

Dear Sir/Madam,

We are medium to large land based abalone farming enterprise with farms located in Victoria, South Australia and Tasmania.

We currently produce around 650 tonnes of whole weight abalone valued at around \$26-28m AUD.

We employ around 50 full time and 30 part time staff. Our abalone is sold both domestically and internationally with the majority around 80% exported.

Key countries we trade with are Japan , USA, Canada , China , Hong Kong, Singapore, Taiwan.

We sell Whole frozen abalone, frozen abalone meat, canned and retort vacuum packs. Frozen abalone is our specialty with only small trade in live abalone on the domestic market.

We predominantly operate in the B2C markets which is our focus but also in the B2B markets where required.

In most cases we try to sell our abalone in our own branded packs. We were one of the first to market a 1 kg retail/wholesale packs of whole frozen abalone.

Of course the FTA's have been a great benefit to our business. Japan where we sell up to 150 tonnes whole weight of abalone per annum now has a zero tariff. The effect of this tariff reduction on sales has been somewhat muted due the ongoing slow economic conditions Japan continues to face.

We see a big opportunities in South Korea with a massive reduction (20%) in the frozen abalone tariff. Due to lack of product available we have been unable to develop business in this market but we have sold abalone there in the past. We are working to increase supply to allow access to this market.

China has been and is still by far the most challenging country for us to develop abalone business.

As with Rock Lobster from Australia, abalone has predominantly been imported through the "grey channel" to avoid the VAT and duty on import.

With the advent of the FTA the 10-14% duty on abalone will be phased out by 2019 which should allow increased volumes at a more competitive rate to be traded directly in China. Historically we have mostly sold our products into Hong Kong (duty free) where it is either used internally or smuggled into ML China to avoid Duty/Vat.

As a result of the grey channel import process and lowish prices in Hong Kong, China has not been a key target for market development as we have been able to develop excellent markets by targeting Asian residents living within Western countries.

Now with the FTA in place we look forward to developing direct relationships with the ML China market.

One consideration we are wary of however is that there is talk that the Grey Channel will continue to exist to avoid VAT which currently runs at 11% on abalone imports. We hope that this does not become the precedent and that we see an end to the grey channel and the unlevel playing field it creates.

We were made very aware of the impending FTA's and their potential benefits to our business by direct visitation to 2 of our farms by Andrew Robb during their initial roll out. This was particularly for Japan,China and Sth Korea FTA's.

We were not really made aware of any other FTAs opportunities with countries such as Malaysia , Taiwan, Singapore, Indonesia and Thailand where abalone is also consumed. All these markets are of interest to us and we have already done some business there.

We look forward to continuing our market development in these FTA countries and hope the government is able to develop more initiatives to assist Australian exporters.

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