

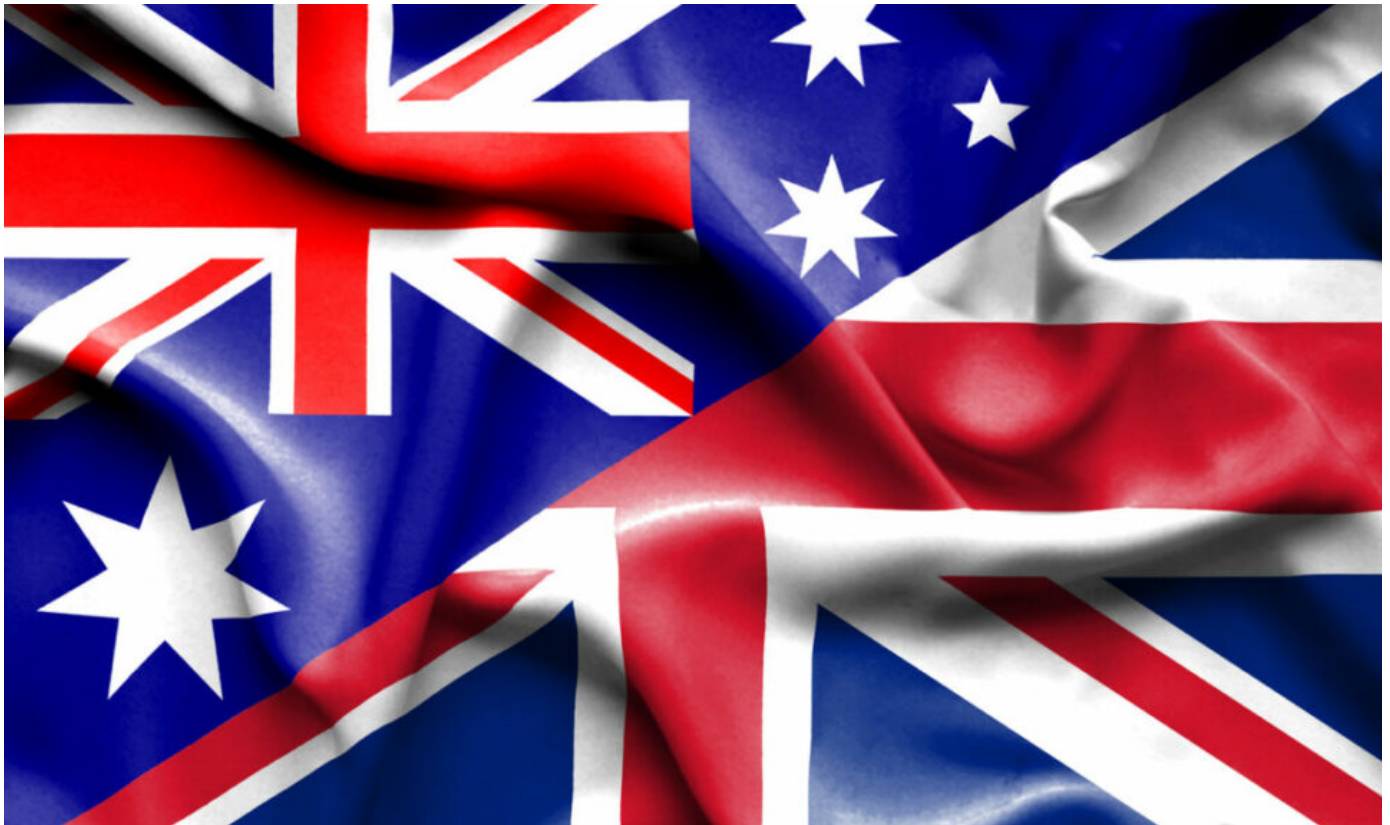
BUSINESS OF FOOD

# UK-Australia Free Trade Agreement: competition or cooperation?



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The Free Trade Agreement (FTA) between the UK and Australia was the United Kingdom's first trade deal negotiated anew since leaving the EU.

Data from the Department of International Trade showed public opinion regarding the possibility of a deal with Australia was positive, with 65% of Brits welcoming the new potential commercial partnership.

However, since then, the mood has started to shift a little. The UK Government was criticised not just by public and the media, but also by members of the Conservative party, who felt that

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When the FTA was signed on 17 December 2021, the two countries agreed to abolish tariffs on goods, with the UK scrapping duty on imported Australian wine, honey, nuts, olive oil, most processed foods, a large majority of fruit and vegetables and most seafood, and implementing duty-free transitional quotas and removal of tariffs after 8-10 years on beef, sheep meat, dairy and sugar.

George Eustice, then Secretary of State for Environment, Food and Rural Affairs, criticised the deal and the hand that Liz Truss played in the negotiations, saying the FTA was *"not actually a very good deal for the UK,"* adding, in reference to Australia's already very low tariff on imports, that the UK *"gave away far too much for far too little in return."* Critics of the FTA all agreed the deal was clearly more favourable to Australia, and that the UK had forfeited their chances by hurrying the agreement between the two countries.

## UK and Australia's imports and exports

When visiting Canberra four years ago to meet with the Australian government, Truss said: *"It's great to be in Australia this week as you are one of our highest priorities for a post-Brexit trade deal. And with good reason – trade between our two countries was worth £16.6 billion in the year to March 2019, and we have more than £46 billion invested in each others economies."* £16.6bn might seem like a large sum, but it's a drop in the ocean for the UK.

In 2021, the UK's exports to Australia were worth £9.8 billion – or 1.6% of all of the country's exports. In comparison, the same year exports to the EU were worth £267bn – 42% of all UK exports – a number that had already been shrinking since 2006, when they accounted for 54% of UK's combined exports.

What's the forecast for the next, five, 10 or 15 years? *"It's hard for me to put the exact numbers on it,"* Ana Nishnianidze, Trade and Investment Commissioner for the United Kingdom and Ireland tells me. *"I think one of the challenges that we're currently experiencing is the tariffs that are applied in both directions – that makes it not very profitable for companies on both sides to trade between the two countries. As those tariffs are removed, we will definitely see more movement of goods between the two countries. If we were to go back **50 years ago**, Australia and UK used to be the **largest trading partners** when it came to food. Fifty years ago there were various changes – the EU was formed, and a number of tariffs were introduced. And this is where we are now. In terms of Australian exports to the UK, it's less than 1%, or just around 1% of our total exports goes to the UK, the rest goes to other countries, and I think that's just a result of that, so I think it [the percentage] will definitely increase."*



Former Prime Minister of Australia Scott Morrison and Former UK Prime Minister Boris Johnson pose in the gardens of No. 10 holding two of Australia's most popular products: Tim Tam and Vegemite

*"I don't think it will be feasible for us to get to the same levels as we were 50 years ago. I don't think Australia would overtake European countries when it comes to UK exports – and I don't think the UK would overtake Asian markets when it comes to Australian exports, because proximity absolutely matters – and we've seen increase in freight costs. But I do think there's a lot more that we could be doing together once some of these tariffs and barriers are removed. And I think importantly, we can be a secure source of premium products for each other, because some of the other countries that we trade with are not always the source of premium products, but we can be to each other."*

## Indigenous ingredients and foods

Australia might not be the UK's largest export market, but it's certainly a valuable one, not least because it could open doors to being allowed into The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTTP). The two countries also share roots and a love for each others' produce, which will no doubt taste more delicious once the abolition of tariffs will drive prices down. In fact, the UK can't get enough of Australia's wine, and one of Australia's largest imports from the UK is hard liquor, in particular whisky and gin. Ana Nishnianidze agrees: *"The main benefits [of the FTA] is that it will reduce tariffs on a number of Australian products entering the UK market, and on a number of UK products entering the Australian market,"* she tells me. *"What it ultimately means is that it will make those products more affordable for consumers. And I guess we'll reduce prices on those products that are already available in various markets – and those that are not available. It will create*

*are quite fortunate to have a very unique landscape, flora and different plants to the rest of the world. So there are a number of products that are unique to Australia, such as lemon myrtle, for example, an ingredient often used in spices, rubs, but also marmalades and different spreads. It gives food, a really kind of unique, delicious flavour. We also have finger limes and lime caviar that I know is already available in some restaurants here in the UK, coming from Australia, but something that we could certainly scale more broadly once the free trade agreement is in force. That's a citrus plant that's quite unique. It only grows in Australia – very much unique to us. It has a slightly different milder citrusy flavour, and also has a lot of really positive health benefits and properties."*



Australian products made with ingredients unique to the country



Ana Nishnianidze, Trade and Investment Commissioner for the United Kingdom and Ireland

New flavours could have an impact on British cuisine, perhaps they could even help to launch new culinary trends. Ana mentions the Kakadu plum and Quandong berry as examples, used in various processed products in Australia, which the country hopes to introduce to the UK market very soon. *"Because those products are quite unique to Australia, they are not on any lists, they're not registered anywhere else,"* she says. *"So we're currently working with the UK Government to get them registered for imports into the UK. And I know the UK government is very excited and working through the process with us to get that done sooner rather than later."*

Australians too are looking forward to seeing more British produce available in their country, at more competitive prices. *"I think there's a real opportunity for more dairy and cheese coming from the UK to the Australian shores, [and] a range of different packaged products – as we refer to them – whether it's confectionery, or some savoury biscuits, crisps, etc.,"* adds the Trade and Investment Commissioner. *"Australians absolutely love their snacks and there will be lots more opportunities for snacks to turn up on the Australian shelves in supermarkets."* Ana adds that drinks could be a hit too. British wine may not be widely consumed in the UK, but it seems there's a taste for it Down Under. *"I absolutely love a British sparkling. I do love Australian wine, but I do also love some good British sparkling and I think it'll be great to see more British sparkling on the shelves in Australia – and other beverage categories as well."*

## FTA concerns: farming and animal welfare

The UK imports a small amount of agricultural produce from Australia, nonetheless, there have been concerns voiced by the National Union of Farmers (NFU), George Eustice and the public with regards to fair market competition and animal welfare.

The UK Government Impact Assessment estimated a negative impact on agriculture, forestry

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NFU, who has highlighted the fact that such quotas of imports will still be higher than the amount currently allowed to enter the UK. The Government has stated that these imports are likely to reduce imports coming from other countries, rather than competing directly with UK produce. It's also said that UK consumers favour local meat and that Australian producers will still prefer to sell to markets which are more profitable and geographically closer to them, such as Asia. Furthermore it stressed that the FTA will provide opportunities for British farmers to sell their goods to Australia, as well as reminding the NFU that the amount of imports of some meats, such as beef, coming from Down Under is tiny.

The NFU is however not convinced. The Union believes it will be difficult for UK consumers to know the provenance of Australian meat used in processed foods, or served in restaurants and cafés. It also argues that the Australian market for British agricultural produce is small, so the FTA is unlikely to boost imports. With farmers in the UK already struggling, the Union fears they may be priced out by the competition coming from Australia. In a press release dated 17 December 2021, the date the FTA was signed, NFU President Minette Batters said: *"The Government needs to level with farmers about the commercial reality of this and ditch the soundbites that lost any meaning a long time ago. It needs to set out a detailed agri-food export strategy, with complementary policies that will enable UK farmers to compete and adjust. We have seen some progress as the government begins to set out its export strategy, but much, much more is needed and implementing our three-point plan for getting farming 'match-ready' would be a good start.*

*"I hope that MPs will now take a good, hard look at this deal to see if it really does match up to the Government's rhetoric to support our farmers' businesses and safeguard our high animal welfare and environmental standards. I fear they will be disappointed."*

Ana Nishnianidze however believes meat coming to Australia will complement the UK market, rather than pose a threat to local production. *"I totally appreciate there will always be concerns, and it's understandable, given the environment we're in. I don't think that Australian products would ever impact or push out domestic products for a couple of reasons: first of all, Australia has a very high cost of living and ask prices are quite inflated, including the production process. So one of the biggest challenges for Australian products coming to the UK is actually that they are not competitive on price, because by the time they are produced in Australia, and then travel the distance to the UK, and all of those shipping costs are incorporated, they are actually not competitive on price. I think for Australia, that will always be the challenge – we will never be able to compete on price with the domestic products. And that's why there's only certain products within the specific categories that we would be able to offer to the market."* Ana believes that Australia will be able to fill the gap in the UK market when certain types of meat, such as lamb, might not be available because of seasonality, and offer cuts of meat that may not be readily available on our shores. She believes Australia will add to the UK market, rather than compete with it.

The use of some pesticides banned in the UK is also worrying farmers and consumers alike, as well as the fact that Australia utilises hormonal growth promotants (HGP) to speed up the growth rate in cattle. Whilst the use of growth hormones is not allowed in the UK, so Australian beef fed HGP won't be imported without the safeguard of EU laws, the UK could potentially do

mulesing' – where a strip of skin is cut off from around the breech (buttocks) of a wool-producing sheep to prevent the parasitic infection of flystrike. Until recently this procedure was carried out without the use of any anaesthetic or pain relief, causing great suffering to the animal.

The use of sow stalls is also **concerning**. Banned in the UK in 1999 and in the EU in 2013 (although in the EU they are allowed for up to four weeks after pigs mate), they are still permitted in Australia for the first five days of pregnancy. Farrow crates are allowed in the UK, but only for a week before a sow gives birth, and until weaning. It's estimated that around 60% of sows will farrow in crates in the United Kingdom, compared to 90% in Australia.

The poultry sector in Australia is also under scrutiny. The country still confines hens in barren cages – which are banned in the UK – although there are **plans to phase them out by 2036**.

In 2021, British MP Greg Hands, then Minister for Trade Policy, told members of parliament that "Australia has some of the highest animal welfare standards in the world", and that Australian beef "meets our standards". However Richard Mussell, CEO of RSPCA Australia strongly disagreed, saying: "Unfortunately, animal welfare standards in Australia are basic at best. In 2021, we still do not have Australia-wide laws that ban the use of sow stalls in pig production, barren battery cages in egg production or require pain relief for very painful procedures like dehorning of calves and mulesing of lambs. Standards are rarely audited and, unless implemented into law, which few are, they are only voluntary."

*"The lack of national leadership on animal welfare in Australia needs to be addressed urgently if the lives of farm animals are going to be significantly improved."*

**RSPCA** Chief Executive Chris Sherwood chimed in: "It is concerning to see that the minister appears to be misinformed about Australian animal welfare standards. This is a critical issue as part of this historic trade deal and it is essential that those making decisions understand the full implications of allowing cheaper, lower standard imports into our country. This puts not only our hard-won animal welfare standards at risk but also the livelihoods of British farmers."

*"When many of us think of Australia, we probably picture farmers rearing their animals in the sunshine among vast and idyllic landscapes but the reality is very different – hens in barren battery cages, huge intensive farming systems, cows injected with hormones to promote rapid and unsustainable growth and sheep mutilated using methods that are illegal in the UK to supply the fashion industry."*

*"As our sister charity has pointed out, standards there fall well short of those in the UK including in the beef sector which is at the heart of these trade negotiations. Australia does not mandate CCTV in slaughterhouses as we do in England, allows hot branding, permits cattle transportation times that are double that in the UK and has one million cattle reared in barren feedlots without shade. In the past few years, there have been significant steps forward for animal welfare in this country and the Government has committed to going even further so a deal to allow products from animals reared in conditions which would shock many British consumers is a clear backward step."*

*"Without protection built into Free Trade Agreements, we risk setting back animal welfare by decades and betraying British farmers."*

But not everybody agrees. *"In Australia, we do pride ourselves on our animal welfare standards, and the food production and quality standards,"* says Nishnianidze. *"We might be doing things slightly different to what happens in the UK, because we have a different climate, and we have different conditions, therefore we simply do some of those things differently, and we also service different markets. Obviously there's a lot of global standards that I think any world developed country wants to abide to, and be consistent with, and in Australia, we certainly are, and we pass a lot of those global standards quite easily. However, it's also absolutely understandable [that there might be some animal welfare concerns], and we completely appreciate that there could be some additional standards in the UK and across EU and we respect that."*

*"It's important to note that any product that enters the UK has to be compliant with all of those standards, so we would never ship products to the UK that can't pass the certifications. There are very strict processes in place by the UK to ensure that any Australian exports entering the market pass those requirements, so our suppliers might have certain practices in place to service other markets where they'd have different requirements, but the ones that are supplying the UK will ensure that they pass all of the checks and requirements for the UK market. Regardless of the FTA those rules are still in place, and they will always be in place. And if we want to get everyone input product into the UK, we have to follow those rules."* Ana highlights that meat products and animals coming into the UK have to pass checks such as assurance and veterinary, and be accredited by the EU standard, and this FTA won't change that.

## Sustainability

Another issue that's been of concern is the physical distance between the UK and Australia, in particular during a time of environmental urgency. The UK Government has stressed that it will work with Australia to improve its sustainability targets, but critics have pointed out that moving goods between the two countries will increase the carbon footprint of both.

Nishnianidze points out that produce will be moved by sea rather than air. Whilst shipping is not carbon neutral, **its footprint is lower than air freight**. *"Miles is a very small part of the broader environmental instability picture,"* she says. *"It's really [about] looking at the full package of everything that's been done from the moment that the products is grown or caught through to the time that then ends up on on someone's plate that really matters."*

Innovation and investment to improve sustainability practices are also of the utmost importance in Australia, she says. *"We invest a lot of innovation, in research into packaging and being innovative around that. Our fisheries have some really innovative technology around freezing processes to ensure that the fish can be frozen just as it's caught and to maintain that good quality. Most of the Australian food producers have programmes in place to address any emissions that they've created. So there's a lot of tree replanting programmes that are being*



*UK company that does monitoring of wine growing regions. Australia was their first market. They actually expanded initially to Australia before starting to service the rest of Europe, because we have such high adoption of innovation. They worked with our winemakers to implement their monitoring process across most of the major vineyards, which allows them to monitor the usage of water, ensuring that the product is collected at the right time, and that there's less wastage generated through that process as well."*

Many food products in the country are produced using renewable energy, such as solar and wind, she adds. *"I think from that sort of innovation perspective... from the perspective of ensuring that we have appropriate food production packaging, traceability processes... that's where I think both Australia and UK really stand out and lead the way across the world."*

## Could the FTA put an end to staff shortages in the UK's food and beverage sector?

Since leaving the EU, the UK has experienced staff shortages in the food and beverage sector. The FTA stipulates that Australians and Brits aged between 18 and 35 will be able to travel and work in the UK and Australia respectively, with a Working Holiday Maker Visa for up to three years. Could this ease the staffing issues we have been experiencing in Britain? I ask the Trade and Investment Commissioner if Australians have expressed an interest in working in our food industry. *"Absolutely. We're already getting tonnes of questions about it from Australians who are very keen to come and do some work in UK,"* she says. *"Those sort of seasonal holiday workers are super, super excited about the opportunities that this will present for them."*

The Free Trade Agreement between the UK and Australia might pose some concerns, but ultimately, could be extremely beneficial for both countries. When it comes to farming, animal welfare and sustainability, the problem might not lie within the agreement, but with the internal politics of each country. First and foremost, the UK must make sure it listens to its farmers and food producers, improves its own animal welfare policies, meets its sustainability targets and does not lower its standards or change the legislation to allow for produce that consumers don't want to enter the country.

***Sustainability is essential to the future of food. Discover how you can be part of, and help shape a greener, more secure future at the Food Matters Live Sustainable Food Forum***

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