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Foreign Affairs, Defence and Trade Committee
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Committee

Inquiry – China-Australia Free Trade Agreement

Wellard welcomes the signing of a Free Trade Agreement with China (“ChAFTA”) and congratulates Federal Trade Minister Andrew Robb and his Ministerial and Departmental staff for achieving such an outstanding outcome for Australia.

Of particular importance to Wellard is the negotiated outcome for agriculture.

Wellard is one of Australia’s largest livestock exporters and is the largest Australian-based livestock vessel owner. Our company exports sheep and cattle to the Middle East, Eastern Europe and throughout Asia on purpose-built, technologically advanced livestock carriers.

We also export sheepmeat produced at our Beaufort River Meats abattoir in Kojonup, Western Australia, which has the capacity to process up 2,500 sheep and lambs a day.

Similarly, as one of Australia’s larger grain growers and sheep and cattle producers, higher farm gate returns are important to Wellard and the ChAFTA has enhanced the market access and price competitiveness for the buyers of our raw product.

Wellard owns and operates 37,800ha of farmland, and leases a further 7,000ha, in an extensive scale mixed farming operation that produces cereals, legumes, sheep and cattle.

Wellard employs 230 people in Australia, and many of the Company’s employees in regional areas. It has permanent staff working in Western Australia, Northern Territory, Queensland and Victoria.

The ChAFTA will aid our business directly and indirectly through greater demand for our produce as a vendor and more cost competitive market access as an exporter.

Some of the biggest gains will be from:

Beef: Wellard’s cattle herd is supplied to processors and for live export. The elimination of tariffs on beef imports (currently ranging from 12-25 per cent) within nine years and elimination of the 12 per cent tariff on beef offal within four to seven years will increase the price meat processors can pay for our cattle, and therefore our farmgate returns.



Sheepmeat: As a sheepmeat processor Wellard is acutely aware of the competitive advantage that New Zealand has had over Australia with the preferential access it had previously negotiated. New Zealand lamb now only faces tariffs ranging from 2.7-5.1 per cent and will be duty-free by 2016. Before the ChAFTA our sheepmeat was hit with tariffs of 12-23 per cent. It was therefore difficult to compete with New Zealand. The elimination of tariffs on sheepmeat within eight years will allow Australian sheepmeat exporters to compete on their merits with New Zealand product.

Although we would prefer a quicker phase-in period, we accept that it is difficult to achieve immediate tariff elimination.

Wool: Wellard has dual purpose sheep flock, focusing on wool and meat. The exclusive duty-free Country Specific Quota of 30,000 tonnes of clean wool is a welcome addition to the World Trade Organisation tariff rate quota of 287,000 tonnes.

Live animals: Austrade notes that China is Australia's second largest market for live animals, worth \$201 million in 2013-14. Wellard exports dairy breeding cattle (maritime), beef breeding cattle (maritime) and stud sheep (air) to China.

The key ChAFTA outcomes for Wellard is the elimination of all tariffs on live animal exports within four years, particularly the 10 per cent tariff on live cattle to be used for feeding or immediate processing.

The recent and subsequent agreement on a health protocol for the supply of Australian live cattle to China is a reflection of the political will that exists from both countries to capture the economic benefits that a reduction in free trade barriers will provide.

Wellard believes that this provides a real opportunity for Australian cattle farmers given the size of the Chinese economy and its massive population. This trade will take some time to develop and reach its true potential, however the importance of market diversification in markets with zero tariffs should not be underestimated.

The growth in the live cattle trade to Vietnam provides a very good case study of the positive impact the live cattle trade can have. In late 2013 drought affected cattle in Queensland were making \$1.35-\$1.55/kg and drought affected cattle producers were facing bankruptcy. Some still are.

The development of the Vietnamese market enabled live exporters to start providing price competition on cattle with different specifications to the traditional Indonesian specifications. The extra competition we created in the marketplace as a result pushed the price for those cattle to \$1.95-\$2.10/kg, a level where producers have been able to quit their stock for a reasonable return and a price that may encourage them to restock in the future.

General Comments

In addition to our comments on specific tariff reduction measures, Wellard makes the following observation.

We have observed criticism from some sectors about the proliferation of country to country free trade agreements.



For the past three decades we have witnessed and cheered on the pursuit of multilateral free trade agreements (Free Trade Agreements). However, these agreements have been virtually impossible to achieve and trade restrictions have strangled our ability to export more agricultural produce from Australia.

The negotiation of a bilateral FTA is more achievable and it would be folly to pursue a multilateral FTA at the expense of bilateral trade deals. Wellard strongly believes that these bilateral agreements have the ability to form a large stepping stone to a multilateral FTA, so are strategically important in negotiating broader trade reform.

This can only benefit Australia at both a macro and national level (better balance of trade, enhanced taxation revenues) and a micro and local level (improved profitability provides greater employment opportunities in regional Australia).

Once again, we congratulate the Australian Government on the successful negotiation of the ChAFTA.

Yours sincerely

Mauro Balzarini
Chief Executive Officer & MD
Wellard Group Holdings Pty Ltd