

10 September 2010

Bilateral and Regional Trade Agreements
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

RE: SCA Response to Draft Report - Bilateral and Regional Trade Agreements

The Sheepmeat Council of Australia (SCA) appreciates the opportunity to provide comments to the Productivity Commission in relation to its Draft Research Report on Bilateral and Regional Trade Agreements. We have provided comment on specific issues of importance and concern to the Council in the attached response and hope that these will be taken into account within the final report. Also attached are two background papers on the importance of international trade to the sheepmeat industry and the Council.

Yours sincerely

Kate Joseph
PRESIDENT

PRODUCTIVITY COMMISSION REVIEW OF BILATERAL AND REGIONAL TRADE AGREEMENTS

Response by Sheepmeat Council of Australia to Draft Report

September 2010

PRODUCTIVITY COMMISSION'S DRAFT REPORT

SCA wishes to raise concerns about three references in the Productivity Commission's draft report:

1. Recommendation 2: "Within this framework, the Government should: adopt a more flexible approach to the coverage of bilateral and regional trade agreements and consider less comprehensive, while still WTO-consistent agreements":
2. Text on page XXIV which states: "a flexible approach may mean considering, for example, a services-only agreement - as the Mortimer review suggested with respect to the European Union":
3. Text on page 13.8: "Further, where a comprehensive agreement appeared beneficial at the outset but instead resulted in protracted and unproductive negotiations, it may be appropriate to instead abandon a single undertaking approach and secure the non-contentious components of the agreement immediately, while settling on a working groups approach to advance more sensitive issues through a longer term process of cooperation".

Sheepmeat Council is concerned by the suggestion that agreements might be negotiated which undermines or removes the ability to achieve trade liberalisation for Australian agriculture (especially sheepmeat).

Trade liberalisation through international fora should remain an Australian Government priority. This can be achieved through negotiating comprehensive BRTAs and must be a high priority given the protracted and problematic nature of multilateral trade negotiations.

Our trading partners are successfully negotiating agreements which will likely prove costly to us in terms of our international competitiveness.

The fact that negotiating BRTAs has challenges and difficulties does not justify a defeatist attitude, nor an opportunity to satisfy those pushing for "quick" or "easy" gains. The exclusion or deferral of negotiations of a specific sector or product must be rejected. Any such action would represent a lost opportunity and potentially impose costs on that sector or product, loss of market share or complete loss of a market. The aim must be a comprehensive trade enhancing outcome.

European Union – services only agreement

SCA rejects any move to negotiate a services only agreement with the European Union. Australia's ability to supply this high value sheepmeat market is constrained by a meagre country specific import quota of around 19,000 tonnes (just 6% of Australia's global sheepmeat exports in 2009). There appears no prospect of movement in the short to medium term in the multilateral arena of the Doha Round. We therefore reject any approach along the lines of a bilateral services only agreement. It would be a lost opportunity to secure improved access for red meat. Such access will only be facilitated via a comprehensive bilateral negotiating mandate.

TRADE AS A PRIORITY

Trade continues to be a major focus for SCA as Australian sheepmeat producers export over half of all domestic production. Agriculture globally remains the most distorted area of international goods trade with average tariffs more than three times higher than in non-agricultural goods. Sheepmeat, along with dairy and beef, face restrictive tariff rate quotas into markets such as the European Union. As the National Farmers' Federation says in its March 2010 submission to your review it is worth restating the logic behind the critical importance of trade policy to the profitable survival of agriculture.

1. Australia is already a well-fed, prosperous nation with a slow growing population. Domestic food demand can only rise slowly.
2. It follows that for Australian agriculture (and the supporting regions and industries) to expand and prosper, we must export more.
3. This goal is not unrealistic, Australia is already a large successful agricultural exporter — in fact, we could be the most export dependent agricultural sector of major developed countries (64% in volume of production and 75% by value of production).
4. Global demand for food and fibre is also set to expand on the back of an increasing world population, changing diets driven by increasing consumer affluence in developing countries, the emergence of energy related demand for agricultural goods, and escalating natural resource scarcity.
5. But agricultural trade is among the most protected and restricted of all goods and services in world trade.
6. There are large gains to Australia from successfully addressing agricultural trade barriers that would be far in excess of the effort we put in. And we have no choice: we simply have to make the export side work if we are to remain sustainable and prosper.

Globally, agricultural protectionism remains an acute trade problem. Overall levels of agricultural protection remain near record levels despite the liberalisation of much of the global trading system in previous General Agreement on Tariffs and Trade (GATT) rounds.

While the economic principles in favour of the multilateral approach are well known, the political and pragmatic reality of the important role that FTA's and regional trade agreements can play is ever increasing.

Governments must ensure that bilateral and regional trade agreements continue to play a critical role in Australia's trade objectives.

BACKGROUND - SHEEPMEAT COUNCIL OF AUSTRALIA

SCA is the national Peak Industry Council representing and promoting the needs of Australia's lamb and sheepmeat producers.

The objects of SCA are -

- (a) to represent and promote the interests of Australian sheepmeat producers;
- (b) to function as a specialist sheepmeat industry organisation with concern for the livelihood of all sheepmeat producers;
- (c) to carry out activities necessary for the betterment of the sheepmeat and live sheep export industries;
- (d) to collect and disseminate information concerning the sheepmeat and live sheep export industries;
- (e) to co-operate with appropriate organisations at the state and national level and overseas;
- (f) to maintain a high level of liaison and co-operation with its Members, relevant Government departments and authorities at Federal and State levels, with local government, and with other relevant industry organisations;
- (g) to promote the development of the agricultural and pastoral industry and resources of Australia;
- (h) to act as the Prescribed Body for the sheepmeat industry in Australia within the Red Meat Industry MoU under the *Australian Meat and Livestock Act 1997* (the Act).

SCA is a signatory to the red meat industry Memorandum of Understanding (MOU). The MOU highlights SCA's role as a Peak Industry Council. The MoU also identifies SCA as a member, along with other Peak Industry Councils, of the Red Meat Advisory Council Ltd (RMAC).

RMAC's role includes consulting with the Minister on agreed whole of industry matters; to be custodian of the Meat Industry Strategic Plan and MOU; and to manage the industry's financial reserves, known as the Fund.

SCA receives its funding primarily from three sources; the Fund for the activities specified in the MoU undertaken on behalf of the sheepmeat industry; by voluntary membership subscriptions paid by State Member Organisations, and; through specific service agreement arrangements.

SCA is accountable to RMAC, the Commonwealth, and the national sheepmeat industry through an annual business plan and audit as well as the normal annual accountabilities prescribed and expected of an incorporated association.

SCA represents all sheepmeat producers in Australia and provides an efficient mechanism to bring a diverse range of issues and needs to the policy making process. The Council draws on many formal and informal processes to achieve this. Principal amongst these is input from the state farming organisations, which have extensive networks across their jurisdictions. As well, the Council as an entity and the Councillors as individuals utilise a very wide range of mechanisms to gather information and develop policy, for example, farmer cooperatives and groupings, informal interaction at meetings and other gatherings, through the Council's e-newsletter and annual publication, and the individual Councillor networks.

As the recognised peak body for the sheepmeat industry under the Act, SCA sets the strategic objectives to be pursued by the levy funded organisations Meat and Livestock Australia (MLA), Animal Health Australia (AHA), and the National Residue Survey (NRS), and examines and approves their programs and budgets.

Formation of SCA

The Sheepmeat Council was formed in 1979, along with the National Farmers' Federation (NFF), as one of the seven autonomous commodity councils of NFF and was established to represent the national interests of lamb and sheepmeat producers and more recently suppliers of sheep for live export.

The inauguration of the Sheepmeat Council and separate councils for cattle and wool, along with the creation of NFF, represented the culmination of federal farm unity discussions which started in October 1977.

The Council

The Council Board comprises nominees of its Members – the State Farmer Organisations. The current members of the SCA are; New South Wales Farmers' Association; Victorian Farmers' Federation; AgForce, Queensland; South Australian Farmers' Federation; Tasmanian Farmers' and Graziers' Association, and; Pastoralists & Graziers Association of Western Australia.

The Directors are volunteers and mostly active sheepmeat producers. The Council holds four meetings a year rotated between Canberra and other capitals or regional centres. It is supported by a small staff based in the NFF House in Canberra, ACT. SCA works closely with other like minded organisations to maximise the use of limited resources.