

Australian Dairy Industry

Represented by

Australian Dairy Industry Council Inc.

and Dairy Australia

Submission to

The Joint Standing Committee on Treaties regarding the Malaysia-Australia Free Trade Agreement

Contacts

September 2012

DA: **Peter Myers** — International Trade Development Manager, Dairy Australia
03 9694 3817 | pmyers@dairyaustralia.com.au
Level 5 IBM Centre 60 City Road, Southbank Victoria 3006

ADIC: **Natalie Collard** — Chief Executive Officer, Australian Dairy Farmers
03 8621 4200 | ncollard@australiandairyfarmers.com.au

The Australian Dairy Industry

The dairy industry is one of Australia's major rural industries. Based on farm gate value of production, it is ranked third behind the beef and wheat industries. There are approximately 6,900 farmers producing close to 9.5 billion litres of milk annually, for a farm gate value of just under \$4 billion.

The dairy industry welcomes the chance to present this submission regarding the Malaysia-Australia Free Trade Agreement signed in Kuala Lumpur on 22 May 2012.

This is a joint submission from the Australian Dairy Industry Council (ADIC) and Dairy Australia.

The ADIC is the national peak policy body for the Australian dairy industry and represents all sectors of the industry on issues of national and international importance. Its constituent organisations – the Australian Dairy Farmers Limited (ADF) and the Australian Dairy Products Federation (ADPF) – represent the interests of dairy farmers, manufacturers, processors and traders across Australia.

Dairy Australia is the dairy industry-owned service company, limited by guarantee, whose members are farmers and industry bodies, including the ADF and the ADPF.

Key points

- **The Australian dairy industry supports the signing of the Malaysia Australia Free Trade Agreement in May 2012.**
- **Malaysia is an important market, with Australia's dairy exports to Malaysia in 2011 being valued at an estimated \$138 million.**
- **With economic growth at around 5 per cent per annum, demand for Australia's high quality dairy products will only continue to escalate in the medium to long term in Malaysia and Australian farmers are ideally positioned to capitalise on the increased demand that will ensue.**

Introduction

The Australian Dairy Industry supports the signing of Australia's Free Trade Agreement (FTA) with Malaysia.

The industry notes that while there had previously been low, or no tariffs, on most dairy products under the pre-existing ASEAN Australia New Zealand Free Trade Area (AANZFTA) the signing of the new FTA agreement with Malaysia provides additional quota for liquid milk, and will potentially allow for new (albeit limited) opportunities for the export of drinking milk retail packs.

This is seen as an important step forward for dairy exporters of drinking milk retail packs.

It is anticipated that as dairy products continue to grow in importance as part of consumer's diets in Malaysia, demand will only grow stronger and Australia is well placed to help meet this growing need.

Australia's dairy exports to Malaysia in 2011 had a value of \$138 million.

The two countries' dairy industries share a strong and growing business partnership, and this Free Trade Agreement offers benefits to farmers and manufacturers in both countries.

The industry notes that this agreement took seven years of negotiation, and that further work will still be required to finalise some of the details, particularly regarding administrative arrangements for the specific component of the additional liquid milk quota which will no longer be subject to end use restriction.

The advice provided by DFAT is that the import licensing arrangements will be subject to an open licensing system that will allocate licenses on a first-come, first-served basis; allow anyone to apply for a license; and allow imports in either bulk or retail packs. How this will work in practice is still to be articulated, and it appears will require further negotiation between Australia and Malaysia.

It is recognized that under the AANZFTA agreement, most of Australian agriculture's key interests had tariffs bound at zero, however dairy was one sector where some opportunity for improved access remained, and incremental market access improvements were able to be negotiated under the Malaysian Australian FTA.

The industry notes that the FTA also achieved some administrative benefits for Australian dairy exporters through streamlining of Rules of Origin declaration processes. In particular dairy products exported from Australia will be able to claim MAFTA tariff treatment on the basis of a declaration of origin completed by the exporter on either the commercial invoice or on a company letter, rather than requiring a certificate of origin issued by a third party that is required for goods making use of AANZFTA.

With economic growth at around 5 per cent per annum, Malaysia forms an important part of the Asian Century story and the opportunity that this presents for Australian agricultural producers. Demand for Australia's high quality dairy products will only continue to escalate in the medium to long term in countries like Malaysia and Australian farmers are ideally positioned to capitalise on the increased demand that will ensue.

The Australian Dairy Industry appreciates the consultation undertaken by the Australian Government with our industry in negotiating the MAFTA agreement. The Australian Dairy Industry notes that strong efforts were made to take industry views into account and this has contributed to a positive outcome for the Australian dairy industry.

Conclusion

The Australian dairy industry supports the signing of Australia's Free Trade Agreement (FTA) with Malaysia, but notes that some residual administrative issues are still to be finalised.