

AUSTRALIAN
Pork[®]

AUSTRALIAN PORK LIMITED

Inquiry into Diversifying Australia's Trade & Investment Profile

Submission July 2020



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I. Australian Pork Limited and the Australian Pork Industry

I.1 Australian Pork Limited (APL)

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.

Australian Pork Limited (APL) welcomes the opportunity to make a submission to the Joint Standing Committee on Trade and Investment Growth Inquiry into Diversifying Australia's Trade and Investment Portfolio. This submission will focus on the concentration of pork export and import markets, industry's efforts to diversify, and the impact of foreign investment on the pork processing sector.

I.2 The Pork Industry in Australia

Pork is the most consumed meat globally and the second most consumed meat in Australia. Daily consumption of pork products has shown continuous growth over the last two decades. A reliable domestic supply of pork is vital to Australia's food security. Many ordinary Australians are surprised to learn that we do not produce enough pork to meet domestic demand.

Despite the popularity of pork and its importance in the national diet, Australia is not a self-sufficient producer of pork and our national supply depends on imports.

Australia's domestic sow herd numbers are around 272,000 housed across about 4,227 registered sites nationwide. In 2019, the Australian pork industry produced around 398,000 (carcass weight) tonnes of pork.

In 2015-16, the pork industry, including pig production, primary and secondary processing, and wholesale contributed about \$5.3 billion in gross domestic product to the Australian economy and supported around 36,000 jobs nationally. The majority of the industry is based in regional Australia with the largest volume of production coming from Queensland, Victoria and South Australia, respectively.

I.3 Overview of Australia's Trade in Pork and Pork Products

While Australia is overwhelmingly a pork importing country, we are also modest exporters, and overseas markets are valued very highly by industry. Exports accounted for about nine percent of total production in 2019, with a value of about \$130 million. During the same period, imports reached \$895 million. The factors leading to Australia's position as a net importer of pork will be discussed later in this submission.

Australia's top five export markets for pork are Singapore, Philippines, New Zealand, Papua New Guinea, and Hong Kong. In these regional markets, Australia can best exploit our advantage in shipping chilled premium product. APL is focusing on growth markets including Hong Kong, Japan, and Vietnam.

Not all markets are premium, however. Trade with the Philippines, for example, is mostly in higher-volume, lower-value commodity products. Offal exports are an especially promising area for growth as they have low value in the domestic market, but command high prices in certain regional markets.

The ability to sell each part of the carcass into the market that will pay the best price is essential in securing the highest overall returns for farmers. This is the concept of 'carcass balance'. Achieving it requires access to as many markets as possible.

In exports, APL supports a policy of trade diversification through expanded market access to optimise returns on each part of the carcass.

In 2019, Australia's top five pork import sources were the USA, Denmark, Canada, Netherlands, and Ireland. Because Australia's biosecurity laws restrict the importation and sale of fresh pork from overseas, all fresh pork consumed in Australia must be domestically-sourced. The smallgoods category, including ham and bacon, is dominated by imported product.

APL estimates that just under half of all consumption of pork products in Australia is derived from imported meat. The figure rises to about 80 percent in the ham and bacon categories. Many consumers report they are unable to locate Australian bacon products in the supermarket. This raises troubling questions about Australia's reliance on imports to supply a critical food staple.

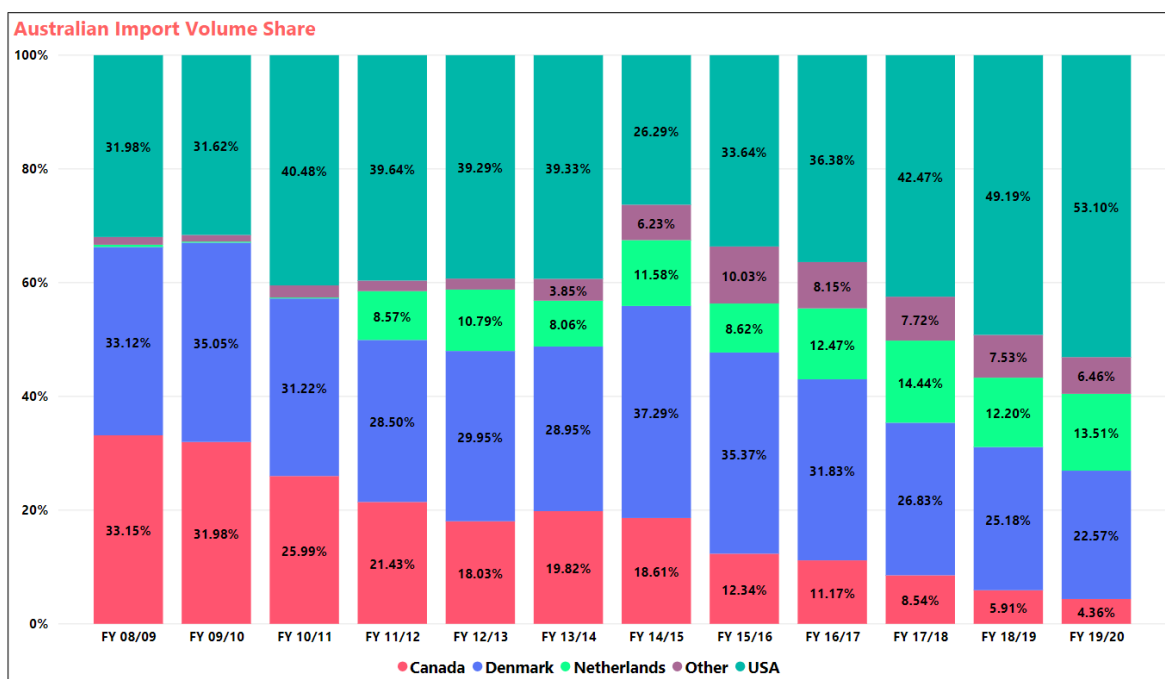
Australia is increasingly reliant on imports to satisfy domestic demand for pork. APL calls on government to support Australian farmers by defending them from unfair trade, investing in their future competitiveness, upholding Australia's high standards, and guaranteeing the national food supply.

2. Australia's reliance on single markets for exports and imports of pork and the factors contributing to this dominance

2.1 Imports – over-reliance on the USA

Within Australia's overseas pork supplier mix, there is a very high level of reliance on a single partner. The USA was responsible for slightly more than half of all pork imports in 2019, meaning we rely on America for about 25% of our entire national pork consumption.

The US has been making gains in recent years, edging out its Canadian and Danish competitors. Ten years ago, Australia had a more balanced import mix, with USA, Denmark, and Canada supplying the market in roughly equal measures.



There is one major factor that contributes to the US dominance: price. Some reasons for the very low cost of production of US pork compared to Australian pork include:

- Lower feed costs – US producers have access to very cheap, government-subsidised feed, predominantly corn. Some estimates put this at around 70% of the price differential, and even more during times of drought.
- Higher efficiency – US industry is large scale, has access to superior pig genetics, and frequently makes use of various growth-promoting chemicals and drugs, all of which lower per unit costs of production
- Lower labour costs – US producers, and especially processors, have access to a cheap, often-times undocumented, immigrant labour force.
- Lower standards – Pig-producing regions of the USA have very relaxed standards in relation to animal welfare, use of hormonal and antibiotic growth promotants, and environmental sustainability.
- Lower processing costs – driven by scale, cheap labour, and cheap electricity for the plants, meaning they can process animals at roughly half the price of an Australian plant.

From a national perspective, Australia's reliance on imports overall is more worrying than the dominance of a single supplier within that import profile, although that certainly exacerbates the problem. It is worthwhile to briefly consider the events leading to the predominance of imports in the Australian pork market overall.

Prior to 1990, the domestic market was effectively isolated from global imports by blanket quarantine rules preventing the entry into Australia of uncooked pig meat due to the high risk of disease incursion. From 1990 onwards, driven in part by 'free trade' ideology and in part by international legal obligations, the government began to progressively weaken Australia's biosecurity regime and allow for the import of higher risk products, such as pork.

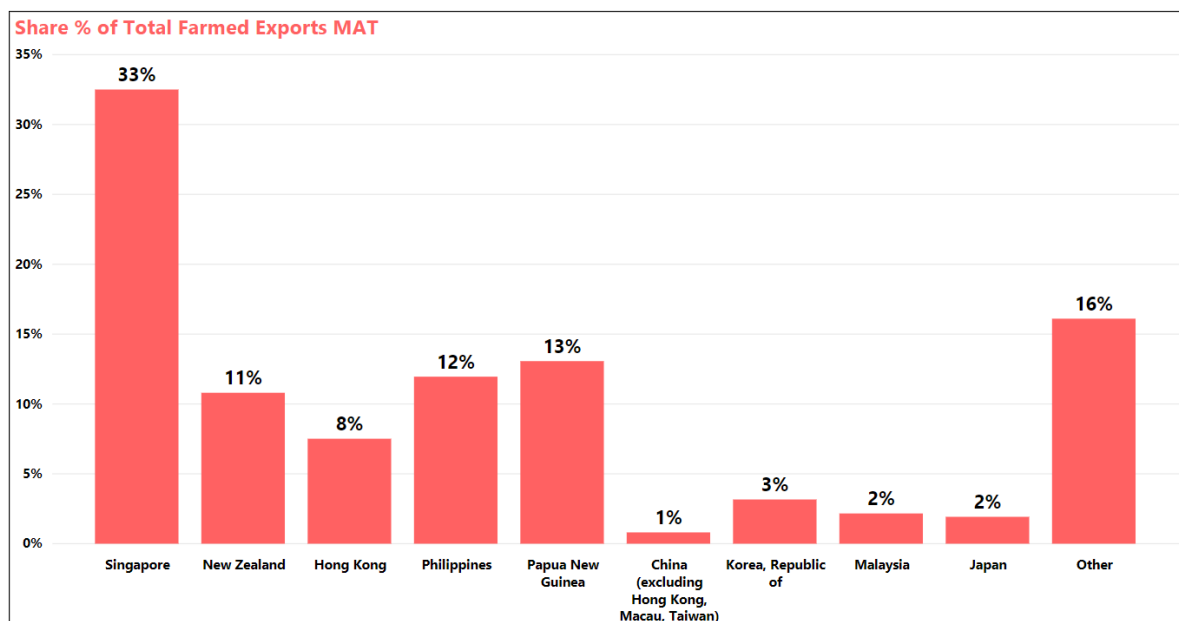
Forced into competition with EU and North American producers that received generous government support (and still do), growth in the local industry stalled. Prices collapsed completely in 1998, leading to a Productivity Commission safeguards inquiry into the effects of imported pork on the domestic industry. The Commission found that cheap imports had indeed caused the price crash, and justified emergency measures for industry in line with our commitments under the WTO Safeguards Agreement. The measures consisted of an industry support package, but this was not sufficient nor well-targeted enough to address the root causes of the crash. There was no way for industry to compete with the underpriced imported products.

The lost potential of the Australian pork industry since the introduction of imports is gravely illustrated by a comparison of production volumes today versus twenty years ago. In 2018-19, domestic industry produced about 5.3 million pigs for slaughter, compared with the 1999-00 figure of 5.2 million. This represents an increase in Australia's pig production capacity of a miniscule two percent over a twenty-year period. During that same period, Australia's total consumption of pork has increased from 360,000 tonnes to 667,000 tonnes per year. Effectively all of the growth in Australia's domestic pork demand since 2000 has been filled by imports.

This situation will worsen over time and Australian production will account for progressively less and less of domestic consumption. There are potentially dire implications for Australia's food security.

2.2 Exports – the importance of Singapore

The export pork industry is reliant on a single market that absorbs around one-third of our exports: Singapore. In 2019, the Philippines, Papua New Guinea, and New Zealand each took 12-14%, and other markets accounted for about 22% of overseas sales.



Since the commencement of the Singapore trade in 1998, volumes have experienced ups and downs, leading to greater or lesser degrees of reliance on each side of the equation. For example, at one point in the early 2000s Singapore accounted for two thirds of Australia's pork exports. Conversely, Singapore was even more reliant on Australian imports, which at that time made up 90 to 95 percent share of supermarket pig meat.

The strength of the Singapore export relationship is underpinned by complementarity and proximity. Singapore's requirement for carcass meat, and Australia's relative closeness to Singapore and ability to supply small volumes on a daily basis are key factors in the trade. Singaporeans have had a strong preference for pork to be fresh or chilled; not frozen. North America and Europe are too far away to land chilled pig meat that still has an acceptable shelf-life.

However, some of the factors that have contributed to Australia's strong position in Singapore are fading, creating risks for Australian exporters. These are explored in the following section.

3. The Advantages and Disadvantages, Including in Relation to the National Interest and National Economic Risk, to an Over-Reliance on Any One Market

3.1 Imports – a dangerous dependence

The deregulation of Australian farming in pursuit of free trade means that our nation will soon be a net importer of food. Our over-reliance on the global market for food products, particularly processed and manufactured foods, has significant implications for national food security.

Currently, Australia is still an overall net exporter of food, but the larger trend towards imports is clear. According to ABARES, between 1988-89 and 2016-17 Australia's annual imports of food grew at twice the average rate of exports. ABARES reports Australia is already a significant net importer in a number of food categories, including seafood, rice, processed fruit and vegetables, confectionary, and bakery products.

ABARES does not separate pork from other red meats, such as beef and lamb, as such it does not report Australia's huge deficit in pork. In 2019, Australia imported 375,000 tonnes (meat carcass weight) of foreign pork, compared with around 28,000 tonnes (meat carcass weight) in export. The trend towards reliance on overseas-produced pork correlates with Australia's policy decision in the 1990s to abandon support for domestic industries and expose them to the global market. Australia's food supply is increasingly dependent on foreign forces over which we have no control.

The risks to the national food supply are real. Even before the COVID-19 crisis, serious threats to the availability of pork in the domestic market have been looming. Another pandemic, the African Swine Fever (ASF) pandemic, has so far been responsible for the destruction of around half of China's vast pig herd. China had accounted for one half of global pork production, meaning the impact of its ASF outbreak alone has come somewhere near wiping out 25% of the world's domestic pigs. China is not the only market facing an ASF outbreak, the disease has spread rapidly throughout Eastern Europe and East Asia. It is on Australia's doorstep in East Timor and Papua New Guinea. The disease is 100% fatal in infected pigs. There is no cure.

In the ASF context, Australia's over-reliance on imported pork creates two key risks. First, as the disease is carried in the meat and can spread if consumed by a susceptible animal, meat imported from overseas heightens the risk that ASF will be introduced into the Australian pig herd. As we have seen in other markets, the outcome would be annihilation of Australia's pig production capacity. Not only would a valuable industry be destroyed, the resulting supply shortfall would lead to soaring prices of key staples like bacon, ham, and other pork products.

The second risk is of an ASF outbreak in one of Australia's key supplier countries. We have seen the significant reliance on the USA for imports. An ASF outbreak in that market would immediately render all US pork ineligible for export to Australia as a biosecurity precaution. About 25% of Australia's total supply would become unavailable immediately.

Such a precarious arrangement in relation to a key food staple is detrimental to national food security. If a larger share of Australia's pork consumption was sourced domestically, we would greatly reduce these biosecurity and supply disruption risks.

3.2 Exports – mutual reliance

Australia's export success in the Singapore market has generated significant commercial benefits for pig farmers.

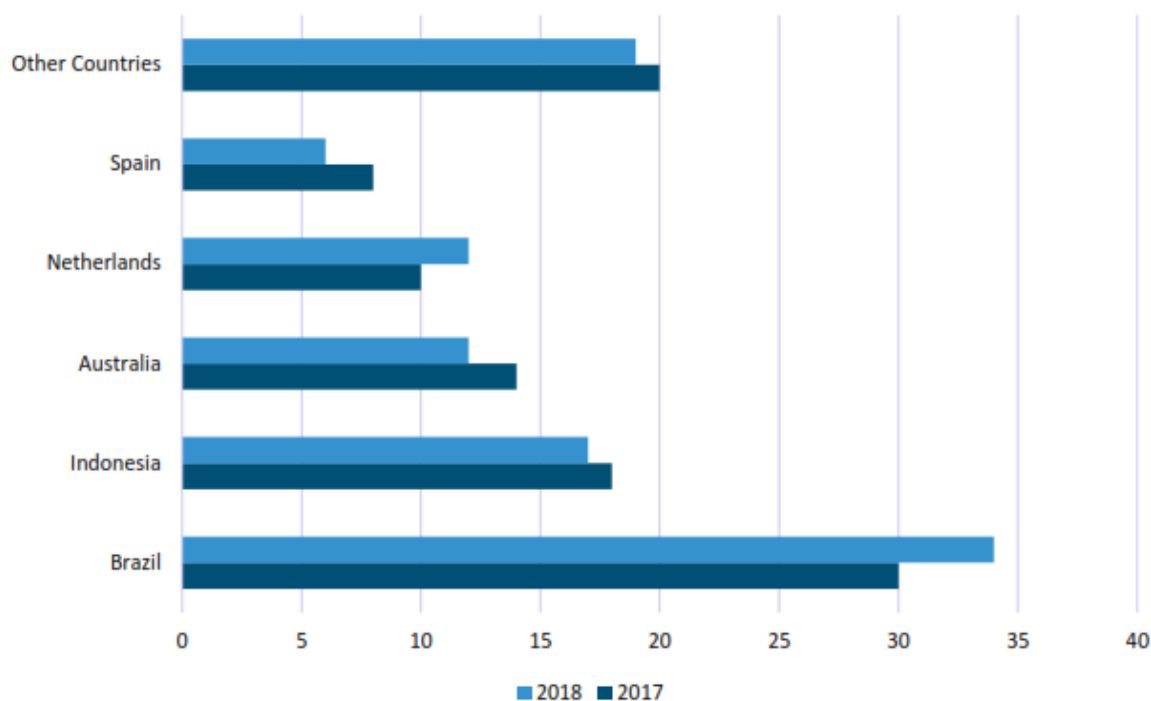
The trade has also supported the development of industry capacity. The Australian pork export industry now has considerable expertise in reliable delivery of air-freighted, premium, chilled meat products. This helps to sustain our position in Singapore and places us within reach of similar, high-value opportunities in the region.

However, changing consumer preferences and the appearance of new players in the market are risks to Australian pork's position in Singapore.

While Australia has specialised in chilled air-freight carcasses, many of which were sold through Singapore's traditional wet markets, consumers are increasingly favouring the supermarket-style retail environment and are less concerned about freshness. This trend has opened opportunities for frozen product, in which Australia's competitive advantage (our proximity to the market) is reduced.

Brazil, Canada, Spain, the Netherlands, and others have all entered the Singapore market in recent years, bringing frozen commodity pork at prices that Australian producers find difficult to match. In the premium fresh space, where Australian product is more competitive, both Malaysia and Indonesia have increased their exports to the Singapore market and are now established as reliable, high quality suppliers in direct competition with Australia. Our market share has declined accordingly.

Market Share for Imported Pork by Country of Origin: Unit: %



On the other side of the equation, Singapore's high degree of dependence on Australian pork imports has its own benefits and disadvantages for Australia. Singapore sees its supply of pork from Australia as a food security imperative, and has gone to great lengths to ensure that the trade is not suddenly interrupted.

For example, at the outset of the COVID-19 crisis, the Singapore government, led by the Ministry of Trade and Industry and the Singapore Food Agency, entered into talks with APL and Australian pork exporters around how to guarantee the continued flow of chilled pig carcasses into the city amidst the collapse of international air freight routes. This collaboration was successful. Working with industry, APL and the Singapore government facilitated access to air freight capacity until the Australian government's International Freight Assistance Mechanism stepped in to help.

The Singapore government commitment to the continuation of trade and the security of its food supply helps insulate it from external shocks. However, Singapore is conscious of its reliance on Australia for fresh pork supplies, and has been taking steps to facilitate entry of new, competing players in the market. The import diversification strategy has been effective, and Australia's share of the market has declined in recent years, as noted above.

4. Australia's reliance on foreign investment and the factors contributing to this dominance

4.1 Foreign Investment in the Australian Pork Industry

Australia has always relied on foreign investment to grow our domestic productive capacity and maintain our standard of living. The main factor contributing to this dominance is the simple fact that Australians consume more than they save. There is not enough surplus capital available domestically to provide the investments needed to develop Australian industry.

By necessity, overseas capital has fuelled a significant proportion of development and improvement within Australian agribusinesses and agricultural infrastructure. The pork industry in Australia has benefitted from foreign investment in pig farming and processing capacity. Investment in Australian pork production, domestic or foreign, improves and increases industry productivity, improving the infrastructure of the Australian agriculture sector as a whole.

One of the two largest integrated pig production and processing operations, Rivalea, is a wholly-owned subsidiary of Singapore-based QAF. The other was financed and developed by Japanese capital in the early 2000s but is now in Australian hands. A third major abattoir is owned by Brazil-based JBS, and another major smallgoods manufacturer, Don KRC, is owned by UK-based food company, Associated British Foods. Associated British Foods invests in Australian piggeries and uses the pig meat they produce domestically in their lines of smallgoods and fresh pork products. These are sold both locally and overseas.

All economic development is reliant on some form of investment. Where local savings are not available (or not willing) to invest in Australian enterprise, as has been the case throughout our history, foreign investment is needed.

APL supports investment in Australian agriculture, whether that investment comes from local or overseas sources. We call on the government to do more to facilitate investment in the sector, including by taking measures to reduce barriers to overseas investment.

5. The impact of global crises including trade disputes and political disputes on Australia's commercial relationships

This section looks at three recent crises, including trade and political disputes, and their impact on global pork trade patterns. Australia is connected to the world market for pork, so supply and demand developments overseas impact domestic conditions.

Both the ASF crisis and the US-China trade conflict have imposed broad distortions on the global market for pork. In the case of ASF, the net effect could be positive for Australian exporters, if we can remain free of the virus. The US-China trade conflict has had a more negative effect, as discussed below. Australia-China political tensions have had the most direct and detrimental impact of all.

5.1 African Swine Fever

While COVID-19 has undoubtedly disrupted global food supply chains, including Australia's exports of pork (as noted in section 3.2), the ASF pandemic has had a far more profound impact on global protein markets. Some of the risks to Australia associated with ASF were outlined in section 3.1. This section will look at the opportunities.

The ongoing ASF crisis has had devastating consequences for pork production and consumption in our region. Lack of supply in the market which drives global demand – China – has pushed world pork prices to new highs. In this situation, there are significant commercial opportunities for export pork producers that keep themselves free of ASF incursion, as Australia has done.

Unfortunately, our pork exporters are not in a position to directly capitalise on the opportunities in China due to a lack of export protocols. That said, China's huge demand and willingness to pay premium prices is causing many global exporters to divert product away from their traditional destinations and into the lucrative mainland China market. These movements are opening up gaps in third markets, including Hong Kong and Japan, where Australian pork can now increase its presence while our competitors' focus is elsewhere.

On the import side, with ASF driving global prices higher, we should expect to see less foreign pork coming into the Australian market, as other export destinations, like China, may be willing to pay a better price. For example, in October 2019, China's pork prices were quadruple the US equivalent and around twice as high as local Australian prices.

However, APL understands that some pork importers and processors have been significantly increasing purchases to build up inventory and offset the risk of an outbreak in one of Australia's major supplying countries, such as the USA.

5.2 The USA-China trade conflict

Prior to the arrival of ASF in China and the commencement of trade-related hostilities between Washington and Beijing, US pork exports to China were on a steady upwards trajectory. China had become the US's third largest pork export market, behind Mexico and Japan. US farmers and meat processors built up expanded herds and massive processing plants in expectation of future export growth.

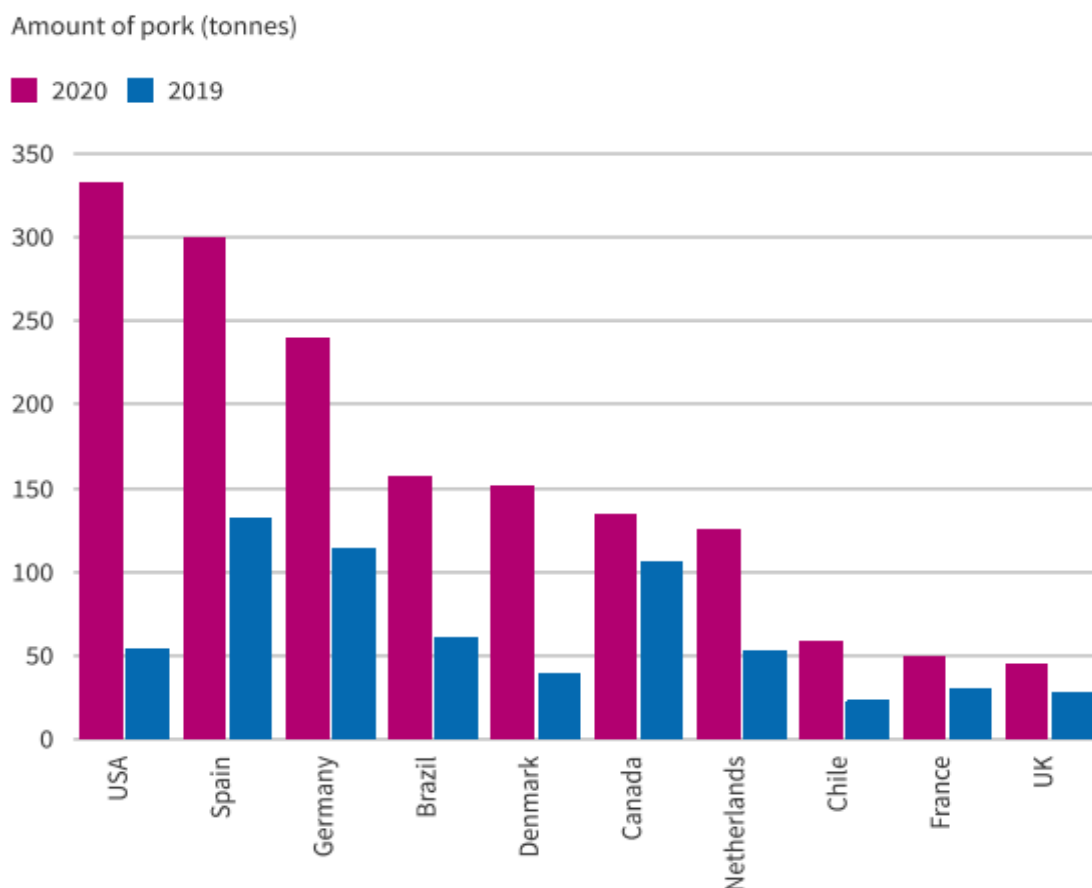
However, between March and June of 2018, in response to US moves, China implemented retaliatory tariffs on US-originating pork products amounting to 71%. From this time until the conclusion of the US-China Phase One trade agreement (Phase One agreement) in early 2020, US exports of pork to China slowed to a trickle.

As noted above, US exporters had invested in additional supply capacity just as their most important growth market was cut off. While the huge US home market was able to absorb some of the extra volume (at depressed prices), much of the surplus would need to find new, non-China export destinations. There was concern that Australia might see some of this discounted product flood into our market, however, while there was some growth in US exports to Australia during this time, it was not the tsunami that some had expected.

In part, the Australian market was spared by the arrival of ASF in East Asia from August 2018. The massive drop in supply pushed global prices up creating more opportunities in the region for US pork exports to non-China markets. The EU and Canada diverted export supply to China, while the US moved into the vacated markets, and Australia did not experience the expected import shock.

The conclusion of the Phase One agreement in January 2020 and Beijing's easing of tariff restrictions has led to a dramatic reversal of fortune for US pork exporters to China. In the first five months of this year, US pork surged into the market, reaching a record high more than six times above the amount exported in the same period the previous year. In fact, ASF-related supply shortages have underpinned staggering growth in pork exports to China from all sources, but US performance was especially strong.

Top-10 pork exporters to China in Jan-May 2020, in tonnes



By Pig Progress Created with LocalFocus

Source: China Customs

China has undertaken to purchase an additional USD \$32 billion in US agrifood products over the first two years of the agreement. Meeting such ambitious targets means the USA will expand the range of products it exports to China. To this end, China made sweeping commitments under the agreement to accelerate import protocol negotiations on live breeder cattle, potatoes, nectarines, blueberries, avocados, barley, alfalfa hay, and more, as well as to restore the trade in chicken meat and greatly expand access for USA beef and pork exporters.

China has also agreed to allow or improve access for products it has banned or restricted in the past, including HGP-treated beef and genetically-modified organisms. This represents a major liberalisation of the Chinese agricultural import market for US products. There is not yet any indication that Beijing will extend this treatment to its other trading partners, such as Australia.

While the Phase One agreement is a huge win for American farmers, it also has implications for Australia's prospects of increased agricultural trade with China. Australia's requests for new market access protocols, including the longstanding request for pork protocols, now face even longer delays. Chinese officials responsible for negotiation of access protocols will prioritise meeting the requirements of the Phase One agreement for the foreseeable future.

There is a question around the WTO consistency of the Phase One agreement. Managed trade with specific purchase targets, as we see in the agreement, would not normally be considered in line with WTO principles. Unfortunately, in its current state, the WTO offers no defence or relief for smaller trading nations buffeted about by the actions of the trade superpowers. The global trade environment has become increasingly lawless in recent years. We should expect this trend to continue so long as the USA and China continue to put their own interests above the common good.

Without recourse to a strong WTO, the government must ensure that Australia's industries are protected against the unfair and predatory behaviour of our trading partners, even if this is only possible in the domestic market. Doing this requires a vigilant and effective trade remedies system.

In a trade climate characterised by self-interested and unrestrained actors, Government should commit extra resources to strengthening and enforcing Australia's sovereign trade remedies system in the areas of anti-dumping, safeguards, and countervailing duties.

5.3 Australia-China political tensions

Difficulties in the bilateral political relationship between Canberra and Beijing predate both the US-China trade conflict and the ASF crisis, and have had an understandably more direct bearing on Australia's exports. A number of Australia's premium agricultural export industries, including wine, grains, and red meat, have faced significant setbacks in the China market in recent years coinciding with the deterioration of Canberra-Beijing ties. This submission will not detail the genesis of the tensions, but will provide APL's understanding of their impact on the Australian pork industry's export plans.

While Australia does not export pork to China, officials from the Department of Agriculture, Water, and Environment (DAWE) have been in renewed negotiations with their Chinese counterparts to arrange access for Australian pork products since 2017. However, as the political landscape changed, Australian officials began to report difficulties in securing meetings with Chinese government representatives. The rupture in contact at the working level is mirrored at the leadership level, with no official working visits by any Australian minister for two years or more.

The reduction in official contact has paralysed the pork protocol negotiations. All signs are that Canberra intends to strengthen its current policy of encouraging exporters to consider alternatives to China.

The sudden change is not only significant from a policy perspective, but also carries financial costs for Australia's export industries. The pork industry alone has invested millions of dollars to support our China market access ambitions. Much of this expenditure was requested by Government to demonstrate industry's seriousness about market access in the form of in-market representatives, attendance at trade shows, the development of export business proposals, negotiation of cooperation agreements with Chinese associations, survey studies of Chinese importers, in-market product testing activities, development of programs to meet China's import requirements, and more. For all this effort and investment, much of it required by government to demonstrate commitment, industry is now being asked to 'diversify' its export markets.

Indeed, the Australian pork export industry strongly supports diversification of export markets. However, the most important element of our diversification strategy is access to mainland China (50% of the global market). In constraining Australia's opportunities to expand trade with China, the government is also constraining the pork industry's export diversification. APL's export strategy and China's role within it are covered in section 7.

Finally, we make the observation that Australia's pursuit of a more assertive China policy is supported and encouraged by the United States. As Australia voluntarily reduces its prospects of future economic engagement with China, it is US farmers who are moving in aggressively to claim our abandoned agri-food export opportunities there. For Australian farmers looking at billions of dollars in lost China exports, this is an extremely bitter pill to swallow.

Australian Government must invest in and cultivate its relationship with the Chinese Government to ensure opportunities for future agricultural export growth in that market.

6. The impact of bilateral trade agreements on Australia's exports and whether they contribute to concentrated export markets

There is not a strong correlation between implementation of bilateral trade agreements and increases of Australian pork exports with partner countries.

For example, the peak in Australia's exports to Singapore occurred in the early 2000s. Conclusion of the Singapore-Australia Free Trade Agreement (SAFTA) in 2003 did not lead to substantial or sustained export growth. Australia's exports of pork to Singapore are less concentrated today than they were prior to SAFTA. In this case, the fact that Singapore's Most-Favoured Nation (MFN) tariffs on pork were already at zero prior to SAFTA is probably the best explanation as to why there was not a larger impact.

Many of Australia's FTAs provide favourable tariff treatment for pork, but this has not been decisive in facilitating greater trade volumes. While we are realistic about the advantages they provide, FTAs do assist industry's export competitiveness in key markets. For this reason, APL supports the government's FTA agenda. However, it does not appear that trade agreements have contributed to concentration of Australia's export markets for pork.

Government should continue its ambitious agenda of trade agreement negotiations. It should conclude deals currently under negotiation, improve existing agreements through review processes, and initiate new agreements with important trading partners, such as Taiwan.

7. Analysis of industry and government preparations to diversify its trading partners and secure new markets for Australia's exports, including through further free trade agreements

APL's export strategy is to maintain Singapore trade while simultaneously strengthening avenues into other markets. There are opportunities elsewhere in the region, creating a viable pathway to export diversification for the pork industry.

7.1 The Pork Industry's Export Diversification Strategy – the China factor

By far the most important element of industry's diversification strategy is to secure access to the world's largest pork importing market: mainland China. Unfortunately, as noted above, Australian pork is currently unable to be exported to China due to a lack of export protocols.

The Australian Pork Industry Export Business Plan (2016) envisions China as a major, although not dominant or over-relied-upon, market for Australian pork. Adding China to our mix of accessible overseas markets is a precondition for industry to achieve sustainable export diversification.

Due to its importance in our export diversification plans, negotiation of China market access is a longstanding and top priority request from industry to government, going back more than 15 years.

Despite industry's years of work and investment (described briefly in section 5.3), government has remained unable to deliver access for Australian pork into the highest priority overseas market, even as an increasing number of countries to export greater volumes of pork products to Australia.

The Australian pork export industry's strategy to diversify away from reliance on the Singapore market has been hampered by years of bureaucratic inaction, and is now threatened by geopolitical posturing.

Qualitatively and quantitatively, there is no market that can match the export opportunity presented by China. The quantitative aspect is obvious. China consumes about half of the world's pork, but isn't able to meet this demand through domestic production alone. Prior to the ASF outbreak, China was around 95% self-sufficient in pork with the remaining 5% of consumption filled by imports. This may sound like a small volume, but it was enough to make China the largest importer of pork globally.

Today, China's ASF-induced production shortfall means that imports are filling a much larger share of pork consumption, but there is simply not enough protein in the world to meet China's pre-ASF demand. Accordingly, consumption of pork in particular has decreased markedly (due to lack of supply and high prices), while demand for non-pork proteins has soared, and is partly responsible for Australia's record levels of red meat exports to China in the last 18 months. China's imports of pork rose 45% in 2019 compared to 2018, the first period of the outbreak, and are expected to remain at elevated levels for the next two years at least.

Even when China's pork consumption and import levels return to more normal levels, there is simply no other nation that can match its appetite for pork and pork products of all kinds. Which brings us to the qualitative aspect of China's demand.

China's pork consumption profile is unlike other markets. While many markets demand only a small range of specific cuts, Chinese consumers demand every single part of the pig, even the parts that

have no value in Australia or are not wanted in any other market. China is a unique and irreplaceable source of demand for offal and other by-products. Only with China access can the pork export industry optimise carcass balance and secure the highest possible prices for Australian farmers.

Apart from China, the Australian pork export industry is making efforts to increase sales in other markets. Priorities include Hong Kong, Japan, and Vietnam. There are opportunities in each of these markets, especially while ASF-related supply impacts persist and the Australian dollar remains low. However, none of those can match China's potential for export growth.

The Australian export pork industry recognises the risks associated with an over-reliance on one market. We are proactive in seeking to reduce our dependence on Singapore, even as Singapore reduces its own dependence on Australian imports.

Government policy choices in relation to China have effectively taken market access for Australian pork off the table. Industry has had very limited input into those choices, even though it is industry that must bear the costs.

Government must step up to support Australia's export industries and provide real alternatives to China, including through the negotiation of new access protocols and new trade agreements, and the removal of barriers to trade.

8. Conclusion and Recommendations

Australia is over-reliant on imports to supply key elements of our national diet, including pork products. If current import growth trends continue, Australia will become an overall net importer of food in the coming years. This holds grave implications for our national food security. Government has a role to play in creating the right conditions for a prospering and productive domestic food industry.

APL makes the following broad recommendations to the inquiry:

- 1) **Australia is increasingly reliant on imports to satisfy domestic demand for pork. APL calls on Government to support Australian farmers by defending them from unfair trade, investing in their future competitiveness, upholding Australia's high standards, and guaranteeing the national food supply.**
- 2) **APL supports investment in Australian agriculture, whether that investment comes from local or overseas sources. We call on the government to do more to facilitate investment in the sector, including by taking measures to reduce barriers to overseas investment.**
- 3) **Australian Government must invest in and cultivate its relationship with the Chinese Government to ensure opportunities for future agricultural export growth in that market.**
- 4) **Government should continue its ambitious agenda of trade agreement negotiations. It should conclude deals currently under negotiation, improve existing agreements through review processes, and initiate new agreements with important trading partners, such as Taiwan.**



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