



# JSCOT SUBMISSION

Australia-Hong Kong Free Trade Agreement

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The Australian dairy industry welcomes the opportunity to provide comment on the ratification of the Australia- Hong Kong Free Trade Agreement (FTA).

Hong Kong is an important export market for Australian dairy. The Australia-Hong Kong FTA will provide certainty and security for Australian dairy exporters, as well as strengthen the long established and valued partnership with Hong Kong in the supply of high quality dairy products.

The Australian dairy industry supported the signing of the Australia-Hong Kong FTA in March 2019, and we strongly support the ratification of the FTA,

### Australia's dairy industry

The dairy industry is one of Australia's major rural industries. Based on a farmgate value of production of A\$4.3 billion in 2017/18, it ranks third behind the beef and wheat industries. It is estimated that approximately 42,600 people are directly employed on dairy farms and by dairy companies within Australia. Associated transport, distribution, farm services and research and development activities represent further employment associated with the industry.

Dairy is also one of Australia's leading rural industries in terms of adding value through downstream processing. Much of this processing occurs close to farming areas, thereby generating significant economic activity and employment in regional areas.

Although not a large producer (when compared with New Zealand, the EU, the US and India), Australia is a significant exporter of dairy products. It ranks fourth in terms of world dairy trade, with a 6 per cent market share behind New Zealand, the European Union and the United States.

The majority of Australia's dairy product exports are destined for Asian markets, including Mainland China, Hong Kong, Taiwan, Japan, Korea and the South East Asian region.

### About the Australian Dairy Industry Council

The Australian Dairy Industry Council (ADIC) is the dairy industry's peak representative body. It coordinates industry's policy and represents all sectors of the industry on national and international issues through its two constituent bodies; Australian Dairy Farmers Ltd (ADF) and the Australian Dairy Products Federation (ADPF). Representing both ADF and ADPF, the partnership is unique to Australian agriculture providing a unified, whole of industry approach.

### About Dairy Australia

Dairy Australia is the national services body for dairy farmers and the industry. Its role is to help farmers adapt to a changing operating environment, and achieve a profitable, sustainable dairy industry. As the industry's research and development corporation (RDC), it is the 'investment arm' of the industry, investing in projects that cannot be done efficiently by individual farmers or companies.

## Supporting rationale for ratification of the Australia-Hong Kong FTA

### **Hong Kong is an important market for Australian dairy exports**

Australia's dairy exports to Hong Kong have ranged between 25,000 tonnes and 30,000 tonnes over the past ten years. This makes Hong Kong one of the top ten export markets (typically number 8) by volume. On average just under 4 per cent of total Australian dairy exports are destined for the Hong Kong market. In value terms, dairy exports to Hong Kong have ranged between \$100 million and \$150 million per annum in recent years.

### **Dairy market access to be locked in at zero tariff**

The Australia-Hong Kong FTA is important for Australian dairy because it ensures that Australian dairy products will face a zero per cent tariff into the future.

Hong Kong currently does not impose import tariffs on dairy products from any source, including Australia. The Australia-Hong Kong FTA locks in a zero per cent tariff on Australian dairy products. This provides confidence and certainty for Australian exporters. At some point in the future Hong Kong could decide to increase import tariffs from the currently applied rate. Implementation of the Australia-Hong Kong FTA will remove this risk for Australian dairy exports to Hong Kong.

### **Addressing technical barriers to trade**

The industry welcomes the specific text within the agreement that refers to the management, transparency, cooperation and reciprocal elimination of technical barriers to trade in goods, which will assist in a practical sense if the dairy industry encounters access issues into Hong Kong in the future.

### **Dairy customer relationships are long established and valuable**

Australian processors have a history of partnering with ingredient blenders and food manufacturers in Hong Kong to supply high quality, innovative dairy products. Food manufacturers in turn value add our ingredients; creating jobs and wealth in respective supply chains.

Dairy Australia has undertaken market development programs to Hong Kong for the past 15 years. Hong Kong dairy/food processors and trading companies have participated in the annual Dairy Australia Scholarship training program since 2002, and nearly 20 senior and middle managers representing the Hong Kong dairy industry have taken part in the training program and became member of the Dairy Australia alumni program. Dairy Australia also holds regular seminars and workshops in the market to promote Australian dairy products to the local industry.

The signing of the Australia-Hong Kong Free Trade Agreement will assist to support and strengthen existing networks and relationships between the Australian dairy industry and customers of Australian dairy in Hong Kong.

## Conclusion

The Australian dairy industry supports the ratification of the Australia-Hong Kong FTA. The agreement stands to benefit both Australia's dairy farmers and processors. Importantly, the FTA offers certainty into the future for Australia's dairy industry in terms of access to the Hong Kong market.

The ADIC and Dairy Australia both strongly support the ratification of the Australia-Hong Kong Free Trade Agreement.