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Mr Ted O'Brien MP
Chair
Trade Sub-Committee
Joint Standing Committee on Foreign
Affairs, Defence and Trade
Via email: jscfadt@aph.gov.au

Dear Chair

Inquiry into FTA Access for Small and Medium-sized Enterprises

Australian Pork Limited (APL) welcomes the opportunity to make a submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade inquiry into supporting Australia's small and medium-sized enterprises (SMEs) access export opportunities through free trade agreements (FTAs).

APL is the national representative body for Australian pork producers. APL is a producer-owned not-for-profit company combining marketing, export development, research and innovation and policy development to assist in securing a profitable and sustainable future for the Australian pork industry.

The Australian pork industry employs more than 36,000 people in Australia and contributes approximately \$5.3 billion in gross domestic product to the Australian economy. The pork industry contributes approximately 2.13% of total Australian farm production with roughly 1100 pig producers producing around 5 million pigs annually.

As an industry that supports the principles of free trade and competes successfully in domestic and international markets, without the benefit of producer subsidies or tariff barriers, APL supports the government's efforts to expand Australia's network of Free Trade Agreements.

SMEs – defined as businesses with 200 or fewer employees – account for 95 percent of Australian pig producers. Although a high number of piggeries have expressed interest in exporting, most are unable to do for reasons elaborated below. Approximately ten percent of Australia's pork production is exported, and this mostly comes from a handful of larger exporters.

Typically, SMEs struggle to meet stringent domestic and importing country requirements to export meat. The requirements are administratively complex and expensive to implement.

For example, satisfying Australia's domestic regulation, as set out in the Export Control (Meat and Meat Products) Orders 2005, requires establishment accreditation, approved arrangements, permits, certificates, inspectors, quality assurance systems, product traceability, official marks, regular audits, trade descriptions, chemical withholding periods, export slaughter intervals, and more. The tangle of compliance measures is difficult to unravel, particularly for SMEs.

Then there is the cost. A small domestic processor looking to become export eligible for uncooked pig meat faces initial costs upwards of \$100,000, including registration, external training, inspectors, and initial audits.

That said, the requirements for exports of processed meat are more forgiving. Many small and medium-sized pork processors have found success in overseas markets. For example, boutique smallgoods-maker Pialligo Estate exports fresh, artisanal bacon from Canberra to Singapore via airfreight. Under the Singapore-Australia FTA, import tariffs on pork are bound at zero.

At the farm level, APL administers the Australian Pork Quality Assurance Program, APIQ[✓][®]. Participation in a quality assurance program is one aspect of demonstrating compliance with the Export Control Orders and is sometimes required explicitly by export markets.

APL has made efforts to simplify the process for small-holders (businesses with 20 sows or fewer), with less burdensome requirements that also meet minimum domestic and export standards. Despite this, only about 10 percent of small and medium sized pig farms are APIQ[✓][®] accredited, with the remaining 90 percent remaining essentially ineligible for exports. Many SME producers simply do not wish the cost and impost of establishing and maintaining a quality assurance system, nor paying for the cost of independent auditing.

Due to the difficulty and expense of complying with domestic and international requirements for the export of meat, small and medium-sized piggeries must rely on third-party processing services through export-accredited establishments. There are seven establishments in Australia with pork export accreditation. Most of these facilities form part of an integrated supply chain, with feed production, farrowing, weaning, growing, and processing all part of the one operation. Independent small and medium-sized pig producers are rarely able to process their livestock through the integrated export-accredited facilities for the purposes of export, as these are dedicated to processing their own pigs for export and are rarely willing to enable potential competitors.

While, as described above, the regulatory hurdles are substantial for SMEs wishing to explore export opportunities, APL is nonetheless a strong supporter of Australia's robust export control measures. We recognise that strong food safety, quality assurance, biosecurity, and associated measures underpin our export market access, and provide assurance for Australia's trade partners.

Apart from the regulatory environment, another export challenge for the Australian pig industry is the inability to supply overseas customers with consistently large volumes. Ninety percent of domestic pork production is consumed locally, with limited volume available for large overseas shipments. The East Asian region contains several large, prosperous markets, with very strong demand for pork. Importers in these markets require a consistent and high-volume supply. As a minor player by world standards, the Australian pork industry struggles to reliably deliver the quantities expected by major importers.

Given these difficulties, accessing FTAs is often an afterthought.

Some of Australia's FTAs do offer meaningful international market access advantages to Australian pork producers. For example, under the Japan-Australian Economic Partnership Agreement, Australian pork enjoys tariff treatment superior to any of Japan's other trading partners.

However, there are instances where pork producers are unable to access FTAs due to non-tariff barriers in the target market. These affect all producers, large and small.

To give one example, the China-Australia FTA offers significant advantages for Australian pork, with tariffs up to 20 percent phased out by next year. These advantages are hypothetical only, as Australia is yet to secure a market access protocol with Chinese authorities to allow the importation of Australian pork. The failure is not in the FTA, or in the surrounding regulation, but in the limited resources and capabilities of the Department of Agriculture and Water Resources, and demand on these limited resources from exporters across multiple commodities to access China. The Department has been unable

to negotiate a protocol, despite initially lodging an application with Chinese authorities more than ten years ago.

APL supports FTAs for the role they can play in opening markets, creating a stable framework for trade, and increasing the competitiveness of Australian product through tariff reductions. Most of our members are aware of FTAs and the benefits they provide.

However, these benefits are often subordinate to other export considerations for SMEs, including regulatory complexity, high start-up costs, capacity constraints, and non-tariff barriers to trade.

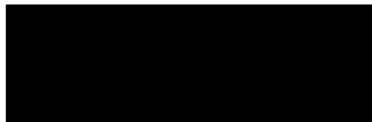
APL welcomes government initiatives aimed at increasing the accessibility of overseas markets for SMEs. We encourage the committee to consider measures to reduce administrative red-tape and start-up costs for new meat exporters, while maintaining a robust export control framework.

FTAs can play an important role in enhancing Australia's competitive position in key markets. But, for SMEs in the pork sector, the more pressing challenge is accessing those markets in the first place.

We look forward to reviewing the findings of the Joint Standing Committee on Foreign Affairs, Defence and Trade in this area.

Should you have any questions about this submission, please do not hesitate to contact Andrew Robertson on 02 62708888 or via email andrew.robertson@australianpork.com.au.

Yours sincerely

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DEBORAH KERR
General Manager, Policy