

1st September 2020

Australia – EU FTA Coordinator
Office of Trade Negotiations
Department of Foreign Affairs and Trade
RG Casey Building, John McEwen Crescent
Barton ACT 0221

By email: a-eufta@dfat.gov.au

Re: Australia – EU Free Trade Agreement

Food Frontier welcomes the opportunity to provide a submission on the Australia – European Union (EU) Free Trade Agreement (A-EUFTA).

2 Food Frontier is the independent think tank and expert advisor on alternative proteins in Australia and New Zealand. Food Frontier provides data and insights on alternative proteins and their economic, environmental and public health benefits. We advise and connect businesses, innovators and policymakers – from start-ups to grocery giants, farming bodies to regulators – helping leaders navigate and pursue opportunities in the plant-based meat and emerging cultivated meat industries.

3 The plant-based meat sector in Australia is growing rapidly. Deloitte Access Economics has projected that the sector will be worth A\$3 billion in domestic sales by 2030 and employ 6,000 equivalent full-time employees. The sector is forecast to produce 169,000 tonnes of product annually, a volume sufficient to meet 70 percent of domestic demand, with the balance met by imports of 54,200 tonnes. Exports are anticipated to account for 25 percent of manufacturers' total sales, and constitute a valuable new export category equivalent to 42,200 tonnes valued at A\$337.5 million per year.¹

Consumer attitudes to plant-based meat

4 In Australia, home to some of the world's most avid meat-eaters, there has been a growing shift to eat less meat in recent years. Data from Roy Morgan,² Euromonitor International³ and Mintel⁴ suggests millions of Australians are now choosing to eat less meat or follow a plant-based diet.

5 The most recent data is from leading market research agency Colmar Brunton, launched in Food Frontier's 2019 report *Hungry for Plant-Based*, which shows 42 percent of Aussies are eating less meat – or none at all.⁵ This figure represents more than ten million people in Australia who are either Flexitarians or Meat-Reducers – both actively limiting their consumption of meat – or Vegetarians and Vegans, who are entirely meat-free. Australia is predicted to continue as one of the fastest growing markets⁶ for plant-based products in the world, with a compound annual growth rate (CAGR) of 9.6%.

¹ Lawrence S, King T. Meat the Alternative: Australia's \$3 Billion Dollar Opportunity. Melbourne: Food Frontier; 2019.

² <http://www.roymorgan.com/findings/vegetarianisms-slow-but-steady-rise-in-australia-201608151105>

³ <https://www.euromonitor.com/plant-based-protein-assessing-demand-for-sustainable-alternatives/report>

⁴ <http://www.mintel.com/press-centre/food-and-drink/the-move-away-from-meat-infiltrates-asia-pacific>

⁵ King T, Weber J. Hungry for plant-based: Australian consumer insights [Internet]. Brisbane: Colmar Brunton; 2019 Oct 29 [cited 2020 Aug 25]. Available from: <https://www.foodfrontier.org/reports>. Highlights report jointly published by Colmar Brunton, Food Frontier and Life Health Foods.

⁶ <https://www.euromonitor.com/plant-based-protein-assessing-demand-for-sustainable-alternatives/report>

Product labelling and continued use of common food names

6 With this growing consumer demand, it is obviously in the interests of Australia’s plant-based meat producers to clearly advertise the plant-based origin of their products – and they do.

7 Plant-based meat products are often labelled with common terms like ‘sausages’ and ‘mince’ to convey the product’s utility, along with qualifiers like ‘plant-based’, to indicate its ingredients. For example: ‘plant-based burger’, or ‘meat-free mince’. Research shows that such labelling is well understood by consumers, who can still distinguish plant-based meats from their conventional meat equivalents while grocery shopping, as demonstrated in Colmar Brunton’s research.

8 91 percent of Australians have never mistakenly purchased a plant-based product thinking it was its animal-based equivalent, and vice versa. Of the small percentage who did mistakenly buy a product thinking it was its equivalent, it was more likely Vegetarians/Vegans who mistakenly purchased a product that contained meat, thinking it was plant-based.⁷ These foods are selling well, not because people read the labels incorrectly, but precisely because they read them correctly.

9 The EU restricts common terminology, such as ‘burger’ and ‘sausage’ to exclude products made from plants, through ill-conceived regulations designed to protect the subsidised EU livestock sector. This produces a farcical scenario whereby a consumer can no longer purchase a ‘veggie burger’ for example.

10 Under the A-EUFTA, Australian products entering the EU market will be at a disadvantage due to these proposed labelling restrictions, compared to EU products entering Australia, which can sensibly be labelled to denote the utility of the product. Under the A-EUFTA, Food Frontier requests that the Australian government ensure Australian manufacturers enjoy a level playing field to that of their European counterparts entering the Australian market.

Tariffs on Australian product exported to the European Union

11 This submission relates to any plant-based meat product, currently exported under available commodity codes, as follows:

Description	Commodity Code
Miscellaneous edible preparations	21
Food preparation not elsewhere specified or included	21 06
Protein concentrates and textured protein substances	21 06 10
Containing no milkfats, sucrose, isoglucose, glucose or starch or containing, by weight, less than 1.5% milkfat, 5% sucrose or isoglucose, 5% glucose or starch	21 06 10 20
Soya protein concentrate having a protein content by weight, calculated on a dry weight basis, of 65% or more but not more than 90% in powder or textured form	21 06 10 20 20
Preparation on the base of soya protein isolate, containing by weight 6.6% or more than 8.6% calcium phosphate	21 06 10 20 30
Other	21 06 10 20 90
Other	21 06 10 80
Containing more than 1% milk fats, 1% other fats or more than 5% sugars	21 06 10 80 31
Other	21 06 10 80 39
Other	21 06 10 80 70

Tariff rates

12 Plant-based meat products from Australia to the EU are currently subject to import duties under the Common Customs Tariff (CCT) of the EU, which is currently set at 12.8 percent.

⁷ King T, Weber J. Hungry for plant-based: Australian consumer insights [Internet]. Brisbane: Colmar Brunton; 2019 Oct 29 [cited 2020 Aug 25]. Available from: <https://www.foodfrontier.org/reports>. Highlights report jointly published by Colmar Brunton, Food Frontier and Life Health Foods.

13 As a relatively new sector in both Europe and Australia, with significant growth prospects and little domestic manufacturing, plant-based meat products should achieve a zero percent tariff on entry into force of the FTA.

Commodity codes

14 The plant-based meat sector is an emergent sector exploring a range of potential base ingredients. To date, these have largely utilised pea and soy protein concentrates as a base, but could potentially utilise protein derived from a multitude of plant species.

15 Existing HS codes are inadequate to fully accommodate the range of primary inputs plant-based meat currently, or potentially, will incorporate. For example, 21 06 10 20 20 and 21 06 10 20 30 both relate to soy-based protein concentrate and isolate, despite many new products containing no soy, or a mixture of other base proteins. The only current alternative is 21 06 10 20 90 'Other', which is inadequate to fully reflect the diversity of base ingredients.

16 The Australia – EU FTA should incorporate a side-letter noting that future commodity codes related to plant-protein concentrates and isolates should be set to zero percent on adoption. This will avoid a nonsensical scenario whereby soy protein, for example, might achieve a zero percent tariff, whilst pea protein could be introduced at 12.8 percent, a circumstance contrary to the spirit and intention of the FTA.

Phytosanitary certification

17 As a processed and packaged food product, plant-based meat products comprise a number of different ingredients which undergo significant processing. Consequently, these products do not pose a phytosanitary risk to either Australia or the EU. Phytosanitary certification should therefore remain unnecessary.

Movement of persons

18 As a net importer of skilled migrants, Australia must ensure that the A-EUFTA is leveraged to enable the movement of skilled people between the two markets. The European Union, a global leader in fields of relevance to alternative proteins, particularly cultivated meat, such as food technology and tissue culture and molecular biology, has a depth of talent that can assist Australia in growing its alternative protein sector. The knowledge, skills and expertise shared between the two markets will be vital to assist Australia in becoming an Asia-Pacific leader in alternative protein production.

Cell-based products

19 Cultivated meat, also known as 'cell-based meat' or 'cultured meat', is cellular agriculture: growing animal cells instead of entire animals. Cells from a sesame-seed-size sample of flesh from an animal are placed in a cultivator and provided warmth and the basic elements needed to multiply and create muscle: water, proteins, carbohydrates, fats, vitamins, and minerals. Cultivated meat represents an emerging sector that will expand the protein options available to consumers and help sustainably feed the growing global population.

20 Acellular agriculture is a category of cellular agriculture that involves growing and harvesting a product that the cell cultures make, not the actual cells themselves. In acellular production, a variety of different proteins and fats can be grown without using animals, but instead by using cells or microbes (like yeast or bacteria). These proteins and fats can be harvested to create products like egg whites and dairy milk. Acellular production of animal products has been used for decades to produce the insulin diabetics require for example – which was originally harvested from the pancreases of cattle and pigs – through bacteria instead.

21 While cultivated meat technology has only recently become a reality for large-scale food production, and is still not commercialised, its rapid development, not least through significant global investment, combined with acellular agriculture will likely comprise a

significant future export trade from both Australia and the EU. Consequently, cell-based products require consideration in the context of an A-EUFTA, to ensure it remains fit-for-purpose in years to come.

22 The A-EUFTA must allow for tariff-free access for cell-based products. It is imperative that the FTA incorporate a side-letter to enable these products to achieve tariff-free access into each others' markets as they become commercially available. Furthermore, the side-letter should note the importance and intention of achieving multi-jurisdictional regulatory compatibility, in order that these emergent products are able to be produced, traded and consumed in a predictable and consistent regulatory environment.

Conclusion

23 Food Frontier supports a A-EUFTA which removes tariffs on entry into force, addresses proposed labelling disparities, facilitates the movement of skilled persons and accommodates tariff-free access for existing and new commodity codes within both the plant-based and cultivated meat sectors.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'S. Lawrence', written in a cursive style.

Sam Lawrence
Director of Policy and Government Relations

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