Joint Standing Committee on Foreign Affairs, Defence and Trade

ANSWERS TO QUESTIONS ON NOTICE

Inquiry into Australia's trade and investment relationship with the UK

Question Number: 1

Division/Agency: Australian Red Meat Industry

Topic: Quota management – new entrants

Proof Hansard Page: 12

CHAIR: That is our understanding of where the major sticking point is—the new entrant component. We don't have access to the information that JBS, Teys and you have put into that, so, if you're able to provide that on notice, we'd really appreciate it because this is something our report will go to.

Mr Hutchinson: Sure.

CHAIR: Are you able to share broadly what the sticking point is around the new entrants and articulate that for us in a paragraph or two?

Mr Hutchinson: Now or—

CHAIR: Yes, if you can, or you can take it on notice.

Mr Hutchinson: I might take it on notice. The submission has been updated only recently, so I don't want to give old information. Certainly I can provide a submission that we've done. What's been good has been that we worked, as I said, hand in glove with the department in making a submission—it sounds grandiose, but actually we're the only ones that did it because we're the only ones working with them. 'Submission' is probably too strong a word. We provided—

ANSWER:

Both European Union (EU) quota schemes (beef and sheep/goat) have new entrant schemes but they are both treated very differently for different reasons.

EU high quality beef (HQB) quota

The Department of Agriculture and Water Resources (DAWR) allocates EU beef quota to eligible Australian exporters based on previous trade performance. DAWR retains up to 500 tonnes of Australia's 7,150 tonne beef quota for new entrants.

Exporters are considered new entrants for a period of 3 years, until they are able to develop a shipping history. First-year new entrants are invited to apply for an allocation of up to 12 tonnes. New entrants are eligible for an allocation of up to 36 tonnes.

While a number of exporters, both non-packer exporters and EU accredited facilities have applied for new entrant quota over recent years, few have been able to use it as a launching pad for establishing a market presence in the EU. The reason is that the new entrant component is too small to be commercially viable in many instances and the quota is held by a limited number of processors simply because of the size of the quota, making expansion difficult.

While it is politically correct to allow for new entrants in quota controlled markets, in most cases the new entrant EU HQB quota allocation is rarely utilised (given its size) and can in fact disrupt the use of the quota. DAWR and AMIC have therefore proposed the amount be increased from 36 to 100 tonnes - but under special conditions. This proposal is still being discussed.

Given that it is a small quota to begin with, already in limited hands, increasing the new entrant allocation to 100 tonnes is unlikely to change the number of new entrants long term unless they have a plan to purchase quota as well and make a long term investment in the market. Those who currently have the quota have already made that investment and therefore want to protect and build on that market share.

Additionally, as the cost of processing plant accreditation to access the EU market is high, ensuring sufficient access to EU quota is necessary to make the cost of accreditation worthwhile and the business viable.

EU sheepmeat / goatmeat quota

The EU sheepmeat / goatmeat quota (19,186 tonnes) operates on the basis of an 80/20 performance scheme, rather than setting aside a specified tonnage allocation for new entrants.

The basis of the 80/20 scheme is to let the market decide who should be a new entrant rather than have Government making that decision as part of a special set-aside tonnage allocation.

In the case of sheepmeat / goatmeat, quota allocation each year is based on 80% of an exporters' shipments to the EU in the previous year and 20% on shipments to global markets. The 20% global component allows a new entrant to generate EU quota by shipping to markets other than the EU first.

If you take 500 tonnes to allocate to new entrants (as per the EU beef quota scheme), it has to come from another eligible exporter's existing quota entitlement. If the new entrant is a non-packer exporter they still have to go back to the EU accredited packer they took the quota from, to source the product. The 80/20 scheme allows the market to decide that instead.

The Australian Meat Industry Council (AMIC) supports maintaining the 80/20 scheme that underpins the new entrant component of the EU Sheepmeat and Goatmeat scheme – a scheme which has worked well for many years.

Question Number: 2

Division/Agency: Australian Red Meat Industry

Topic: Quota management: 80-20

Proof Hansard Page: 13

Dr Giles: The first thing I'd prefer to say is that, looking forward with any UK FTA, what we're looking for is liberal access. We're not looking at quotas. Today, we're here to look at where we go with the UK FTA and that trade relationship, so our position is that with the quota position we should be moving towards looking at more of a liberal trade position.

CHAIR: Okay. Obviously you would be seeking a change, then, to 80-20 for that to be realised?

Dr Giles: I'm not in a position to comment on that. I haven't got board backing. I can take that on notice.

CHAIR: Yes, could you take that on notice. Thank you. I know we started out looking at the UK but, after a lot of academics and Germans and others coming to our committee to talk about the EU, we're probably going to end up commenting on both a bit. I'd really appreciate your advice on that. Mr Kimmorley, goat on 80-20 quotas?

Mr Kimmorley: The same thing: I'd like to come back to it.

ANSWER:

The 80/20 quota allocation scheme for EU sheepmeat and goatmeat quota has worked well for many years and allows the market to decide who should be a new entrant rather than have Government making that decision as part of a special allocation.

As per AMIC's response, quota allocation each year is based on 80% of prior year shipments to the EU and 20% on shipments to global markets. The 20% global component allows new entrants to generate EU quota by shipping to other markets. The 80/20 component provides a diversification factor to encourage exporters to seek other markets in order to earn quota for the EU and also to relieve pressure from the quota controlled EU market.

The Sheepmeat Council of Australia (SCA) supports the 80/20 system as a quota allocation mechanism under the current EU sheepmeat market access arrangements.

Question Number: 3

Division/Agency: Australian Red Meat Industry

Topic: Quota management: 80-20

Proof Hansard Page: 13

CHAIR: Mr Kimmorley was going to answer a similar question around goats, with his view on 80-20.

Mr Kimmorley: Similarly to the sheepmeat, I'll come back to you through the chair with that one.

CHAIR: On notice—great.

ANSWER:

The Goat Industry Council of Australia (GICA) supports the 80/20 system of quota management for the EU market.