA assists exporters and importers to build new businesses for Australian beef and lamb around the world including the Middle East.

Livestock

LiveCorp, the Australian livestock export industry's RDC, annually receives about \$3 million in levies (\$2.5 million for general marketing and \$500 000 for RD&E) from exporters.

The MENA region is a critical market for the Australian live sheep export industry. In recognition of this, recent activities undertaken by LiveCorp include:

- Two research projects on heat load in sheep exported to MENA.
- Delivery of animal welfare workshops in the MENA region.

In summary, the wide range of international and domestic activities undertaken by the Department of Agriculture, in conjunction with action by Austrade and the Department of Foreign Affairs and Trade, state governments, and the Australian agricultural industry, has seen increased agricultural market access into MENA (an almost 80 per cent increase in value of exports in the four years since 2009-10). There will continue to be opportunities for Australian agricultural exports to the MENA region, but opening new markets and overcoming tariff and technical impediments will require the coordinated efforts of all players to ensure sustainable and positive trade and investment relationships.

Appendices

Appendix A

Value of Australia's agricultural exports to countries in MENA		
Country	2009-10 (A\$)	2012-13 (A\$)
United Arab Emirates	546,173,212	857,543,503
Saudi Arabia	440,863,853	811,290,800
Iraq	192,892,806	587,422,130
Iran	50,387,340	545,118,146
Egypt	274,257,815	393,706,862
Kuwait	264,527,701	305,912,149
Yemen	186,672,137	269,254,184
Qatar	109,314,163	162,551,479
Jordan	128,501,749	155,166,162
Bahrain	112,140,741	95,872,768
Oman	44,887,333	91,274,551
Israel	38,153,116	64,982,428
Lebanon	15,180,563	24,959,877
Morocco	20,639,139	23,133,956
Libya	30,890,670	13,132,019
Tunisia	3,692,004	4,008,177
Algeria	12,218,278	3,974,008
TOTAL	2,471,392,620	4,409,303,199

Value of Australia's agricultural imports from countries in MENA		
Country	2009-10 (A\$)	2012-13 (A\$)
Israel	19,201,277	36,386,145
United Arab Emirates	7,881,894	17,880,908
Iran	8,561,260	10,471,013
Lebanon	8,054,426	8,861,423
Morocco	5,122,029	5,676,628
Egypt	4,141,774	5,501,471
Saudi Arabia	1,152,246	1,868,389
Jordan	494,877	901,217
Tunisia	1,552,702	805,738
Oman	806,449	763,170
Bahrain	54,948	491,535
Algeria	-	23,291
Kuwait	21,685	7,341
Qatar	2,314	3,709
Iraq	-	-
Libya	-	-
Yemen	81,575	-
TOTAL	57,129,456	89,641,978

Appendix B

Value of Australia's agricultural exports to countries in MENA by commodity sector - 2012-13						
Country	Cereals and Crops (A\$)	Dairy (A\$)	Horticulture (A\$)	Meat (A\$)	Livestock (A\$)	
United Arab Emirates	367,788,257	97,247,824	139,259,273	192,918,333	10,984,517	
Saudi Arabia	494,261,281	73,895,478	35,742,640	157,560,602	11,455,017	
Iraq	580,114,751	5,876,608	-	982,869	-	
Iran	442,933,268	18,015,515	8,700	71,151,070	-	
Egypt	198,904,539	8,681,134	106,682,494	20,803,087	10,327,500	
Kuwait	142,216,581	30,755,590	5,171,539	64,917,073	57,904,050	
Yemen	228,317,807	28,974,316	8,415,427	319,446	-	
Qatar	26,310,033	873,762	6,874,631	54,977,429	70,164,188	
Jordan	15,865,359	4,554,765	6,637,054	85,027,963	35,451,881	
Bahrain	5,148,407	17,865,452	5,719,571	58,554,879	7,502,475	
Oman	62,766,505	3,633,631	999,741	18,547,541	3,285,551	
Israel	949,263	-	927,424	6,447,129	55,802,781	
Lebanon	7,042,577	2,215,236	6,176,710	8,953,037	-	
Morocco	762,914	3,485,669	45,776	16,389,192	-	
Libya	-	3,551,325	-	4,859,241	4,309,488	
Tunisia	67,079	125,760	1,613,577	1,155,335	-	
Algeria	-	2,255,668	681,379	1,036,961	-	
TOTAL	2,573,448,621	302,007,733	324,955,936	764,601,187	267,187,448	