



29 October 2021

The Joint Standing Committee on Treaties (JSCOT)  
Committee Secretary  
PO Box 6021, Parliament House  
Canberra, ACT 2600

Dear Committee Secretary,

**Re: Submission by the Australian Meat Industry Council (AMIC) to the Joint Standing Committee on Treaties (JSCOT) Inquiry on EU Tariff - Rate Quota Following Withdrawal of the UK - European Union**

**Recommendation**

The Australian Meat Industry Council (AMIC) is the only recognised peak Industry body representing the red meat processing and export sector in Australia. The vast majority of current EU red meat quota holders for sheep, goat and beef meat in Australia are AMIC members.

AMIC welcomes the agreement with the European Union over the revision of the two WTO Australian country specific EU red meat TRQ's (quotas). AMIC has worked closely with the Department of Foreign Affairs and Trade (DFAT) on this issue since 2019 to achieve this outcome and appreciates DFAT's ongoing resolve to this end. The new quota year for the EU Sheepmeat quota begins on January 1, 2022. Being able to apply these revisions to the quota splits between the UK and the EU from that date would be of great advantage to the sector and we would appreciate any assistance that the JSCOT can provide in expediting that outcome.

**Background**

The two EU WTO red meat quotas that are country specific to Australia (the EU Sheepmeat Quota and the EU High Quality Beef Quota (sometimes referred to as the Hilton Beef Quota) have been in place since the 1980's. The total quota available has only increased slightly over the years for both quotas mainly as the European Union (EU) has grown in size and Australia has received small increases in quota volumes as compensation for the loss of independent markets like Croatia as they joined the EU and fell under EU rules and import quotas.

Throughout the years however, while the quota access levels have been small, Australian quota holders have been able to structure their business to the 28 members of the EU as best fitted their business as there were no restrictions on which of the 28 countries they could service. This meant that Australian quota holders with long term investments in the market could ship into one port in Europe such as Rotterdam in the Netherlands or Tilbury in the UK and then redistribute quota product to any EU country as market trends dictated.

2nd Floor  
460 Pacific Highway  
St Leonards NSW 2065  
Australia  
T 02 9086 2200  
F 02 9086 2201  
E [admin@amic.org.au](mailto:admin@amic.org.au)  
W [amic.org.au](http://amic.org.au)  
ABN 65 990 653 488



**The Problem**

Brexit has changed these parameters by forcing the EU and the UK to split these two EU WTO country specific red meat quotas between them. In 2017 the EU and the UK informed the WTO of their proposed approach to splitting these WTO quotas based on trade data from 2013 to 2015. One problem with this decision was that the market for Australian red meat into the EU had changed since this 3-year reference period, especially for sheepmeat and the quota splits announced by the EU and UK based on these figures were by 2018, out of sync with the existing trade of the day. For the EU Sheepmeat quota the announced split of the quota was 80% to the UK and 20% to the EU and for beef (the EUHQB quota) it was 65.3% to the UK and 34.7% to the EU. For Sheepmeat, the trade in 2018 was already using well in excess of 30% of the EU Sheepmeat quota in the EU27 which meant future sales to those EU countries would be significantly hampered if the proposed quota splits were implemented.

AMC sought to revise these quota splits based on the use of more recent contemporary data that better reflected the changing market. At the time, the latest data available was the 3-year reference period of 2016 to 2018. The use of this later data clearly showed that there had been a move over the interceding years away from the UK and towards the EU27 especially for sheepmeat. The use of the old data to split the quotas would significantly inhibit existing business in the EU27 post Brexit and needed to be reviewed.

The impact on the quota splits between the EU and the UK of the different reference periods was as follows:

**Using 2013/2015 Data**

**Using 2016/2018 Data**

EU Sheepmeat Quota of 19 160 tonnes

80% UK / 20% EU

69% UK / 31% EU

EU HQB Quota of 7150 tonnes

65.3% UK / 34.7% EU

52.6% UK/ 47.4 EU

Note - While the total EU quota levels have remained the same i.e., 19,160 tonnes for EU Sheepmeat and 7,150 tonnes for beef (EUHQB or Hilton beef), the use of the more recent trade data to split the quotas results in a shift of 2031 tonnes of sheepmeat quota out of UK Sheepmeat quota accounts into EU Sheepmeat quota accounts. Similarly, 906 tonnes of EUHQB beef quota moves out of UK beef quota accounts and into EU beef quota accounts, better reflecting the trade balance of today.

The tightly controlled red meat quota market in the EU has been one of the highest value markets for Australian red meat exports anywhere in the world. While the tonnages have not been huge relative to some other export markets, maximising the return to the Australian industry on our limited quota access into the high value EU market has always been a priority.

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## **The Path to Resolution**

AMIC confirmed with the Australian Government the commercial benefits of seeking a revision of the quota split percentages using the later trade data very early on. In November 2020, DFAT confirmed with AMIC that agreement had been reached with the EU (including the UK) that they would revise the split percentages using the more recent data available.

This gave the Federal Department of Agriculture (DAWE), the Department with the responsibility for management of the EU quotas in Australia, confidence to allocate to Australian exporters EU Sheepmeat quota for the UK and the EU for the 2021 quota year based on the 2016/2018 trade data. They did this with AMIC support.

Quota holders made commercial decisions as part of full year marketing plans based on these allocations to find that delays in ratifying the changes in both the EU and in the UK meant the agreed revisions from 2020 were not operative. The need to properly plan quota usage over a 12-month period to maximise returns meant that by late July 2021 AMIC was advising both DAWE and DFAT that it had become too late in the EU Sheepmeat quota year to implement the changes in 2021 as it would be generating too much uncertainty. The decision by the EU to elevate these revisions to “treaty” status only helped to complicate and delay the review further.

DFAT continued to pursue the case on AMIC’s behalf and our focus for implementation became the start of the new EU Sheepmeat quota year beginning January 1, 2022. The signing of a treaty level agreement with the EU on October 4 this year to formalise the revisions to the EU WTO quotas has led to the opportunity now before us to finally implement the revised changes in time for the start of the new EU Sheepmeat quota year. The changes for the EUHQB or Hilton Beef quota are planned to be implemented at the start of their new quota year that begins in July 2022.

AMIC thanks both the Department of Foreign Affairs and Trade and the Department of Agriculture (DAWE) for their ongoing support and effort in endeavouring to overcome these frustrating delays in what has been difficult passage of time with the complications that Brexit has presented. The opportunity now exists to finally implement the revised quota splits and provide some certainty to Australian red meat exporters to the EU. While it will take mutual action from Australia, the UK and the EU to complete this change, Australia’s part can be hastened by quick approval through the JSCOT process in the Australian Parliament thereby allowing implementation in Australia by January 1.

Yours sincerely



Patrick Hutchinson  
**Chief Executive Officer**  
Australian Meat Industry Council



**Points of Contact for Comment**

Mr Bill Luttick  
Chairman of the AMIC Quota Policy Committee

[Redacted]  
[Redacted]

Mr Stephen Martyn  
Consultant to AMIC on Quota Policy

[Redacted]  
[Redacted]