



Agriculture and the free trade agreement with China

The recent announcement relating to the imminent realisation of the Australia / China Free Trade Agreement brings with it considerable opportunity for primary production throughout Australia. However it will not benefit every industry and most certainly not every individual production business. While it is acknowledged that the Chinese market is large, there are a number of factors that are unique to this market, factors which are not evident into many other export destinations. These include market size, purchasing rationality and more critically, cultural sensitivities.

Australia needs to see China as a volume market (1% of the market is 13.5m people). However we have to understand that this is a niche market to the Chinese. Currently Australia, at full production, can provide food and fibre for approximately 60m people (note some statistics consider that this is closer to 80m people). Therefore adding another 13.5m people to the equation is not an easy task, nor is it something to pursue in an ad hoc or disjointed manner.

While there are a vast number of organisations and individuals that understand the functionality of the Chinese market, we would like to put forward a perspective that is entrenched in years of first-hand experience across many segments of the production and post-production supply chains. In addition, both Lloyd and Bernard are from private family businesses with a multi-generational connection to primary production and manufacturing.

The most obvious attraction of the Australian primary production outputs include;

- The high level of product integrity based on our quality assurance systems, traceability and labelling.
- Australia's biosecurity regime.
- Environmental management expertise of the Australian primary production industries.
- Geographical location of Australia being within an acceptable time zone variance.
- The social conscience of Australian employees in relation to work health and safety, fair treatment of the labour force and community engagement.

Additionally, Australia has other unique advantages that are attractive to the Chinese market and more importantly the higher end of the market who are interested in our products. These include;

- An ability to be innovative in the areas of genetics, production systems and technology.
- Generational knowledge achieved through the family business structure.
- Longevity, attachment and commitment to the environment, production system and product that is attuned to the Chinese perspective.

China does want Australian product, however there is sufficient evidence that not all industries will be the beneficiaries of more open / free market access. After considerable investigation we consider that the major agricultural beneficiaries will be meat (beef, lamb / mutton, fish and others), dairy (milk, milk powder and



cheeses), certain horticulture products (fresh and semi-processed) and potentially some game meats. Another observation is the trend towards investing in industries that can produce liquids (dairy, wine, olive oil and other oils). This may open niche markets for grain producers through the development and manufacture of grain based liquid products.

All of the above is important. However this is only part of the market interaction that has to occur within the Chinese supply chain, as they are acutely focused on what they require. Therefore this must be accompanied by value adding through information sharing, mutual respect

and a long term commitment to supply in the volumes required. These need to be delivered first and well before any product transactions occur.

There is considerably more to take into account before embarking on engagement with the Chinese market. Our aim in this article was to provide a small overview of the non-transactional requirements that are critical to long term success and profitable interaction.

What does the Chinese Free Trade Agreement mean for Stahmann Farms Enterprises?

Stahmann Farms Enterprises based near Moree in northern NSW is the largest pecan producer in Australia they are already working with the Chinese to broaden their market potential into China. Ross Burling the CEO of Stahmann Farms Enterprises said "The tariff for nuts has been reduced from 30% to 18% and will decrease at 6% per annum. So the flood gates have not opened but the door has been prised open for product to flow more freely into China.

We have recently released our first packaged product into Chinese retail. Grown, packed and

value added in Australia, shipped to Chinese retail supply chains and finally through to the Chinese consumer, a first in 42 years of marketing in Asia and China for Stahmann Farms Enterprises.

The decrease in tariffs provides a real opportunity for an Australian business to secure the jobs of its people and confidence of shareholders to invest and increase throughput at a manufacturing level when a number of our competitors have already relocated their operations overseas."



Ross Burling with Chinese Guests at Trawalla Orchard