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24th July 2015

Australian sheep farmers must have the China FTA ratified in 2015

Dear Sir/Madam,

I am writing to express the urgency required in ratifying the Australia-China FTA.

It is a little known fact that Australian sheep and lamb producers currently suffer and massive disadvantage with access to the Chinese market when compared to our biggest competitor, New Zealand.

Under the New Zealand FTA their producers will reach 0% tariff from January 1 2016. In addition, New Zealand has no payroll tax and no superannuation and their currency is trading 13% cheaper than the AUD.

In contrast, Australian producers are paying between 15% and 20% tariff, 9.25% superannuation on processing, 5% to 6% payroll tax.

The importance of the China market to Australian sheep and lamb producers cannot be overstated.

In 2014 China accounted for 88906mt or 21.02% of sheep meat exports valued at approximately AUD 341,399,040. This is approximately AUD $61,451,827.20 of duty farmers had to pay on the equivalent of 4,445,300 heads, $13.83/head. While this was paid by the processor it naturally works its way back to the farmer.

Add to this payroll tax and superannuation of 15.25% of in excess of $3.00/head.

Add to this skins tariff of and $1.20/head.

Add to this currency advantage of $1.80/head.

Tariff and currency totals $19.83/head disadvantage.

With cost disadvantages of this magnitude is it any wonder that processing is leaving our shores and all the jobs that this country so desperately needs with it.

The result is a commercial disadvantage that effectively renders Australian producers uncompetitive in one of our biggest markets and therefore results in an exacerbated loss due to reduced marketing ability of Australian sheep and lamb in China and forcing exports to other markets for less return.

The political and industry forbears negotiated a shocking agreement 40 years ago with the sheep meat quota to the EU. New Zealand has 226,000mt despite countless fights and massive expense Australia still has less than 20,000mt. This has been a huge brake on the industry allowing New Zealand to build a large business in the EU while undercutting us in other markets.

I am not prepared for our country to make the same mistake for China. Inaction in the second half of 2015 is not an option for the Australian government.

This FTA has to be ratified to start reigning in what will be more than a decade of uncompetitive situation in the Chinese market. Each year of inaction is costing over $60,000,000 to the Australian farmer.

My business has divisions in each part of the supply chain from farming to transport and processing to being a pioneer of accessing global markets over a 40 year period. I therefore can speak to represent these sectors with authority.

I am more than happy to discuss these critically important issues with you face to face.

Yours Sincerely

Roger J. Fletcher

Managing Director

Fletcher International Exports Pty Ltd