

# Trade wars unsettle Australian agricultural exports

**N**EW research shows uncertainty from ongoing bilateral trade wars between China and the United States has set the global trading environment back decades and undermined Australian agricultural exports.

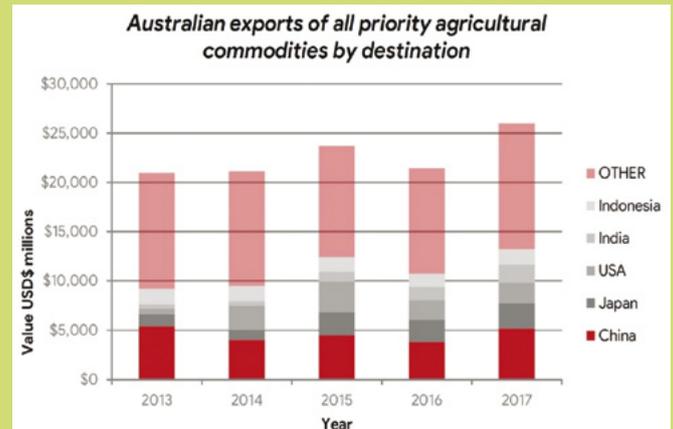
The AgriFutures Australia-funded report *Bilateral Trade Wars, Understanding the implications for Australian agriculture*, gives policy makers, industry peak bodies and primary producers a roadmap as to how a less predictable trading environment may impact export markets.

The report identified a wide range of risks and opportunities for Australia’s agricultural interests, finding some Australian products are likely to fare better than others.

At a purely parochial level, the research suggests there will be a negligible impact on sugar exports overall. On the upside, China’s tariffs on US cane sugar, plus preferential access under ChAFTA may create opportunities for Australian exporters to expand existing supply arrangements to the Chinese market. Conversely, China’s apparent efforts to diversify supply sources for agricultural goods could see sugar products from Latin America entering the Chinese market to a greater degree.

At the whole-of-industry level, AgriFutures Australia

**FIGURE 1: Asia takes the lion’s share of Australia’s agricultural exports**



Seven of the ten top export destinations by value are Asian nations. China leads the way, and in 2017 purchased 20 per cent of exports of Australian priority products identified for this study, valued at more than US\$5 billion.



Although the research suggests there will be a negligible impact on our sugar exports overall, trade wars breed uncertainty. Uncertainty is bad for business. (IMAGE: QSL)

Managing Director, John Harvey said the report gives the industry a firm footing for policy creation.

“This robust analysis gives Australian exporters the knowledge they need to take a leadership role in attempting to restore stability for agricultural commodities in the current global trading environment,” said John.

“The findings show that unilateral moves by the Trump Administration to renegotiate existing trade agreements have threatened World Trade Organisation (WTO) principles of a rules-based trading system, creating uncertainty for Australian agriculture.”

### Some prosper, some pressured

AgriFutures Australia Senior Manager, Business Development, Jen Medway agreed that while some industries will prosper and others may feel the pressure from these trade wars, understanding the potential impact is fundamental to creating stability in an unsettled trade environment.

“Australia’s dairy industry is one industry that could potentially benefit from trade opportunities with China on the back of additional tariffs imposed on US dairy products.

“On the flip side, a prospective US–Japan free trade agreement (FTA) could negatively impact the dairy industry as US producers disadvantaged in the Chinese market could gain improved access to Japan.” said Jen.

This is similar for Australian sheep and goat meat exports, primarily lamb, where the aftermath of the trade wars are expected to be minimal. These products have not been the focus

of additional tariff actions, but a US–United Kingdom (UK) FTA (following the UK’s exit from the European Union) would have a negative impact on some Australian markets.

“The UK is a leading sheepmeat exporter and the US is Australia’s most important market, any improvement in access for UK product into the US would be damaging to Australia’s export interests,” said Jen.

### Beef may take a battering

Another area we may see increased competition is in Australia’s fresh, chilled and frozen beef exports due to risks identified in Australia’s two biggest beef export markets – Japan and the US.

“The US is increasingly eager to expand their export reach of beef products into Japan, with the US having very limited access to China and the EU due to a ban on hormone growth promotants. With the US and Japan edging closer to negotiating a bilateral FTA, Australian beef exports to Japan may suffer,” said Jen.

John acknowledges the importance of the report findings, noting they are critical to putting rigor around our understanding of the top line impacts for agriculture products as a result of the trade wars.

John added that the take-away message from the research is that trade wars breed uncertainty. Uncertainty is bad for business and leaves agricultural producers, traders and buyers struggling to manage a shifting policy landscape.

“The longer this period of uncertainty lasts, the more commercial decisions will need to be made by Australia’s agricultural stakeholders facing the prospect of sudden and unpredictable policy changes at the global level,” John said.

As a medium-sized, open economy dependent on trade to underpin economic growth, Australia benefits significantly from the confidence and predictability inspired by the smooth operation of the international trade regime.

### Outlook for other industries

#### Wheat

Trade policy actions are projected to have an overall positive impact on Australia’s wheat exports, particularly to China. US access is currently restricted. But settlement of the broader trade dispute between the US and China could re-open or expand this market for US exports.

#### Horticulture

For horticulture export interests, the impact is largely positive in the short-term, particularly for exports to China under the terms of ChAFTA. It is yet to be seen if Beijing’s negotiations with the US result in greater US access for horticultural goods.

It is also possible that an FTA between the US and Japan would expand access for US horticulture at the expense of current Australian access to the Japanese market.

#### Cotton

Australia’s cotton exporters are projected to benefit from the temporary advantage offered by China’s tariffs on US exports. In 2017, the US was China’s top source of cotton imports, followed by Australia.

#### Crustaceans

Australia’s exports of crustaceans may benefit from additional opportunities in the Chinese market due to tariffs on US product. But Australian exports to other Asian destinations may suffer, as US exporters seek out alternative markets.

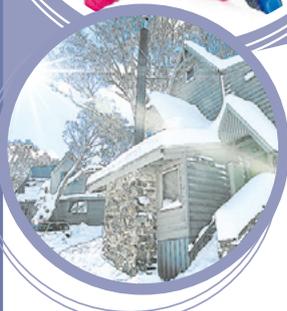
For the AgriFutures Australia trade wars report: [www.agrifutures.com.au](http://www.agrifutures.com.au)

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