Report from the Seafood Trade Advisory Group (STAG) 2014-15

- Australia's Seafood industries sit on the brink of some amazing opportunities in our region. The two signed agreements with South Korea and Japan pave the way for deeper engagement with these markets and the announcement this month of an FTA with China opens the door to the most important market in our region.

- We have witnessed first hand the benefits experienced by NZ since signing in 2008. Full market access goes beyond just increased volumes or short term price gains it gives industry the ability to confidently invest in branding, market promotions and partnerships that I believe will drive the next wave of value for our resources.

Why was the Seafood Trade Advisory Group formed?

- The future for Abalone and Rocklobster in 2010/2011 was far less certain with uncertain market conditions exposing holes in our trade arrangements with China
    - Firstly we were trading over 80% of our production into China, via a number of channels that was now reduced to one in direct route.
    - Secondly our mechanism for working through trade and market access issues with the Australian Government was not working or non-existent.

- Industry representation in Australia was "State Based" - Each industry was located in multiple states, each state had its own industry representatives (often more than one peak body) and what we ended with in Canberra was a range of differing opinions around what was happening and what should be done.
    - Even in the midst of a crisis many in the industry felt that we should not draw a spotlight to our valuable trade.
    - Both the Rock Lobster and Wild Abalone industries had to re gain some "credibility" – previous engagements had failed to brief Government fully which lead to misunderstandings around our trade with China.
    - We needed to demonstrate "unity" in our singular approach and consistency in our "communication".
    - And finally we needed to back up our claims with trade data and economic research, both of which needed to be presented in a format that was appropriate for Government.
    - Ultimately it was up to industry to find a way to show leadership in the area, provide consistent and clear messaging around our Market Access and Trade Issues that were constantly evolving.

- Both the Rock Lobster and Wild Abalone industries in Australia share common issues around trade and market access with their major market in China so the Seafood CRC initiated discussions with those industries to see if they could work collaboratively on addressing these and to provide a unified voice to Government on liberalising Trade and Market Access.

- The Seafood Trade Advisory Group was established in March 2013
    - The primary objective for this market focussed group was "to advocate for the liberalisation and development of the direct trading relationship between Australia and China".
    - Importantly the group is made up of industry bodies and commercial players from both Abalone and Rock Lobster industries right across Australia

    - Having a direct link to the commercial aspect of the business has been crucial to reacting to changes in our market and ensuring the most up to date information has been available. As we progress forward into a new world of freer trade there will be many challenges for those at the front end of the business.

Developing and communicating the China Trade Agenda for Abalone and Rock Lobster

- When developing the STAG's strategy it was very clear that our industries successful story was not well known in Canberra and we needed to address this.

- Our industries have enjoyed success over the years and have in many ways pioneered live exports and premium food positioning into Asia and China in particular.

- Much of the talk in the media last year and indeed today is around the success of Wine and Beef entering China when we had been there for over 20 years.

- Our collective export figures are impressive and our first visit to Canberra to brief the ministers and departments centred around these statistics and the need for liberalised Trade with our major trading partners to protect and grow our businesses.

- The Abalone and Rock Lobster industries are important to Australia not just in export terms and employment statistics. Our products are revered in Asian culture as a symbol of prosperity and we have in many ways lead the way in building Brand Australia's reputation as a quality producer of agricultural goods.

- Our combined export dependent industries support 8500 full time jobs in regional and coastal areas of Australia and contribute 1.25 billion in GDP and what is significant here is that the economic growth of these regions is directly tied to ongoing market access and any long term disruptions to our trade will flow right through the sector.

- Our approach in Canberra was not to come with a problem for them to fix we went there instead as a united group with a plan to strengthen the direct trade. Our message was that we wanted to work with the Australian and Chinese Governments to facilitate, support and expand the legitimate trade platform for Rock Lobster and Abalone into China.

- The main focus was to build some credibility for the industry around our trade, provide a "voice" to Government and a reference point for the departments to contact. As part of our engagement with Government we highlighted how Australia's Abalone and Rock Lobster industries are subject to a number of trade barriers and outlined what was required to overcome these.

- The timing of this engagement was vital as the incoming Government had signalled its intention to sign a fully liberalising Free Trade Agreement with China in the next 12 months. It was and still is vitally important that our industries are represented at any form of trade negotiation and that our views are heard and understood.

- The STAG now has developed important relationships with key ministers and departments and is recognised as a source of real time commercial information. STAG members are also exporters who have a vested interest to ensure all trade continues without disruption, and all discussions handled with utmost diplomacy.

What next for the Seafood Trade Advisory Group?

- We have now entered a new phase of engagement with the region, the question for the whole seafood industry is how do we capitilise on this enormous opportunity?

- A recent Rabobank report sums up the opportunity, over the last 15 years global consumption of seafood has increased by 26%. Chinese per capita seafood consumption has risen dramatically to 37kg per head. this has increased 57% since 2000 but lags far behind Japan and South Korea who consume over 50kgs per person.

- The Asian region we operate in is driving the global race for proteins, with seafood now the most consumed protein surpassing poultry, beef and pork. Growth in demand is fast outstripping supply with 40 million extra tonnes of seafood required by 2030.

- In contrast Australia produces annually 240,000 tonnes.

- But what we do have are premium products that are already held in high regard across the region, our reputation for clean, green environment is linked to food safety/quality and price. So how do we use that advantage?

- The China market itself is evolving rapidly, this change is occurring with consumers and also in the spread and scale of cities. Luxury brands are responding to these shifts by identifying growth opportunities based at the city level with new demand that is driving growth from outside mature cities within China.

- The rise of the so called Generation-2 consumer (G-2 born post 1980), will have a big impact on Chinese buying behaviour in the future. The previous generation G-1 can be characterised as insecure and unsophisticated where the G-2 consumer is increasingly sophisticated, they are highly critical of quality and are now buying based on emotional reasons rather than functional or somewhat price driven as in the G-1 consumer.

- G-2 will be the mainstream consumer in the next decade and this has implications for how we communicate with this market with branding and product formats. Do we go alone or can we leverage from other Australian products?

- So as individual Seafood sectors and the Australian Seafood industry as a whole our challenge will very quickly move from “Market Access” issues in China to market entry strategies, product development, branding and developing communication platforms to engage the new consumer. This is a very different situation to that faced by the Rock Lobster and Abalone industries in 2010/11.

STAG Working Groups

Economic Working Group and the China FTA

- Economic Working Group was focused on improving trade and economic data and with Seafood CRC funding we engaged Selwyn Heilbron to provide an economic overview – focusing on GDP and employment impact. We also did scenario modeling of China FTA impact on Abalone and Rock Lobster industries and the regional communities where they are based
- The STAG from the outset has viewed the success or failure of the FTA based on whether tariffs on Abalone and Rock Lobster products would be reduced to zero.
- Only with the reduction of tariffs to zero can Australian exporters directly trading into China be truly competitive against products imported from countries with preferential trade agreements and importantly against product traded via the informal channels.
- Whilst we don’t have zero % effective on signing we have a commitment to zero and that alone should alter our industries outlook.
- As we progress to a full tariff reduction this will increase the competitiveness of Australian products, this will eliminate the willingness for importers to use alternate channels and this will make our products more accessible to a larger and more diverse customer base.
- Having an FTA will provide the Australian Government at some level greater access to Chinese Government officials to resolve non-tariff trade issues. If NZ’s experience under an FTA with China has taught us anything its that the non-tariff barriers to trade will still exist under an FTA,
- In fact these will likely become part of a larger issue when we start exporting into new cities of China whose customs clearance procedures vary by province.
- The Australia China FTA provides our sector with a pathway to zero tariff with China will lead to much needed investment in the seafood industry as a result of increased confidence. This investment will also occur in-market with companies able to build brands, explore new areas of competitive advantage and build on Australia’s reputation for safe and healthy products.
- Exporters will also be able to unlock new areas of demand in China, this should result in price premiums and will allow exporters to react to market changes in demand by moving volume to higher yielding regions.

STAG Working Groups

Government Relations Working Group

- Government Relations Working Group worked to establish positive working relationships with Department of Foreign Affairs and Trade, the Department of Agriculture and Austrade. Also developed strong communication channels with the relevant Ministers and Opposition
- These relationships were critical during the final negotiations for the China FTA. The Korean FTA snuck up on us, we were not prepared and did not engage effectively with the government – as a result the outcome was not good for Abalone. The lesson was learned that we needed to be part of the process and provide information to the right people to support their negotiation positions – the government negotiators are not experts on every industry so we have to provide them with timely information. When we did that we good results.
- The STAG put in a submission to government about the Australia China FTA and it is clear there is a big link between the work that we have done and government outcomes. We would obviously have preferred zero % tariff from day one, but we were able to supply Senator Robb and negotiators with considerable data and information. We got a great result, a long way from where the negotiations started, an exceptional result for industry. We believe that the outcome we have achieved was a direct result of this level of engagement.
- The relationships and networks need to be maintained and enhanced to enable us to respond quickly to issues and ensure outcomes for industry particularly as all three of the current FTAs are implemented.

Customs issues working group

- Customs clearance times for live seafood was causing problems in 2011/2012
- Hundreds of shipments have been tracked and data analysed for use in discussions with governments. As a result the customs clearance times are much reduced
- Deemed value for direct imports is now causing issues as the value is higher than the selling price. Resolving this requires working with Australian government to build relationship with Chinese counterparts
- It will take some time and Chinese customs have indicated that it is not targeted at Australia but at all seafood imports and will soon also look at wine and meat

SO2 in canned abalone

- One specific trade barrier was the need to get approval for the use of SO2 in canned Abalone. China does not have that use on the approved list. An application has been prepared and submission is imminent but it will need work to get it through