



5 July 2016

Australian Pork Limited
ABN: 83 092 783 278

PO Box 4746
KINGSTON ACT 2604

P 02 6285 2200
F 02 6285 2288

www.australianpork.com.au

[REDACTED]
Agricultural Policy & Negotiations
Office of Trade Negotiations
Department of Foreign Affairs and Trade

[REDACTED]

[REDACTED]

European Union Free Trade Agreement

Australian Pork Limited (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.

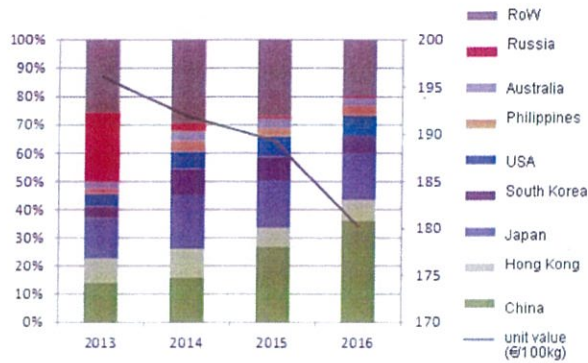
APL notes that FTA negotiations primarily deal with border tariffs and quotas that technically would support improved trade between two countries or two regions. However, historically, significant improvements to these measures are not linked to import protocols or establishment accreditation that are pre-requisites to trade. As an example, the Australian pork industry received a superior trade outcome in the China Australia FTA negotiation but is unable to export any pork due to a lack of protocols and abattoir accreditation.

Likewise, Australia does not currently have a protocol to export pig meat to any country in the EU. In addition, there are significant barriers to trade, such as sensitivity to ractopamine and the EU has issues with Australia's Export Meat Inspection Scheme (AEMIS).

From a market entry perspective, the EU is the second biggest pork producer in the world behind China, with significant internal trading, global trade and product differentiation. Moreover, the closure of the Russian market for European pork exports, which previously accounted for around one third of EU exports, means that there is currently large over supply of pork in the EU and lower prices as a result of these market conditions (Figure 1).

The EU trade balance for pigmeat is largely positive, with annual exports worth nearly €6 billion, with the main destinations being China, Japan, Hong Kong, the Philippines and South Korea (Figure 1).

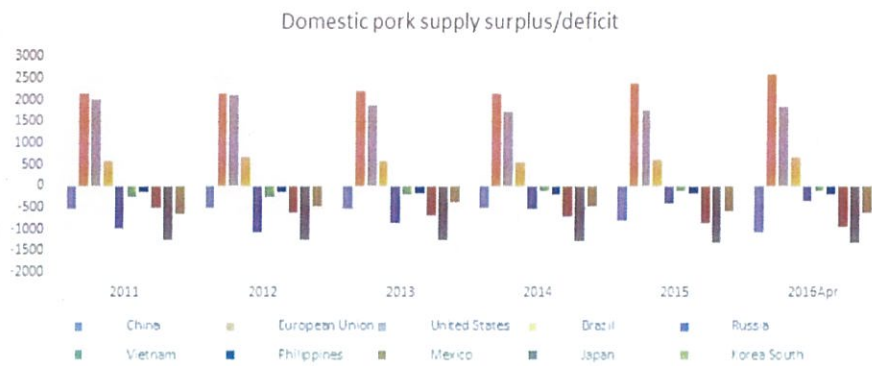
Figure 1 Destinations and unit value of EU pig meat exports (2013-2015)



Source: https://www.pig333.com/latest_swine_news/destinations-and-unit-value-of-eu-pigmeat-exports-2013-2015_11468/

The EU consistently has the world's largest pork surplus (production less consumption) as shown in the graph below – and this situation continues to grow. Its domestic policies greatly influence this, including the decision in 2015 to commence a pork bank to offset the oversupply of pork.

Figure 2 Global trade balance (2011-2016)



Source: APL based on USDA production and trade data

Australia imports around 167,000 tonnes of pig meat each year valued at \$632 million, with approximately half derived from the EU (compare this to the strict quotas imposed by the EU, e.g. 7,000 tonnes of beef from Australia). The EU current enjoys substantial market access to Australia for pig meat. Major EU pork exporters are Denmark and The Netherlands, which account for 81% of the EU exports to Australia. Minor importers include Ireland, Italy, Spain, Belgium, and the UK.

Imported pig meat accounts for around 45% of all pork consumed in Australia. All imported pig meat must be cooked, meaning all imported meat is processed. Consequently, imported pig meat comprises 75% of all processed meats. Few other agricultural sectors in Australia face such high levels of import competition. The EU is a significant existing beneficiary of access to Australia's pork market.

The Australia pig industry has a high herd health status – the introduction of exotic diseases could devastate the pork industry given the Australian pig herd is naïve. Along with the US, the EU is very focussed on access to Australia's fresh pork market. Comments to this effect have been made by the French President, amongst others. Many EU countries will view the FTA negotiation as an opportunity to access Australia's fresh pork market.

No imported pork meat is able to be sold into Australia's fresh pork market due to biosecurity provisions contained in the Pork Biosecurity Import Risk Assessment. The Pork BIRA is a science and risk based approach, focussed on diseases such as FMD, PRRS, and PMWS. Parts of the EU are also currently affected by African swine fever, for which there is no known cure. With significant internal trading of pigs across much of the EU, this poses a significant biosecurity risk to the EU's trading partners. APL notes that the EU (as a block) has requested that Australia negotiates an import protocol. APL views this with obvious concern.

While the EU presents as an opportunity to consider a high value pork product as a niche offering into the EU, a significant deterrent are non-tariff barriers such as the lack of protocols, quotas, and establishment accreditation.

Given the above, it is unlikely that the Australia pork industry will have an interest in exporting to the EU, and views any EU FTA negotiation from a defensive perspective (i.e. biosecurity). APL urges DFAT to ensure that the FTA negotiation does not undermine the high value of Australia's science and risk based biosecurity arrangements. Australia should also consider the openness of its trading environment compared to that of the EU (tariffs, quotas and other non-tariff trade measures).

Should you require any additional information, please do not hesitate to contact me.

Yours sincerely



Deborah Kerr
General Manager Policy