



Hybu Cig Cymru Meat Promotion Wales

Outline briefing – Australia Free Trade Deal

On 15 June it was announced that the UK and Australia had reached an outline agreement over a Free Trade Agreement (FTA) which would aim to reduce barriers to trade between the two countries, including tariffs and quotas.

This is regarded as being the first true new international trade deal for the UK since Brexit – the others largely consisting of replicating previous arrangements which Britain had as part of the EU. The deal is currently an agreement in principle, subject to legal text being agreed.

Aims of the agreement

Increased access to the UK market for red meat had been a key negotiating objective for the Australian delegation, with the Australian beef and sheep sector – through its 'Red Meat Access Taskforce' - perceiving an [untapped market for high quality produce](#).

In the UK's objectives as outlined by the Department for International Trade (DIT) in 2020, the country sought "broad liberalisation of tariffs on a mutually beneficial basis, taking into account UK product sensitivities, in particular for UK agriculture", and framed the broader strategic as realigning UK trade policy to take advantage of opportunities in the Asia-Pacific region.

Given the relatively small amount of trade between the UK and Australia, the potential impact on GDP and overall UK imports and exports was estimated to be limited, although it could lead to larger outputs on certain sectors notably agriculture and food, according to the UK Trade Policy Observatory.

Previous situation

Australia had an entitlement to export quality beef and sheepmeat to the UK up to a Tariff Rate Quota of 3,761 tonnes in the case of beef (with even in-quota exports attracting a 20% tariff), and 13,335 tonnes in the case of lamb. This is considerably smaller than the quota for, for instance, New Zealand lamb.

Australia could also export some product to the UK through the 'erga omnes' quota, alongside other countries such as Brazil and Argentina.

Actual exports of Australian beef to the UK, by volume and value, are shown below. It should be noted that beef exports in 2020 were unusually low due to COVID-related disruption to foodservice demand and international supply chains.

	2018		2019		2020	
Beef Imports	2,692 tonnes	£19.8m	1,767 tonnes	£12.9m	559 tonnes	£4.2m
Sheepmeat Imports	9,681 tonnes	£47.1m	7,141 tonnes	£34.7m	8,523 tonnes	£45.7m

Although the UK is self-sufficient in sheepmeat, it is to an extent a seasonal product. The height of imports from the southern hemisphere is in the UK spring, while Wales and the UK as a whole exports significant quantities of lamb and sheepmeat in the late-summer, autumn and early winter.

Proposed changes

The overall changes to Australia's reduced-tariff access to the UK market are phased in over 10 years, but [Australian Government sources](#) have confirmed that major increases in the quotas for red meat will take place 'immediately'.

The Tariff Rate Quota for beef will rise from the current 3,761 tonnes to 35,000 tonnes straight away, subsequently rising to 110,000 tonnes in equal increments over ten years. There will be further increases over the following five years until the ceiling on tariff-free imports is abolished altogether in 2036.

Under the deal, the current 13,335 tonnes of lamb and sheepmeat that Australia can export to to Britain tariff-free will rise to 25,000 tonnes immediately, and gradually to 75,000 tonnes by 2031. As in the case of beef, unlimited tariff-free imports will be allowed by 2036.

Standards and welfare

It is proposed that there will be a separate chapter in the eventual agreement covering animal welfare. The RSPCA has [raised concerns](#) that the Free Trade Agreement could allow into the UK food farmed to lower welfare standards.

A new statutory body, the Trade and Agriculture Commission, is being established to advise the UK Government on how proposed trade deals may impact on domestic food protections, animal health, welfare and environmental standards in relation to agricultural produce.

Impact

It is currently difficult to assess accurately how much Australian product is likely to come onto the market in the short- and medium- term.

It would be true to state that livestock prices within Australia are currently quite high, thus impacting the product's potential competitiveness for export.

The indicative 'EYCI' beef price average in the country has in recent years reached over 700 cents per kilo cwt, as opposed to historic levels around 350 cents, with the lamb 'ESTLI' average at 800 cents per kilo cwt as against historic norms of between 350 and 550.

Some of this price is due to short-term reasons, for instance the drought in Australia which has reduced production, and buoyant demand from China.

Output is [forecast to recover](#) in the medium term. Also, over the past 24 months, [trade relationships](#) between Australia and China have become more difficult, with red meat among those imports targeted for restrictions by the Chinese government.

It has been argued that any increases in imports of Australian red meat would displace existing EU imports, such as Irish beef. This assertion should at best be regarded as unproven, particularly given the close supply chain integration and cross-ownership links between the red meat processing sector in the Republic of Ireland and the UK.

The red meat sector will have [concerns](#) as to the extent to which increased Australian imports of premium cuts, even at a modest level of tonnage, may impact on carcass balance and profitability throughout the sector. Steaks in Britain are relatively expensive, which helps to ensure sufficient income for the whole carcass, balanced against demand for cheaper mince. Increased international competition may lead to a lowering of prices for premium cuts.

Other trade deals

The UK government has launched consultations on a number of future trade agreements to be negotiated, indicating its priorities in terms of markets. For instance, discussions are ongoing regarding potential trade deals with New Zealand, the USA, Canada, Mexico and India, as well as ambitions for closer relationships with the Trans-Pacific nations (CPTPP).

Some of these potential trade agreements may bring benefits to the Welsh meat industry in terms of increased access to valuable markets such as the USA and India.

However, it is likely that many countries will consider the access granted to the UK red meat sector to Australia as a negotiating baseline.