

12 December 2014

Agricultural Competitiveness Taskforce
Department of the Prime Minister and Cabinet
PO Box 6500
Canberra ACT 2600
www.agriculturalcompetitiveness.dpmc.gov.au

Dear Sir / Madam

Re: Agricultural Competitiveness Green Paper

Fonterra Australia works with almost 1,300 dairy farmers and operates 10 manufacturing sites across Tasmania, Victoria and New South Wales. We collect around 20 per cent of Australia's milk from 1,300 farmers, have roughly 1,800 employees and annual revenues of roughly \$2 billion per annum.

Fonterra remains firmly committed to Australia and we continue to invest for long-term, sustainable growth in Australia. We have an investment of over \$1 billion of working capital in Australia and in the last three years alone, we have invested over \$100 million across Victoria and Tasmania in innovation and technology.

In addition to this, Fonterra acquired Tamar Valley Dairy yoghurt in Tasmania and announced a 10-year contract to supply Woolworths Own Brand fresh milk in Victoria, which will see over \$A30 million invested at our Cobden plant and create over 30 jobs in the Cobden community.

Further to this Fonterra Co-operative and leading Chinese infant food manufacturer Beingmate have announced intention to form a global partnership that will help meet China's growing demand for infant formula. The partnership will create a fully integrated global supply chain from the farm gate direct to China's consumers, using Fonterra's milk pools and manufacturing sites in New Zealand, Australia, and Europe. The partnership is intended to increase the volume and value of Fonterra's ingredients and branded products exported to China. It will be achieved in two phases: Fonterra to undertake a partial tender offer to gain up to a 20 per cent stake in Beingmate; and after gaining regulatory approvals and Fonterra satisfactorily completing the partial tender offer, Fonterra and Beingmate will set up a joint venture to purchase Fonterra's Darnum plant in Australia and will establish a distribution agreement to sell Fonterra's Annum™ brand in China.

Our goal is to have the most competitive and sustainable dairy supply chain in Australia. Our strategy to deliver this involves:

- Building powerful brands and ensuring they're part of Australian every day diet – our five \$100 million plus brands (Western Star butter; Mainland, Perfect Italiano and Bega cheeses; and Ski yoghurts) are already leaders in the dairy case.

- Expanding our high-value nutritional exports to Asian markets – the proposed Beingmate partnership is a strategic part of this and the recently signed China FTA.
- Growing our profitable, market-leading Foodservice business – we have long been the number one supplier of dairy products to Australia’s pubs, clubs and cafes.

We are working hard to deliver on our strategy and we see a bright future for the Australian dairy industry. Dairy is one of Australia’s most important agricultural sectors and arguably the most advanced in increasing value-add exports and leveraging growing Asian demand to increase profitability throughout our supply chain. These are important lessons for the rest of Australian agriculture.

However, farm profitability, capital investment, productivity and efficiency are all very real issues for the Australian dairy industry. We believe industry and government must work together if we are to realise the investments we have made, fully utilise farmer and Fonterra assets, maximise production, increase competitiveness and maintain profitability throughout our supply chain.

Government’s role must be to create policies that support these efforts. Only then can we deliver on the global opportunities for Australian dairy. In our view, policies must support:

- Domestic and international competitiveness – to ensure we are efficient, have a manageable cost base and can attract capital investment.
- On-farm profitability and industry sustainability – to ensure farmers are profitable and confident enough in the future of the industry to invest in growing milk production. Such policies must also address the specific skills and labour requirements of dairy.
- Leadership in innovation – regulation to support innovation and high-value food manufacturing.

Fonterra is an integrated business that operates across all points of the supply chain, from farm gate to supermarket shelf. We welcome the opportunity to submit to the government our response to the Agricultural Competitiveness Green Paper.

Fonterra Australia thanks the Government for the opportunity to provide comment on the Agricultural Competitiveness Green Paper, and have articulated our response to the Green Paper and the policy proposals outlined therein in the attached submission. We also support submissions tendered in response to the Green Paper from Dairy Australia and the Australia Dairy Industry Council (ADIC), the Australian Food and Grocery Council, and the National Farmers’ Federation (NFF).

We would welcome the opportunity to provide further comment to any of the points in the attached submission. Enquiries on this submission may be directed to Carol Bate on (03) 8541 1519 or carol.bate@fonterra.com.

Yours sincerely,



Judith Swales
Managing Director

Response to policy ideas in the green paper

Infrastructure

Policy idea 1—Building new transport infrastructure

- a) *Linking public and private freight lines and port infrastructure*
- b) *Investigation into all-weather access rural roads that may increase productivity of interstate freight movement, including sealing a third east–west continental road through Central Australia*
- c) *Identifying air freight hubs in regional Australia as potential opportunities to significantly reduce transport times to markets*
- d) *Infrastructure for ‘greenfield’ developments that may support growth in new areas and open up new opportunities for Australian farmers*

Policy idea 2—Improving existing infrastructure and transport regulation

The growth of the Australian dairy industry is reliant on improved road, rail and port infrastructure with efficient intermodal linkages. Fonterra Australia believes that the quality of infrastructure that delivers inputs (i.e., raw milk) needs improvement to increase the efficiency of transporting milk and product along the dairy supply chain. Transporting milk over long distances between factories is currently restricted to the road network due to limitations in the rail network, with the quality of road networks a further impediment to efficiency.

Fonterra Australia’s preference for milk collection is to utilise large, “B-double” tankers to utilise economies of scale and increase efficiency in the collections process. We have made significant investments in our vehicle fleet to enable this; however the condition of local roads often necessitates the use of single tankers.

Improvements to road infrastructure are necessary to increase dairy industry competitiveness. New milk transport vehicle designs now allow trucks to carry heavier loads without increasing wear and tear to road surfaces. To reduce transport costs and improve efficiency we endorse further Government investment in road infrastructure to facilitate increased mass limits for these vehicles from 68.5 tonnes to 74.5 tonnes.

The dairy industry supports efforts to build the evidence base on food industry trends and market changes to inform strategic infrastructure planning. If high value Australian food products are to supply growing demand in Asian markets, then the infrastructure requirements for fresh dairy products needs consideration. These products require cold chains and transport systems to ensure the quality and shelf life is optimised. Airfreight capability and location should be included in analysis of infrastructure improvements.

Any study of infrastructure’s reliability and potential improvements should also consider the feasibility of introducing container exports directly from Tasmania.

Additionally, governments must also provide greater clarity as to how infrastructure divestment plans may affect infrastructure.

Currently, some infrastructure operations are controlled by monopolies, for example, the Port of Melbourne. If private ownership and operation is to increase, there is a level of concern around what this potential change in ownership could mean for service levels and the setting of fees – i.e., their returns are often set with Government and create costs that often cannot be recovered by manufacturers in the end to end supply chain.

Fonterra Australia supports an integrated approach across jurisdictions that support resolution to the infrastructure constraints faced by the dairy industry.

Policy idea 3—Enhancing communications

Improved reliability and cost competitive Information Communications & Technology (ICT) in regional Australia will benefit the delivery of agricultural extension and training, as indicated in our comments on Policy ideas 14 and 20.

Working with the States and Territories

Policy idea 4—State government deregulation

- a) *Removing excessive native vegetation laws*
- b) *Removing excessive work health and safety requirements*
- c) *Improving the efficiency of the native title system*

Fonterra Australia welcomes mechanisms to reduce regulatory burden. We note the Government's current efforts to reduce red and green tape duplication for business through the Council of Australian Governments (CoAG), and welcome further regulatory reform to identify duplicative and inconsistent regulations across all tiers of government, which will improve business productivity by reducing the cost of compliance.

Competition and regulation

Policy idea 9—Improved regulation

Government has a role to ensure regulation is based on Best Practice principles, does not pose disincentives to innovation, and that all proposed regulations are subject to a Regulatory Impact Statement (RIS) to ensure benefits outweigh the costs.

Fonterra Australia supports a regulatory framework for the food processing industry based on best-practice principles of regulation. This means regulation should:

- Only include the minimum effective regulations (and only be imposed when there is a clearly demonstrated market failure)
- Be nationally streamlined in a flexible and timely way, in line with world's best practice for food safety and food product innovation
- Be cost-effective (i.e. the benefits outweigh the costs of trade restriction, administration and compliance)
- Have the legitimate objectives of food safety and prevention of unfair trade practices, such as misrepresentation and mislabelling
- Use risk-based analysis based on sound science and sound economics
- Use legislation only when non-mandatory measures would fail or be less effective
- Use legislation that allows operational flexibility (i.e. performance-based rather than prescriptive)
- Ensure legislation provides an even competitive playing field globally and is consistently interpreted

In response to the specific ideas outlined in the Green Paper:

- a) *AgVet chemicals regulation*

Extensive reviews with wide terms of reference have been undertaken with the objective of improvements to the regulation of agricultural and veterinary chemicals. These reviews have not resulted in improved access or reduced prices of chemicals for farmers or processors.

Conversely, targeted reviews with concentrated scope such as the Department of Agriculture *Reducing the Regulation of Stock Food and Pet Food* have been more effective. This risk assessment process has delivered benefits. This demonstrates that concentrated reviews of specific regulatory burdens with a risk and science based approach may be more effective for improvements to regulation in this area.

b) Country of Origin Labelling for food

Fonterra considers that any review of Country of Origin Labelling needs to assess the potential effect on Australian agriculture. Any modifications to current labelling requirements should not preclude the labelling of dairy products made in Australian factories using milk sourced from Australian dairy farms, as either “Made in Australia”, or “Product of Australia”.

Additionally, some dairy products require the inclusion of minor ingredients sourced internationally as they are not manufactured domestically. These may include some flavours, starter cultures, vitamins and minerals, enzymes, hydrocolloids and stabilisers. These are all used in small amounts to facilitate the conversion of milk into a range of value added dairy products. Consequently, if it were mandated that in order to label a product “Made in Australia” the contents of the product must be 100 per cent sourced from Australia, it is possible the only dairy product to comply with this may be full cream milk.

We acknowledge that Country of Origin Labelling resonates with customers, and with over a third of Fonterra Australia’s production being exported we are cognisant of the value of Brand Australia. However, we consider that the current Country of Origin Labelling requirements adequately and accurately convey the origin of dairy products that are produced and wholly transformed in Australia. Accordingly, we support the Australian Dairy Industry Council (ADIC) position on Country of Origin Labelling, as submitted to the recent House of Representatives Standing Committee on Agriculture and Industry in response to an Inquiry into Country of Origin Labelling.¹

Finance, business and taxation

Encouraging investment

Over the past 18 months there has been an increased investment interest from both domestic and international investors. Capital investment in the dairy sector can increase efficiency, productive capacity and the economic returns of supply chain participants. Ensuring the dairy industry is sustainable requires investment across the entire dairy supply chain, particularly on-farm.

Successful foreign investors use local labour and processing capabilities and actively participate in the local community thereby providing both social and economic benefits for both the investor and the communities.

Policy idea 10—Improving access to finance

- a) Permanent concessional lending REJECTED*
- b) Incentives for institutional investment in agriculture*

The Green Paper notes that institutional investment could provide an important source of capital for Australian dairy farms in the future. Government would be well placed to play a role in facilitation of linkages with institutional investors, such as superannuation funds, to dairy industry stakeholders. This would build a greater understanding of dairy investment opportunities. The Government also has a role to ensure regulations (including tax laws) foster rather than hinder institutional investments.

Policy idea 11—Improving tax system efficiency and equity

- a) Non-commercial loss rules*
 - i. Remove the \$250,000 maximum income threshold or raise it to \$1 million*
 - ii. Raise the exemption threshold*
- b) Increasing thresholds for the Farm Management Deposits (FMD) Scheme*
 - i. Increasing the \$400,000 deposit limit*
 - ii. Increasing the \$100,000 off-farm income cap*

¹ <http://www.aph.gov.au/DocumentStore.ashx?id=6554b4fc-8a18-4841-b0b8-5b8cc29ea523&subId=252580> – Australian Dairy Industry Council Submission to the Inquiry on Country of Origin Labelling, May 2014

- iii. *Extending eligibility of the FMD scheme to companies and trusts*
- iv. *Re-establishing early access provisions for times of drought*
- c) *Depreciating farm plant and equipment*
- d) *Zone Tax Offset*
- e) *Tax loss trading*
- f) *Income tax averaging*
- g) *Wine Equalisation Tax*

Fonterra considers that reforms to the tax system can improve efficiency and equity. This has the potential to both increase incentives for investment in agriculture and add to the long term profitability and sustainability of dairy farms.

Fonterra supports further policy changes to 1) non-commercial loss rules, 2) increasing thresholds for the Farm Management Deposits (FMD) scheme, 3) shorter effective life schedules for depreciating farm plant and equipment 4) Improvements to the Farm Management Deposits scheme and 5) accelerated depreciation on assets.

Fonterra endorses R&D tax incentives to support innovation and investment incentive schemes that foster capital investment in plant and equipment.

We note that the Government has stated its intention to undertake a comprehensive review of the taxation system in the preparation of its White Paper on the Reform of Australia's Tax System.

Competition and regulation

Policy idea 7—Improving market competition

- a) *Introduce options to increase price transparency throughout the domestic supply chain*
- b) *Introduce new marketing mechanisms which might restore balance of power to the producer*
- c) *Facilitate greater use of cooperative structures*

Fonterra Australia supports transparency in milk pricing, and has recently implemented a simplified milk pricing structure to provide greater clarity for our suppliers. Accordingly, we welcome further efforts to improve pricing transparency across the supply chain to ensure consistency for all food producers.

Foreign investment

Policy idea 13—Improving the transparency of foreign investment

As discussed above in response to 'Finance, business and taxation' policy ideas, both domestic and foreign investment into Australia's agriculture industry is crucial in enabling the dairy industry to capture the full benefit of increased global demand for dairy.

We expect foreign investment to be both socially and economically responsible. Successful foreign investment builds relationships with local communities, uses local labour and meets all local regulatory requirements.

With this in mind, Fonterra supports measures to ensure that investment is transparent, in line with National Farmers Federation policy. This includes:

- A national land register that makes it compulsory for all foreign persons or organisations that acquire or transfer an interest in agricultural land and water to report the sale within a prescribed period;
- An annual report of the register findings to be published, summarising any changes to the holdings of agricultural land held by foreign interests;

- An annual review of the policy settings around foreign investment, including the FIRB reporting threshold for agricultural land purchases by commercial interests.

Education, skills and training, and labour

Policy idea 14—Strengthening agricultural education

- Working with States and Territories to provide specialised learning in agriculture in the future*
- Establishing a young farmers mentoring and networking programme*
- Increasing financial support for regional education*
- Creating national agricultural tertiary centres of excellence*

Dairy, like many other agricultural commodities, suffers a chronic skilled labour shortage. Difficulty attracting workers to rural and regional areas has dire consequences for our industry, which is already impacted by an ageing demographic. The future success of Australian dairy is dependent on attracting, training and retraining the next generation of farmers, food scientists, processing workers, industry service providers and leaders to grow the Australian dairy industry.

Fonterra Australia and other dairy industry organisations have been actively working to upskill our workforce through education and training programs. While these programs will build our domestic workforce into the future, and merit support from Government, closing the gap in the local workforce will take time. Recruitment of overseas workers offers a short-to-medium-term solution. In addition, the labour rules that are in place are too restrictive for dairy farmers and are not flexible enough to meet the unique workforce requirements on farm.

ADIC and Dairy Australia have summarised potential corrective actions to fill the industry's skill shortage on farm in their submission to the Government's Agricultural Competitiveness Green Paper and we endorse these recommendations to address inflexibility in the Pastoral Award.

A key element of the dairy industry's education strategy is the National Centre for Dairy Education Australia (NCDEA). As the Australian dairy industry's provider of education and training, NCDEA operates through GOTAFE and a national alliance of partner Registered Training Organisations (RTOs). In partnership with Dairy Australia, NCDEA translates the outcomes of research into practice via a nationally recognised curriculum. This is one of many approaches that facilitate the link between R&D and on-farm practice change.

As well as learning from these successful programs, where the Government can show real leadership is in the funding and policy decisions that support these industry programs. Currently, government decisions are undermining industry programs to attract and retain more people in dairy. Specific issues (many state-based) include lack of funding priority for Vocational Education and Training (VET) courses targeted at industries with acknowledged skill shortages, such as dairy, the need to recognise 'Agriculture dairy farmer workers and managers' on skills shortage lists for eligibility to state and federal programs, and the ineligibility for funding of people with existing qualifications, even in areas of skills shortage.

In many instances, the models supporting VET also vary depending on the jurisdiction in which they operate, leading to a disjointed approach to training.

Any workforce development strategy should also extend beyond the agriculture sector, and explicitly acknowledge and address people issues across the whole food sector. The strategy should consider how to address areas of skills shortage, such as food science and technology, food safety and microbiology and agriculture, for example through targeted scholarships.

In the manufacturing space, greater flexibility in current labour arrangements will enable our sites to become more responsive to our customers' needs. For example, in some instances Fonterra must give staff four weeks' notice to change shifts, while customer production and

delivery requirements mean we need to change shifts with only one or two weeks' notice, particularly at sites manufacturing products with a short shelf life.

Policy idea 15—Strengthening labour availability

The dairy industry has been actively developing and implementing strategies to attract, retain and develop a skilled workforce, but in the short term, immigrant labour will help fill dairy's acute skills shortage.

Many of the policy ideas suggested reflect the dairy industry submission in response to the Issues Paper. In response to the specific ideas outlined in the Green Paper:

a) Expand the Working Holiday Maker (417) visa

Fonterra welcomes this proposal, and note it is consistent with the dairy industry's policy of expanding the program to allow working holiday makers to extend their time with one regional employer from six to twelve months.

b) Broaden skills coverage of the Temporary Work (Skilled) visa (subclass 457)

We have been an advocate for the expansion of the Skilled Occupations List (SOL) and the inclusion of more occupations on the Consolidated Sponsored Occupations List (CSOL). Accordingly, Fonterra endorses the findings of the review into the Subclass 457 programme as referenced in the Green Paper, and requests timely implementation of the recommendations from Government.

c) Expand the Seasonal Worker Program

Fonterra is supportive of the proposed expansion of the Seasonal Worker Program (SWP), and seek the recognition of dairy as a seasonal industry, facilitating farmers' ability to access short term labour during periods of peak milk production. We note that this is a position advocated in the Australian Dairy Industry Council's submission to the Green Paper, and endorse their recommendation.

d) Streamline application processes for the Temporary Work (Skilled) visa (subclass 457) and encourage greater uptake of Labour Agreements

We understand Dairy Australia and Australian Dairy Farmers are currently working with Government to develop a Dairy Industry Labour Agreement, which will complement industry efforts to increase government knowledge and understanding of dairy farm skill requirements. Fonterra supports the development of the Dairy Industry Labour Agreement and urge its prompt implementation when finalised.

e) Provide clear pathways to residency

Fonterra supports the comments of the Australia Dairy Industry Council in their submission on this issue.

Water and natural resource management

Policy idea 18 – Improving water infrastructure and markets

Water is a significant input cost to the dairy industry across the supply chain. Water is essential for irrigation on farm, and for the processing and manufacturing of dairy products.

The capture and delivery of water is usually community based and there is significant room for (R&D-supported) efficiency improvements in irrigation on farm.

Additionally, recent changes to water access policies have led to underinvestment on farms for irrigation efficiency projects and reducing confidence, particularly in northern Victoria. This

continues to limit growth of milk production in an area where there exists significant processing capacity.

Water is also essential for the processing and manufacture of dairy products – whether for washing, cleaning, cooling or treatment of waste water.

The dairy industry has been a driver of improved water efficiency across the supply chain through its Sustainability Framework, which sets targets for improvement across three areas, including reducing environmental impact by 2020. However, despite industry's own efforts to improve efficiency, there is little government support for innovation, particularly with regards to managing water, waste or plant efficiency. There is a need for government policies that support manufacturing innovation, as well as measures to increase productivity and efficiency in the supply chain.

Research, development and extension

Policy idea 20—Strengthening the RD&E system

At Fonterra Australia we believe dairy has the potential to be the manufacturing and agriculture powerhouse of Australia. As the dairy industry faces continuing challenges to farm productivity and profitability, effective research, development and extension (RD&E) remain a key priority. RD&E has contributed to productivity improvements for dairy over the last 20 years, however to capitalise on global market opportunities we need to keep improving and leveraging RD&E to grow milk supply.

We work in close collaboration with our partners at the Bonlac Supply Company (BSC) who represent the interest of our farmer suppliers, so we are acutely aware of the ongoing challenges for dairy farmers in Australia – whether it relates to volatility in the market or high, and rising, input costs in areas such as water, energy, fertiliser and feed.

Fonterra considers that RD&E is critical to grow Australian milk production and ensure processing plants are working at full capacity, thereby growing the international competitiveness of Australian dairy. This requires dairy farmers to be profitable for the long-term and therefore confident enough with the latest innovations to invest for growth on farm

The dairy industry recognises that the RD&E context is changing, and in particular is requiring new and innovative solutions to deliver efficient extension services in the face of increasing challenges and diminishing capacity to address these challenges. The potential for innovation in addressing these challenges in the area of extension is discussed further below.

In response to the specific policy ideas outlined in the Green Paper:

a) Updating the rural RD&E priorities to better align with community needs

A function of Dairy Australia is to co-ordinate industry inputs to establish RD&E priorities. Extensive consultation processes with dairy farmers, industry bodies, and processors assist Dairy Australia in identifying RD&E priorities and allocating resources accordingly. The Regional Development Program (RDP) structure also facilitates the targeting of RD&E programs to specific dairy regions and alignment with community needs. These processes are detailed in the Australian Dairy Industry Council submission to the Senate Rural and Regional Affairs and Transport Committee Inquiry into the Collection of Agricultural R&D Levies.

Fonterra concurs with the Australia Dairy Industry Council (ADIC) identification of RD&E priority areas including advanced technology, biosecurity, soil, water and natural resource management, and we emphasise the importance of extension and uptake of R&D.

Dairy Australia is currently undertaking a comprehensive review of its RD&E priorities as part of its “Dairy Moving Forward” review. Fonterra notes this process and urges ongoing government

engagement with the dairy industry at the completion of this review to ensure government and industry RD&E priorities are complementary.

b) Establishing a new body, or tasking existing research bodies, to coordinate cross-sector research

Fonterra Australia defers to the Australian Dairy Industry Council submission, and makes no further comment.

c) Enhancing access to the R&D Tax Incentive

Fonterra supports the R&D tax concession program across the whole dairy supply chain. Innovation underpinned by RD&E delivers \$12 billion (ex-factory dairy product value) from \$4 billion farm production of dairy on an annual basis. It is important the tax concession is for RD&E at all stages of the supply chain to drive food processing innovation as well as agricultural innovation.

d) Promoting the development of extension services

Fonterra considers extension services an important element of the application of R&D to drive ongoing improvements in agricultural and food processing competitiveness. Budgetary constraints have seen State and Territory governments significantly reduce their funding of extension, which has resulted in cost-shifting back to rural research and development corporations (RDCs) such as Dairy Australia. In response, Dairy Australia has increased their role in dairy extension; however, the gap between optimal levels of extension activities and the current delivery levels is considerable. Fonterra considers that it is vital that this gap is closed and the necessary policies and programs are funded and delivered for Australia to continue to innovate and grow our agricultural industry competitiveness.

Accessing international markets

Policy idea 24—Strengthening Australia’s overseas market efforts

Government has a pivotal role to play in negotiating trade agreements, resolving technical barriers to trade and promoting the strength and transparency of the Australia food safety regulatory system.

Trade agreements

Fonterra commends the Government on progress to date on trade liberalisation and the negotiation of free trade agreements (FTAs). Fonterra particularly welcomes the recent FTA with China, Australia’s largest market for value added dairy products.

Fonterra welcomes ongoing FTA negotiations with countries including India, Taiwan and the Gulf Cooperation Council.

Fonterra also sees great opportunity for the Trans-Pacific Partnership (TPP). The TPP agreement must deliver outcomes which support further growth of the Australian dairy industry and not leave us at a commercial disadvantage.

In response to the specific ideas outlined in the Green Paper:

a) Undertaking further trade research

Dairy Australia works with the Federal Government and the dairy industry to undertake trade research. Fonterra is engaged in this process and values the work of the Australia Dairy Industry Council in this area.

b) Improving exporter services and intelligence

Fonterra has no comment to make on this point.

c) *Providing more exporter readiness training*

Trade requirements for exporting agricultural goods can be complex and difficult to understand for new exporters. Even for companies experienced with exporting such as Fonterra, overseas market requirements can be difficult to navigate and often there are issues impeding market access which need to be addressed for trade to occur.

Whilst general exporter readiness training would be welcome, we are also interested in dairy sector and market specific intelligence, services and training:

- The Manual of Importing Country Requirements (MICoR). Fonterra considers MICoR a valuable source of information on the market requirements of key trading partners, and appreciate the scale of the task to maintain comprehensive and up-to-date content for regulatory requirements. The nature and scope requires significant regulatory and policy expertise. However, we believe this information is vital to underpin Australian dairy exports and commend to the government the importance the role they play in maintaining information on export market requirements. We suggest this not only be maintained but also expanded to focus further resources on improving detail for priority markets, and on accessibility from a user perspective, for example covering all requirements of exporters, not just those regulated by the Department of Agriculture.
- Responsiveness to industry questions and information. Often Fonterra shares information with government on emerging issues and specific examples of technical barriers to trade. The government also communicates to industry and companies information on potential regulatory changes, export issues. Two-way information sharing and access to departmental staff is extremely valuable to Fonterra for efficient and effective issues resolution.
- Targeted sector and market specific workshops responding to changing circumstances and industry needs. In 2014 the Department of Agriculture Export Standards Branch and Dairy Australia jointly conducted a series of workshops covering changes to in market requirements for both China and the EU for exporters of dairy products. These workshops were in response to a shift in regulation which saw the Chinese Government implement a mandatory requirement for export establishment registration. Fonterra participated in these workshops and we valued the work of the Department of Agriculture to ensure industry achieves compliance with export market requirements. This model for workshops responding to major regulatory changes is a good model for future workshops.

d) *Accelerating the development of technical, market access country and commodity strategies to prioritise market access efforts*

Technical barriers to trade (TBT) (non-tariff) are major impediments to market access and trade. Fonterra contributed to the Dairy Australia commissioned report *Comparative evaluation of technical barriers to trade for Australian dairy products* (2013) D N Harris, which found that TBT issues often go beyond legitimate food safety issues, with specific examples cited in this report.

Fonterra Australia implores the government to work closely with Dairy Australia to fine tune the information and prioritise market access issues to ensure dairy trade continues to grow. We acknowledge the important role of government in this area, and note that the ability of industry to act is limited, as this is viewed as a government-to-government role by our trading partners.

e) *Developing national promotion efforts (such as through a national brand)*

Australia has a reputation for being a producer of “clean and green” food, giving Australian food producers an advantage in overseas markets. As noted previously, government has an important role in promoting the Australian food safety regulatory system and demonstrating the robustness of our system to our trading partners, which is particularly pertinent considering

trading partners such as the EU undertake audits in Australia of the dairy industry. We endorse ongoing government promotion of Australia's food safety regulatory system.

- f) Increasing Australian Government positions overseas, and consider options for industry-funded positions to underpin increased focus on agricultural market access*

Fonterra Australia supports the Department of Agriculture (DoA) Agricultural Counsellor program, and considers that there is benefit for expansion of the program in emerging markets, particularly in South East Asia and the Middle East. DoA Agricultural Counsellor posts play an important role in Australia's efforts to remove or lower market access barriers, facilitate trade, monitor emerging issues and help resolve quarantine issues which may hinder trade shipments.

- g) Increasing engagement bilaterally, and in multilateral forums, to promote use of international standards in food regulation*

Fonterra Australia supports the development of harmonised regulatory systems consistent with international standards, particularly among key trading partners in Asia, which will mitigate some market access issues relating to food regulation.

The structures that protect Australian exporters' ability to defend against technical and regulatory barriers also rely on a capability to operate effectively in:

- World Trade Organisation (WTO) dispute settlement processes
- International standard setting forums (Codex, OIE, WCO)
- Monitoring and responding to WTO Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) notifications
- FTA and bilateral review committees

Australia's commitment to international standard setting forums is critical. Fonterra Australia contributes through input to both government policy and contributions to standard setting bodies such as the Codex Alimentarius Commission. However these changes can only realistically be made at a government-to-government level. The Australian Government must continue to actively contribute to and take a lead in these international processes to support exports, including by supporting the technical expertise embedded in government agencies.

The next step to this commitment is to assist trading partners to build their capacity to allow them to apply the same or harmonised regulatory systems thereby fostering trade without unnecessary restrictions. Activities such as the ASEAN-Australia-New Zealand Free Trade Area Economic Cooperation Work Programme or Australia's leadership in the Asia Pacific Economic Cooperation (APEC) Food Safety Cooperation Forum (FSCF), not only help improve the technical competence of food safety management and food regulations in the regions covered, but in the long term should assist in preventing unnecessary barriers to trade.

Government needs to remain committed to these relationships over the long term to realise these strategic outcomes.

Policy idea 25—Improving Australia's export and import systems

Fonterra Australia supports the current system for the national food safety system whereby there is a single food safety audit for both domestic and export requirements. The Department of Agriculture as the competent authority has a MoU in place with state and territory regulators to facilitate this. We suggest this model may be suitable for use in other agricultural sectors.

The Australian export certification system was reviewed several years ago through the Beale Review, and as a result the 40 percent government subsidy for export charges was allowed to sunset. We are aware the Government is currently reviewing export certification charges as part of a cost recovery program. Fonterra does not disagree with a cost recovery approach provided there is transparency and an understanding that export services/costs are not merely the export

certificate. There is a critical role for government in negotiating market access, addressing TBT issues, providing information on importing country requirements and negotiating any potential regulatory changes that may impact trade. This relies on competent technical and policy skills within the Department of Agriculture (including the posts).