

Response to

## **Agricultural Export Regulation Review**

**Department of Agriculture**

Prepared by Dairy Australia

on behalf of the Australian Dairy Industry

### **Contact**

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# The Australian Dairy Industry

Dairy Australia welcomes the chance to present this submission in response to the Agricultural Export Regulation Review.

Dairy Australia is the dairy industry-owned service company, limited by guarantee, whose members are farmers and industry bodies, including the Australian Dairy Farmers, and the Australian Dairy Products Federation

Australian dairy is a \$13 billion farm, manufacturing and export industry.

Over 6000 dairy farmers produce around 9.7 billion litres of milk a year.

The Australian dairy industry directly employs nearly 40,000 Australians on farms and in factories, while more than 100,000 Australians are indirectly employed in related service industries.

Our industry has the potential to grow substantially over the next decade to meet growing domestic and international demand.

Realising this growth potential and expanding the industry's economic, social and environment benefits depends on a positive national and international operating environment.

## Key points

- Technical market access issues are only going to increase so we need ongoing commitment and flexibility in export market regulation.
- The export related challenges facing the dairy industry do not necessarily require any legislative change, rather a recognition that the export regulation is part of a system that facilitates exports, and the flexibility to ensure this system can adapt to new challenges as they emerge.
- Information is critical and there is great scope for improvement in this area including much better and more comprehensive information in MICoR and better engagement directly with exporters and industry bodies.
- ECert should be pursued in other markets.
- There is a potential opportunity to explore a role for government in non-meat halal certification.
- The system for quota allocation and administration needs to be as streamlined and efficient as possible. The dairy industry is currently in discussions with government about how to do this, and it is important that the export regulatory system facilitates any developments in this area.
- Some review of the Export Control (Milk and Milk Products) Orders 2005 is needed to ensure alignment and correct references to the new Australia New Zealand Food Standards Code which takes effect March 2016.

## Response to review questions

### What does the future look like?

1. What are the emerging export related challenges or opportunities for your business over the next 5, 10, 20+ years?
2. To what extent would current export regulation make these challenges harder, or restrict you from pursuing opportunities?

The increased use of non-tariff barriers in priority markets is preventing Australian dairy from realising its maximum export potential. Although international standards exist to guide market access requirements for most dairy products, many countries have their own standards in place that differ from, and can be more onerous than, the international guidelines. While we accept the need for technical requirements imposed by markets related to risk management for legitimate food safety issues, many requirements go far beyond this and can therefore constitute technical barriers to trade.

A recent study commissioned by Dairy Australia titled, *Comparative evaluation of technical barriers to trade for Australian dairy products*, and prepared by DN Harris, shows that minimising technical barriers to trade (TBTs) would reward the dairy industry with long term economic savings and increase its competitiveness on the global market. The report found that the total annual impact for individual technical barriers to trade is estimated at \$1.57 billion. Technical market access issues are only going to increase so we need ongoing commitment and flexibility in the export regulation system to meet the evolving needs in this area.

As noted in the discussion paper the Australian dairy industry has streamlined approval to domestic and international food safety regulations. The Department of Agriculture, as the competent authority for approving dairy exports, has accepted the national dairy food safety system where national food safety standards are implemented by state food authorities and the department recognises the state systems. Dairy businesses, while still having multiple commercial audits, are now subject to a single food safety audit for domestic and export requirements. This is a good system that needs to be actively promoted, and could be considered as a model for other industries.

Given the different needs and systems of the various commodities being exported the dairy industry would not support a single 'one size fits all model' for export regulation. The dairy industry knows that there is far more facilitation required to export dairy products than the certification procedure. The full extent of services needed to facilitate market access needs to be understood and resourced appropriately, including through the export regulation system.

The export related challenges facing the dairy industry do not necessarily require any legislative change, rather a recognition that the export regulation is part of a system that facilitates exports, and the flexibility to ensure this system can adapt to new challenges as they emerge.

This may include, for example, looking at testing disputes resolution mechanisms on a government to government level to address issues arising from different testing methodologies. Similarly, assisting to minimise red tape and paperwork associated with long product registration processes in many South East Asian countries, or working on label pre-approval with Chinese authorities to mitigate risks with current processes, are all processes that the Australian export regulators should be able to assist with.

### Increasing flexibility and enabling innovation

3. What do you see as unnecessary regulation (or 'red tape') when exporting? Please provide specific examples.
4. Can you identify any improvements, initiatives or technologies that would make exporting easier for you? Please provide detail.

The dairy industry recognises that regulatory burdens from export regulation mostly arise from the requirements of importing countries, and the minimum government intervention here needed to satisfy those importing countries. It is therefore not easy to pick out areas of regulatory burden that are within the control of Australian authorities.

There is opportunity to improve the export regulatory system in the following areas:

## **International regulatory coherence**

It is important that Australia does not drop the ball on influencing international regulations and those of our trading partners, and ensuring that application of their regulations results in as little burden for Australian exporters as possible.

As a beginning Australian regulations should comply with both the letter and the spirit of WTO obligations to ensure that our exports are not subject to retaliatory measures and we maintain a valid basis for arguing for regulatory coherence. For example complex requirements for country of origin labelling, or a mandatory requirement for health star ratings may result in different labelling being required for products exported, and may lead to formal or informal retaliation from trading partners.

## **Manual of Importing Country Requirements (MICoR)**

One key way in which the export regulatory system can be improved is better and more comprehensive information, particularly through MICoR. MICoR provides a lot of important information but does not currently achieve a comprehensive, simple guide of what is required to export to each country. Given complex and constantly changing regulations, we recognise that maintaining up to date and comprehensive content in an easy to follow format is an enormous job, requiring significant regulatory and policy expertise. Government should focus further resources on improving detail for priority markets, and on accessibility from a user perspective, including covering all requirements of exporters, not just those regulated by the Department of Agriculture.

For example maintaining the minimal information currently available for all countries, and investing effort in 20 priority markets nominated by the dairy industry to cover all key information, and keeping this updated with all changes notified through WTO SPS or TBT process, would be welcome. Information such as labelling requirements that are not directly checked by the department, but are essential importing country requirements that must be met should be included, even if only through an acknowledgement that there are extra requirements and a link to the country's regulations.

There should also be a way to update exporters on changes in requirements and new content and information. For example Market Access Advice notices are no longer sent directly to exporters, and dairy exporters are unable to subscribe directly to market access information from the department. Exporters would like to be notified by email when requirements change or market access is likely to be affected.

## **ECert**

The dairy industry has had great success with the markets in which Electronic Health Certificates are available. ECert should be pursued in other markets to further reduce regulatory and administrative burdens.

All opportunities to streamline certification should be explored, for example improving how the Declaration of Compliance/Transfer Certificates are generated and shared (perhaps streamlined into one electronic rather than paper document).

## **Halal certification**

In many importing countries, Halal certification of product is a pre-condition and government mandated requirement for imports. Proof of Halal certification forms part of importing country health certification documentation.

The Department of Agriculture have consistently stated that Halal certification is a commercial decision made by exporters. Their involvement in Halal certification will not go beyond the existing AGMS scheme meat.

Problems arise when Australian government issued health certificates for exported product do not contain importer government mandated information on Halal certification. The Australian government does not see it as part of their responsibility to do so, as it is considered as being a purely commercial decision. This leads to confusion and misunderstanding at point of entry of product as Halal certification information is not immediately evident.

There is, therefore, a mismatch between the expectations of importing country governments, that see Halal certification as coming under their area of responsibility and the Australian government who do not. This also impacts the ability to resolve issues that may arise in relation to Halal certification as the Australian government may be unwilling or unable to provide assistance.

There is a potential opportunity to explore a role for government in non-meat Halal certification. This may include exploring a system that centralises notification of certification for exports and links directly to Health certificates for relevant markets, coordination of a list of approved certifiers and/or a single non-meat Halal logo.

### **Quota allocation**

The system for quota allocation and administration needs to be as streamlined and efficient as possible. We are aware this has been examined in the Cost Recovery process, and that the dairy industry is also currently engaged in discussions with government on this issue.

We are hopeful that these discussions will be fruitful and will lead to a more efficient outcome than is currently the case, with for example live access to volume/order information and low costs for allocation and certification.

With this in mind it is important that changes to export regulation and legislation maintain flexibility for these changes to be implemented. Of particular importance to the dairy industry is the continued separation of arrangements for different export commodities so that efficiencies gained by the dairy industry are not compromised. The opportunity for industry involvement in quota allocation should also be accommodated.

On a practical and immediate level application paper work needs updating (forms don't give the option for WTO quota) and there are outdated allocations of importing companies in the US (some companies who hold large volume are non-existent or not importing etc).

### **Review of export regulation in light of new Food Standards Code**

Some review of the Export Control (Milk and Milk Products) Orders 2005 is needed to ensure alignment and correct references to the new Australia New Zealand Food Standards Code which takes effect March 2016.

An overview of the requirements of the Export Control (Milk & Milk Products) Orders 2005 using layman's terms should also be made available on the web for exporters and customers.

### **Cooperation and communication**

5. Are there parts of the export process the department currently undertakes that your business could manage? If so, what assistance (if any), would you require from the department to establish these processes?
6. What information about exporting and export regulation does your business need? How would you prefer to receive this information?

The requirements for exporting agricultural goods, including dairy, can be complex and difficult to understand for new exporters. Further general exporter readiness training would be welcome including targeted sector and market specific workshops responding to changing circumstances and industry needs.

Added to this, the diversity and variation in overseas market requirements can make it difficult for even experienced exporters to know what is required.

The Department of Agriculture needs to engage directly with exporters on these matters. Export issues can arise and escalate very quickly. Often the ability of an exporter or industry organisation to talk directly to regulators can assist in a quick resolution and prevent an issue for a single company becoming an issue for the whole industry. It also allows industry and government to pool information including on how changes are actually being implemented on the ground. The ability for departmental staff to engage directly with individual exporters is therefore valuable for all parties and government needs to ensure resources are available to respond in this way.