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Committee Secretariat
Joint Standing Committee on Trade and Investment Growth
PO Box 6021 Parliament House
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via email: jsctig@aph.gov.au

Dear committee members

Inquiry into the growth potential in Australia's trade and investment relationship with Indonesia

Australian Pork Limited (APL) welcomes the opportunity to make a submission to the Joint Standing Committee on Trade and Investment Growth on Australia's trade and investment relationship with Indonesia.

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.

The Australian pork industry employs more than 20,000 people in Australia and contributes approximately \$2.8 billion in gross domestic product to the Australian economy. The pork industry contributes approximately 2.13% of total Australian farm production with roughly 1500 pig producers producing around 5 million pigs annually.

Under the Australian Pork Industry Export Plan, producers aim to increase exports as a percentage of total production to 30 per cent (from the current 10 per cent) by 2046. This increase is targeted at Asian countries where the Australian pork industry offers a high value niche chilled pork product, overnight freighted into the destination country.

Opportunities for Australian Pork in Indonesia

As a majority-Muslim country, Indonesian demand for pork is relatively small. Despite this, non-Muslim minority populations still account for a market of more than 30 million consumers, which is serviced by a domestic pig production capacity similar to Australia's, supplemented by modest imports.

In mid-2009, Indonesia imposed a ban on imported pork as part of its efforts to contain the spread of H1N1 flu. Australian export volumes collapsed, and have yet to recover from this setback. As a result, in the twelve months to November 2016, Australia exported only four tonnes of pig meat (mostly ham) to Indonesia, valued at A\$107,000. Given the size of the market, there is much potential to increase trade from the current, modest levels.

Moreover, Indonesia's growing economy and status as an international travel destination have contributed to increasing demand for high-quality, fresh food to supply the five-star hotel and fine-dining sectors. Australian industry is well-placed to offer a premium, air-freight, chilled product into these growing market segments.

Indonesian plans to improve the quality of its national pig herd provide further opportunities. The high health status of Australia's pig herd lends itself to the export of breeding pigs and genetics. In mid-2016, Australia and Indonesia commenced discussions on a health protocol for the export of Australian breeder pigs to Indonesia. APL is supporting the Department of Agriculture and Water Resources (DAWR) in these discussions.

Challenges

Despite the opportunities, a number of trade-restrictive measures governing Indonesian commerce have frustrated Australian pork industry efforts to realise the potential for exports. Australian pork exporters have identified Indonesia's unnecessarily restrictive product registration procedures and import licensing regime as particular impediments.

APL welcomes the recent decision of the WTO dispute resolution panel in relation to the US – New Zealand complaint against Indonesia's food import licensing policies. Of the 18 specific measures ruled as non-compliant by the WTO, eight affect Australian pork exports to Indonesia. We appreciate the Australian Government's role as a third party to this dispute, and encourage trade officials to monitor Indonesia's implementation of the decision.

Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA)

IA-CEPA is an opportunity to create the 21st century framework for a broad-based, sustainable, mutually-beneficial trade and investment relationship with our northern neighbour. It should build on the outcomes of the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), to address complementarities and challenges in the economic relationship. We welcome the commitment of the Australian and Indonesian Trade Ministers to conclude negotiations before the end of 2017.

The Australian pork industry would like to see **additional tariff reduction** building on AANZFTA outcomes. Specifically, negotiators should work towards an accelerated schedule of reductions and eventual elimination of Indonesia's tariff on frozen boneless pork. Under AANZFTA, these tariffs were subject to a disappointing 20-year reduction schedule, culminating in a bound rate of 3.75 percent by 2025.

IA-CEPA should **address non-tariff measures**, aiming to reduce the burden of compliance with Indonesia's product registration, use and sale limits, restrictive import licence terms and domestic purchase requirements. It should contain pathways to resolving outstanding and future non-tariff concerns.

If Australian and Indonesian officials are unable to reach a separate, early agreement, conclusion of the **bilateral health protocol** for the export of breeder pigs could be included in an overall package of outcomes for IA-CEPA.

Conclusion

APL welcomes the Committee's investigation into the growth potential in Australia's trade and investment relationship with Indonesia, and is pleased to provide input. There is potential to expand exports of Australian pork to Indonesia. But there are also challenges.

APL encourages the Australian Government to speedily conclude an IA-CEPA that secures further tariff reductions for pork and substantively addresses non-tariff barriers. APL encourages the Australian Government to conclude a health protocol for the export of live breeder pigs, welcoming the inclusion of this outcome as part of an IA-CEPA package.

Should you have any questions about this submission, please do not hesitate to contact Andrew Robertson.

Yours sincerely

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