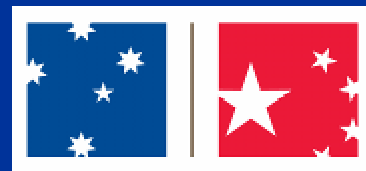




# Australia-China trade in agriculture: Opportunities and Challenges of a Free Trade Agreement

澳中农业贸易: 自由贸易协定带来的机遇和挑战

Australia – China  
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# Chinese and Australian Dairy Industries – Partnerships for the future.

Presented by:

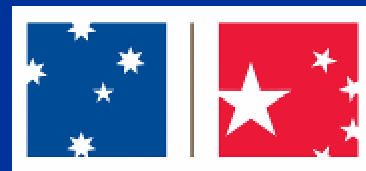
Allan Burgess

Chairman, Australian Dairy Industry Council

Xian, China

27 September 2006

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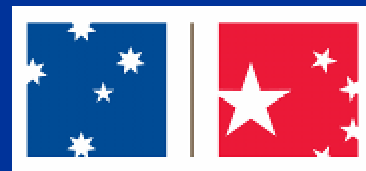


# FTA is a Win-Win for Dairy

- For the Chinese and Australian Dairy industries an FTA is all about opportunity
  - There is no risk for either side
- FTA will provide a framework to build on **INDUSTRY** level partnerships

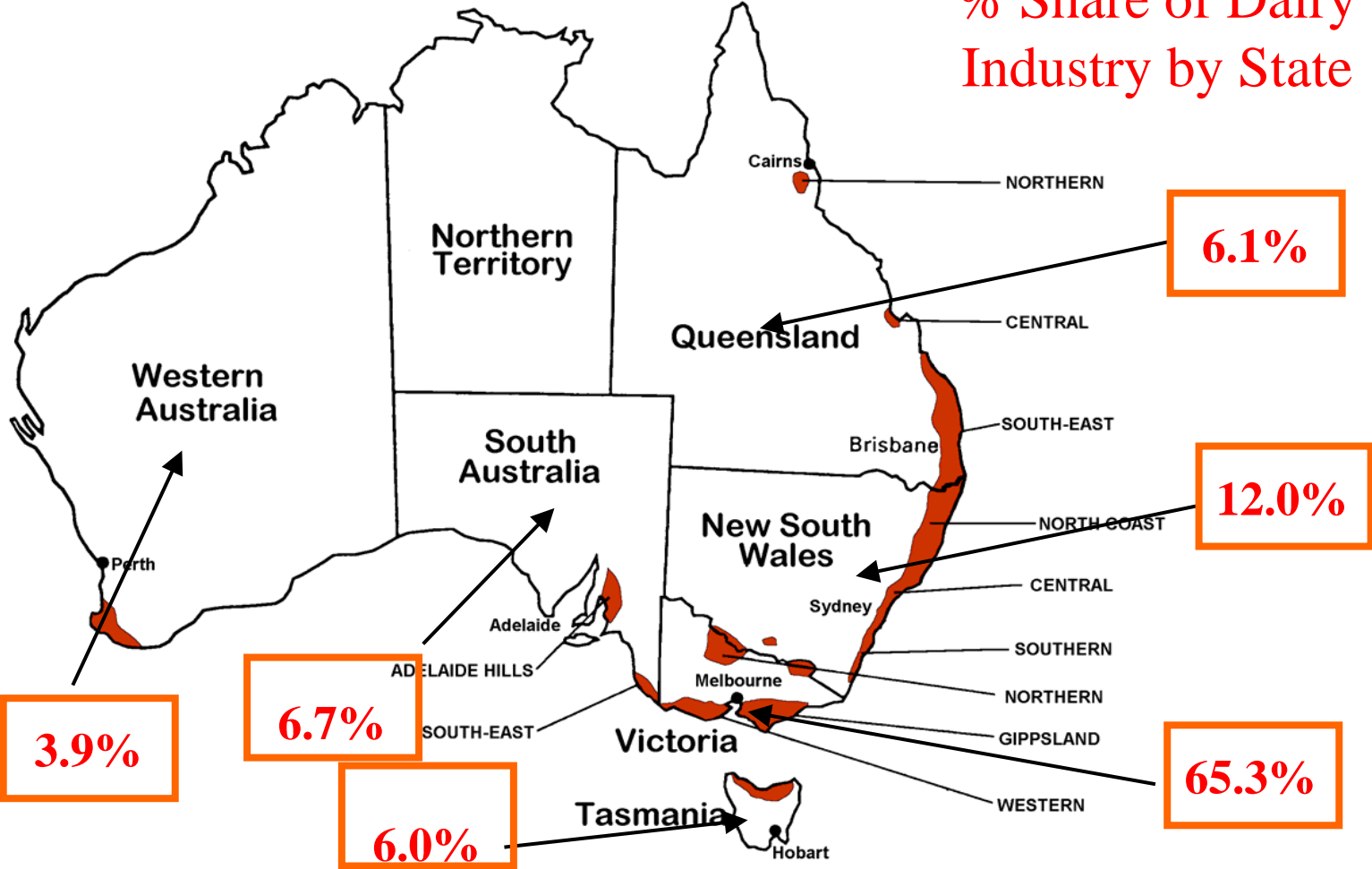


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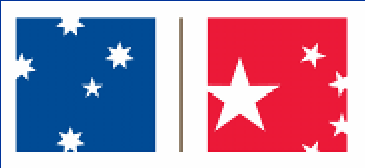


# Dairying In a Dry Continent

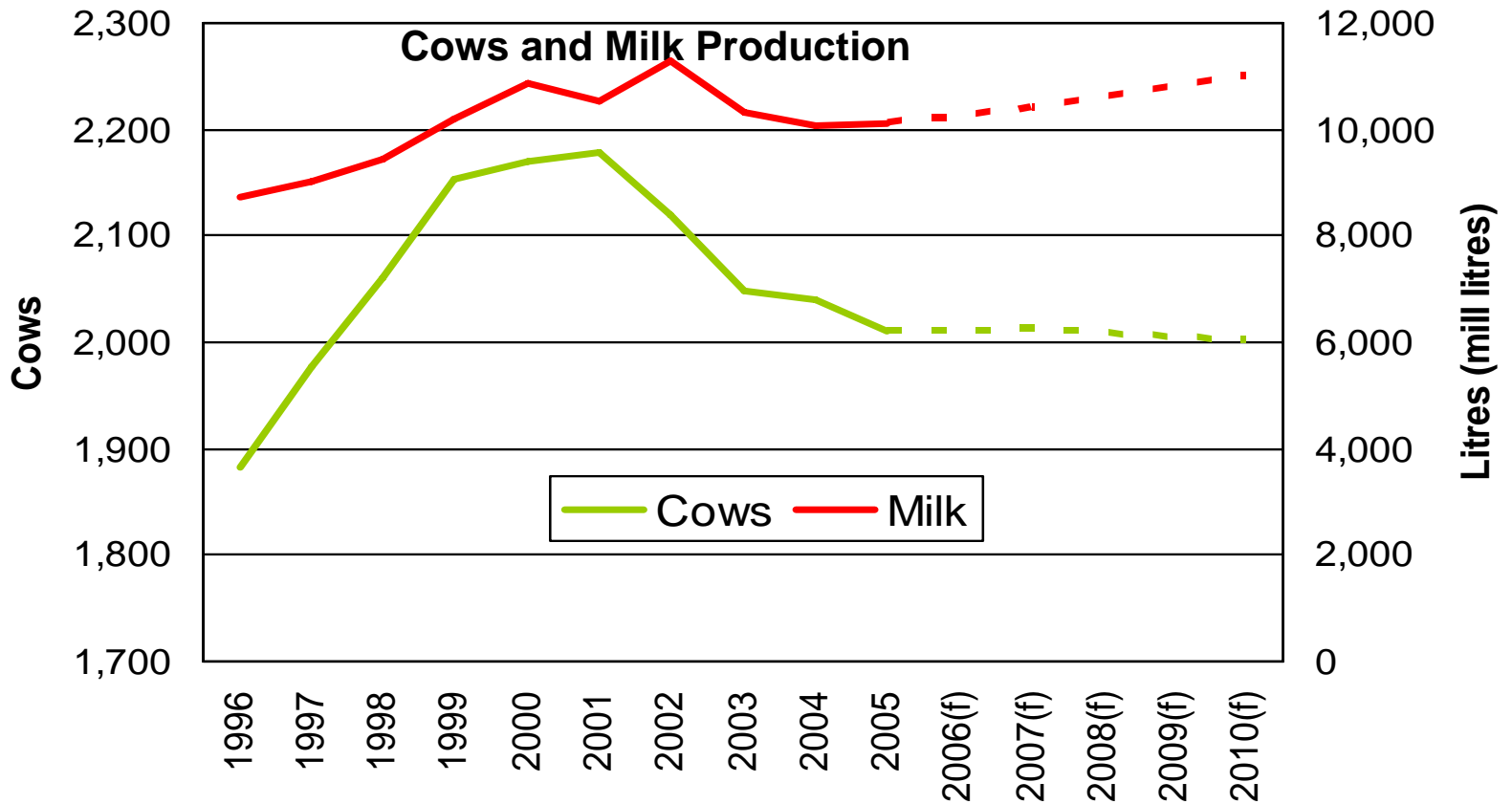
**% Share of Dairy Industry by State**



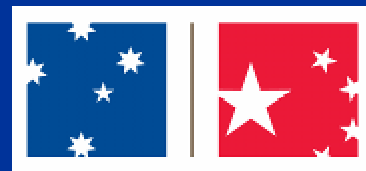
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# Outlook is for modest growth



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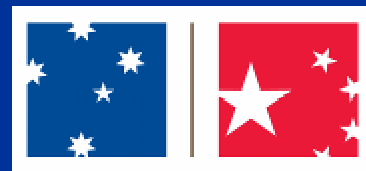




# Australia is no threat to dairy farming in China

- Australian milk production is half Chinese production
- Our most valuable dairy market is the Australian market
  - Even if all Australian exports went to China we could only have supplied 17% of the market in 2005
  - We have more than 100 markets we need to supply as well as China

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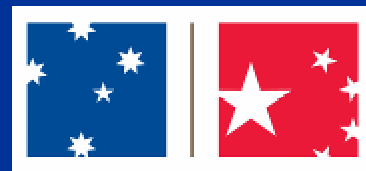




# We are helping the Chinese Dairy Industry Grow

- We have a long term commitment to supplying genetics to China
  - Quality breeding heifers
  - Embryos and semen
- We work closely with MOA and Chinese producers to get the best value from Australian genetics.

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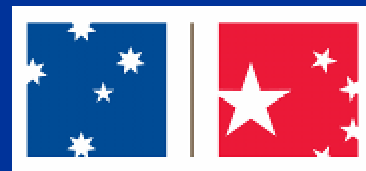




# We are helping the Chinese Dairy Industry Grow (c'td)

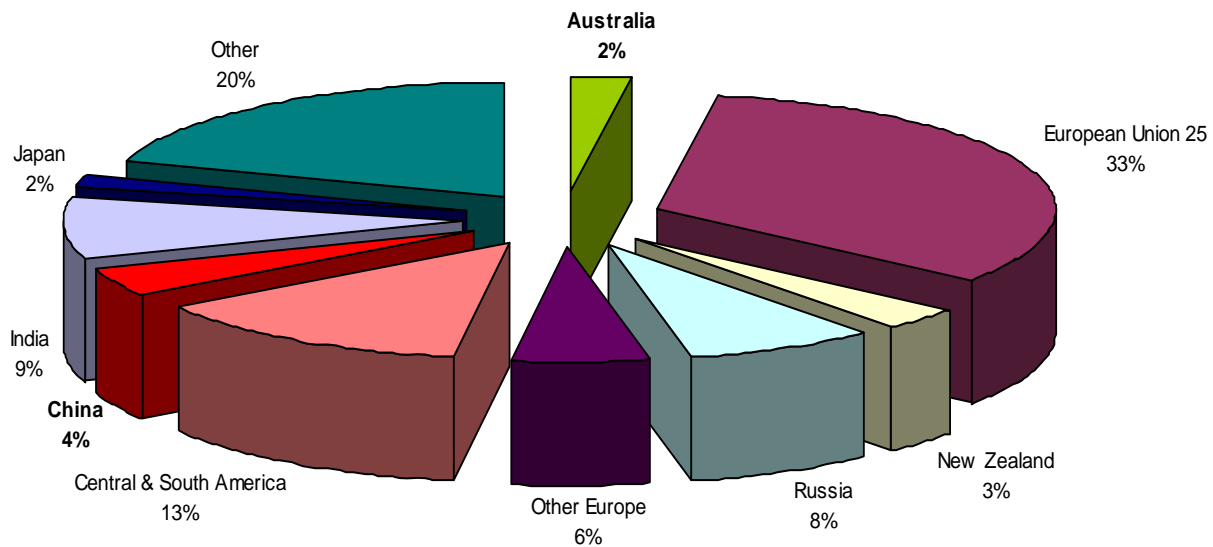
- We have a partnership in developing dairy in China – which will be supported by the FTA.
- We have invested in an information system to provide for the Chinese market.
- We have supported the exchange of ideas and information through visits.
- We have assisted through co-operation projects.

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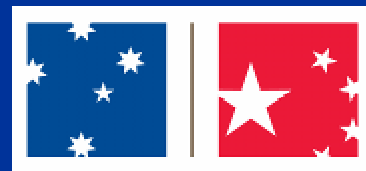


# Australia Produces Less than 2% of the World's Milk

World Milk Production

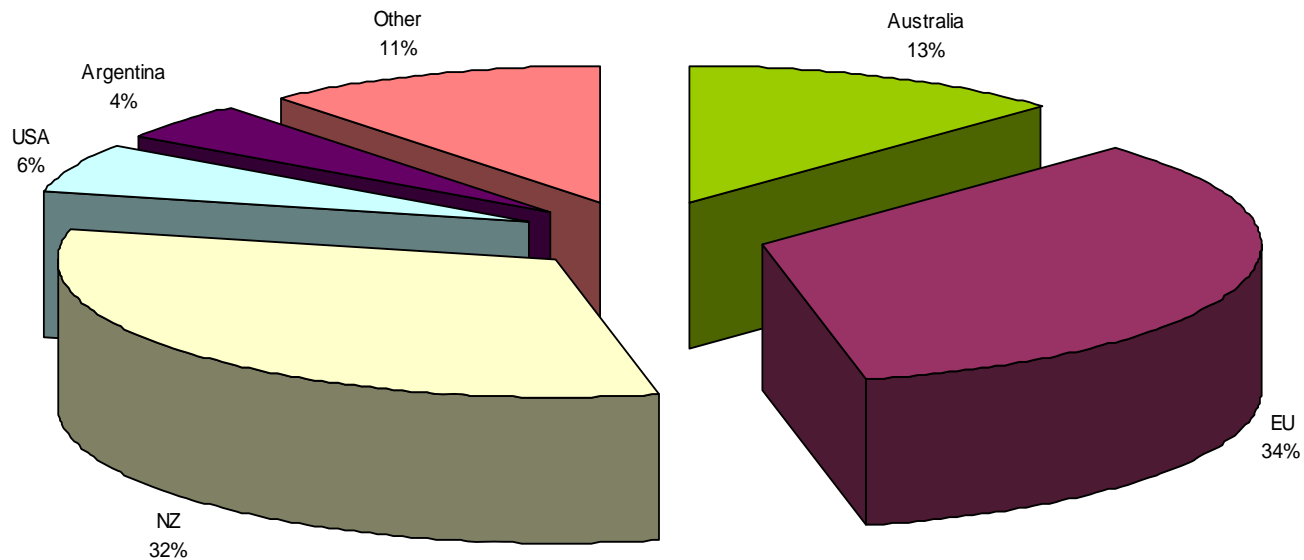


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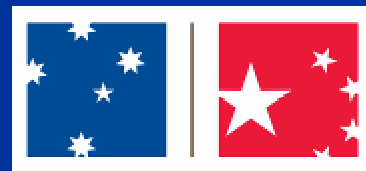


# Australia is a **reliable supplier** to the International Dairy Trade

Exporters' Share of World Dairy Trade

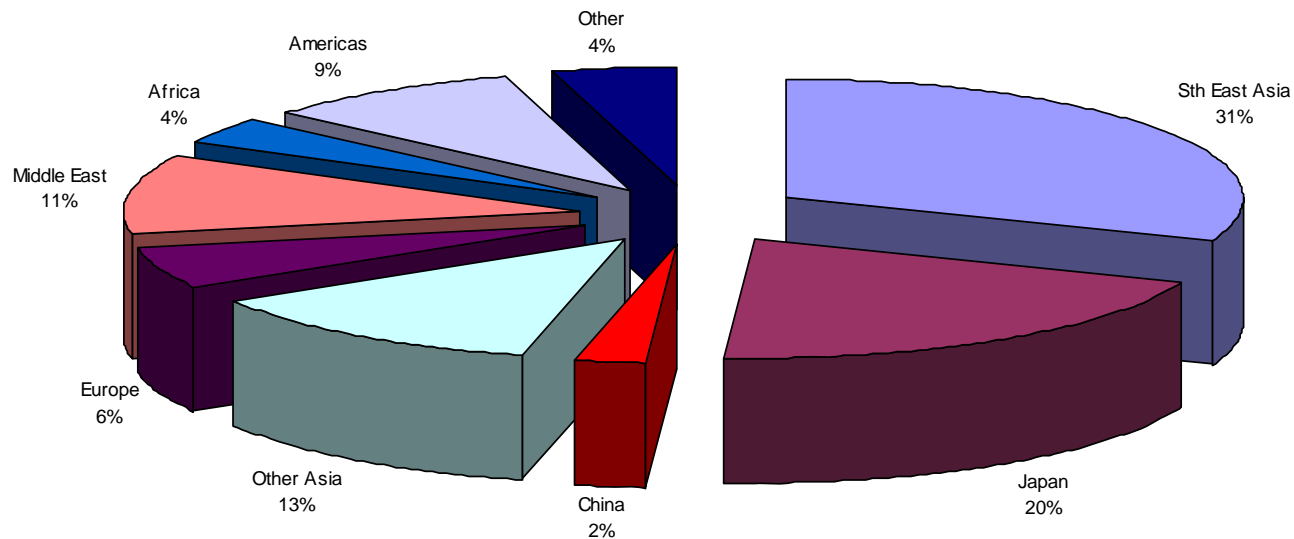


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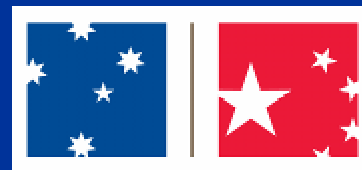


# China takes just 2% of Australia's Exports

Australian Exports 2004/05 \$A2.6 billion



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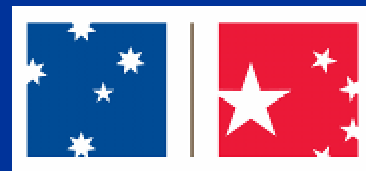


# Our focus is on high quality ingredients

- Australian product has high transformation, labour, packaging, transport costs
- Australia's focus is on high value added product (not cheap commodity trade) – more so since the droughts
- In 2000 average Chinese dairy tariffs dropped from 50% to 12%
  - And production increased by at least 20% per year for the next four years
  - China can easily compete against imports



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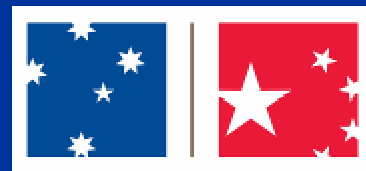


# Who buys Australian dairy products?

- China's largest dairy companies
  - Yili, Mengniu, Bright, Sanyuan, Sanlu
  - Australian product complements the product they make from local milk.
- China's food processors
  - Manufacturers of chocolate, ice cream, infant formula, bakery products
  - Emerging exporting industries
- China's food service sector
  - Hotels, restaurants, fast food outlets
  - All necessary to a successful tourism industry
- Imports from Australia complement local production
  - By helping local dairy companies be more profitable
  - By filling the gaps where local supply is not available
  - By introducing new products and so opening up new market segments and opportunities for all players



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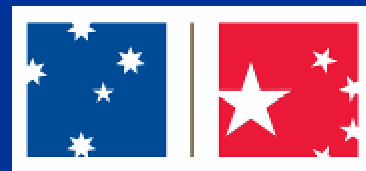




# Australian Companies have a **commitment** to their customers

- Committed to customers in over 100 countries.
- Supplying high quality, high value ingredients to local dairy industries around the world
  - Many of which already export to third markets
- FTA will allow us to give more priority to Chinese customers
  - And to work together to develop exports of Chinese products incorporating Australian dairy ingredients.

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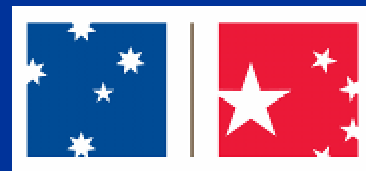


# Exports To 3<sup>rd</sup> Markets?

- Australia has
  - High quality ingredients
  - An FTA helps us assure supply
- China has
  - Ingenuity, know how and innovative food manufacturing processes
  - Lower transformation and packaging costs
  - Low cost raw milk
  - Close proximity to major Asian markets
- **Together** we can supply dairy foods to markets around the world



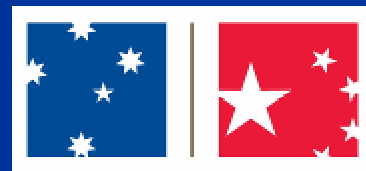
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# Two Industries Working Together

- Dairy Australia has operated programs in China for more than 8 years
  - Scholarships, seminars, visits, Chinese dairy conference support
  - Assistance and information on world dairy production and cooperation opportunities

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# FTA Will Build Stronger Partnerships for the future

- We already work together at an industry level
  - Supplying Chinese industry with the knowledge needed for the future
- We already work together at farming level
  - supplying China with the cows you need to grow
- We already work together on products
  - Supplying Chinese companies with the ingredients they need to grow
- An FTA will allow this to be even more effective
  - And promote jointly made products for sale in 3<sup>rd</sup> country markets

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