Dr. Tanya Plant

Rhodes Scholar D.Phil. (Oxon), B.App.Sc. Hons1

Dr. Tanya Plant is an Australian Rhodes Scholar. She graduated with a doctorate from the University of Oxford in 2003 after completing her thesis “Prospects for International Free Trade: The WTO, Beef and US Hegemony”.

Prior to this Dr. Plant was Executive Officer of the United Graziers Association of Queensland. She has also worked in a range of other positions in the beef industry including the feedlot sector and the supplement industry. She completed a Bachelor of Applied Science – Rural Technology in 1996, graduating from the University of Queensland Gatton College with First Class Honors.

Amongst her achievements Dr Plant was a national finalist for the Young Australian of the Year in 1999, helped initiate youth branches in the Cattlemens Union of Australia, and was appointed as Ambassador for Australia’s Year of the Outback 2002.

Dr. Plant grew up on “Samarai”, her parents beef and grain property on the Darling Downs in Queensland, and is still actively involved with this enterprise. They continue to have a Poll Hereford based herd at “Samarai”, following on from the tradition set by her great grandfather almost a century ago. Like her parents, Dr. Plant has long been involved with the Poll Hereford Society. She has held a range of positions on state and national junior committees and won the Australian Poll Hereford Ambassador’s Award in 1994.

INTERNATIONAL AGRICULTURAL TRADE AND THE GLOBAL BEEF INDUSTRY

Beef in Perspective

- *56.87 Million metric tons beef and veal produced in 2001 (FAOSTAT, 2002)*
- *5.68 Million tons beef exported (1999) (FAOSTAT, 2002)*
- *Global ag trade = US$ 558 Billion (2000) = 9% world trade (WTO, 2001)*
- *Value of beef trade = US$15.238 Billion (1999) (FAOSTAT, 1999)*

Australian Situation

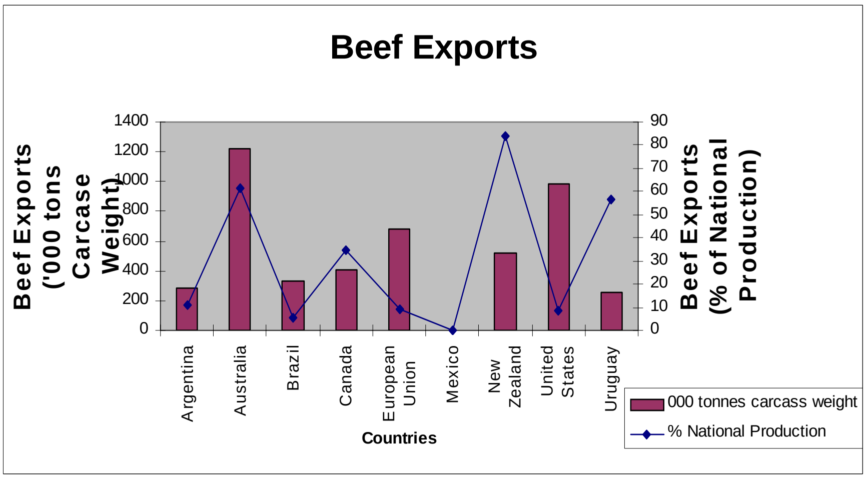
- *Over 2 million tons produced in 2002*
- *Exports over 65% of total beef production to over 100 countries*
- *76,557 properties with beef cattle*
- *24.5 million beef cattle*
- *Diverse production systems from extensive grazing in Central Australia to Feedlots*

(MLA data)

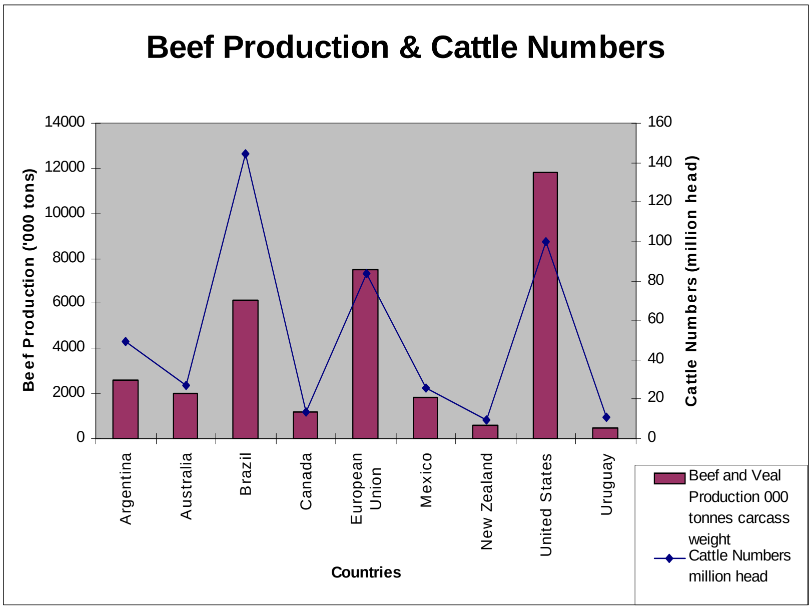
Key Beef Exporters

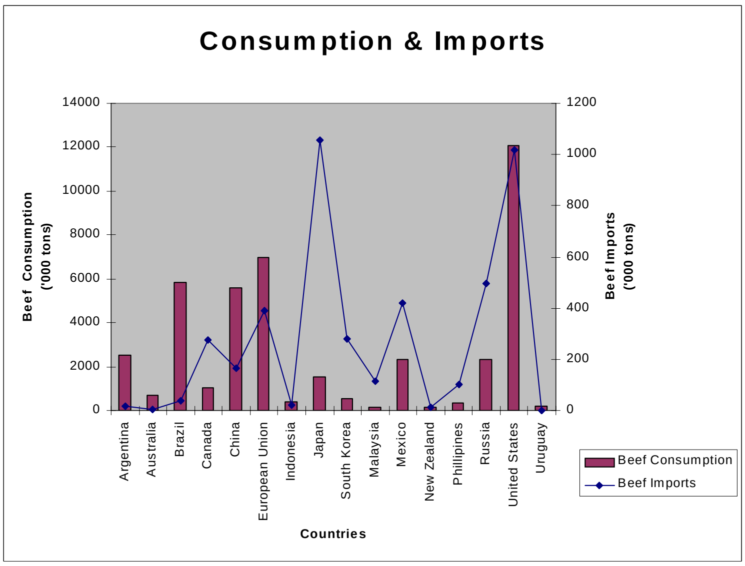
1998 data Adapted from Five Nations Beef Conference, 2000

Country	Cattle Numbers	Beef and Veal Production	Consumption	Exports		
	million head	Thousand tons carcass weight			% National Production	% World Exports
Argentina	49.2	2570	2520	280	10.9	5.4
Australia	26.8	1996	710	1223	61.3	23.7
Brazil	144.6	6140	5850	335	5.5	6.5
Canada	13.3	1170	1027	405	34.6	7.9
European Union	83.6	7486	6978	679	9.1	13.2
Mexico	25.6	1810	1998	N/A	N/A	N/A
New Zealand	9.2	620	140	519	83.7	10.1
United States	99.7	11804	12051	985	8.3	19.1
Uruguay	10.6	450	197	255	56.7	5
Total						90.9



NB Mexico's exports vary considerably with exchange rate and seasonal conditions however Mexico exported 1.24 million head of cattle in 2000. Carcase weight equivalents were not available.





Why Liberalise Ag. Trade?

- *2001 Agricultural Support in OECD countries cost consumers and taxpayers over US$310Billion --> 1.3% GDP. EU, Japan and US account for 4/5 of this. 3/4 of this was transfers to farmers and made up 1/3 of their gross receipts (OECD, 2002)*
- *CAP costs almost half EU budget (European Commission Directorate-General for Agriculture, 2001)*
- *Market distortion. --> costs consumers and taxpayers. Also lost opportunities for efficient agricultural producers.*
- *Much support is inefficient at achieving its stated aims eg supporting rural farming families, improving environmental management*

Benefits of Ag. Trade Liberalisation

- *Global elimination of all agricultural policy distortions would yield long-term global welfare gains of US$56 billion a year (USDA ERS 2001).*
- *ABARE (2000) estimates that a 50% cut in agricultural protection between 2005 and 2010 would lead to total welfare gains of US$47 billion a year by 2010.*

Some Benefits of Beef Trade Liberalisation

- *More market opportunities*
- *Fairer competition*

CIE estimates that Free Trade would increase beef producers profits in 2005 by: US $US1.127 Billion, Australia US$530 million, and Brazil US$1.576 Billion for example

WTO Status Quo

- **Domestic Support**
- **Export Subsidies**
- **Market Access**
- **SPS**
- **S&D**
- **Peace Clause**

$\left.\begin{array}{l}\textbf{Domestic Support}\\\textbf{Export Subsidies}\\\textbf{Market Access}\end{array}\right\}$ **3 Pillars**

Domestic Support

- *Green Box - eg environmental funding to farmers - considered least distorting - no reduction required*
- *Amber Box - eg production subsidies and price supports - more highly trade distorting --> reductions in Aggregated Means of Support (AMS) required*
- *Blue Box - production limiting*

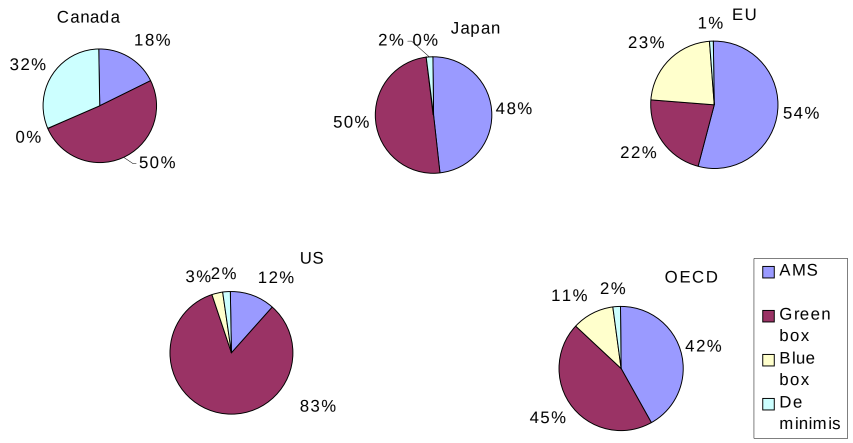
Producer Support Estimates (PSE) comparisons
OECD, 2002

Beef and Veal PSE (2001 Projected Data)		
Country	PSE %	PSE in millions of national monetary unitis
Australia	3	223
Canada	8	545
EU	91	23,945
Japan	32	178
Korea	60	1129
Mexico	7	1389
NZ	1	18
US	5	1544

Relevance of Domestic Support

- *Estimate that removal of EU beef subsidies worth US$51 million to Aust producers, US$78M to US, US$264M to Brazil and US$113 to Argentina. (CIE, 2002)*
- *Estimate that removal of Korean & Japanese beef subsidies worth US$28M to Australia and US$67M to US (CIE,2002)*
- *Similarly US PSE for beef = US$1,554 Million (OECD,2002)*

Different Types of Domestic Support



Diakosavvas, 2001

Market Access

- *Tariffs and Tariff-rate Quotas (TRQs)*
- *Average WTO-legal tariff for beef = 85% (FAS, 2002)*
- *Very limiting into EU for some nations with low TRQ quotas and high out of quota tariffs. (but Hilton Quota and better access for developing countries)*
- *Limiting into US - especially for countries with low TRQ quotas eg Uruguay, Argentina, Brazil.*
- *Limiting into Asia eg Japan 50% tariff with snapback, Korea 40% tariff*

Relevance of Market Access Issues

- *US has 4.4c/kg in quota but 26.4% out of quota tariff. Non-NAFTA countries other than Australia and NZ have very small TRQ quotas.*
- *EU has high tariffs and limited TRQ quotas to non-EU countries. Some access advantages for developing countries.*
- *Japan has enforced snapback tariffs of 50% (due to high imports). This expires on 1st April so tariffs will revert to 38.5%.*

Export Subsidies

- *EU spent US$350 million on beef export subsidies in the 2000-2001 FY and has WTO allowances to spend over US$1Billion for this purpose (FAS, 2002)*
- *US also has Export Credits*

Negotiations Outlook

- *Progress possible but slow (Uruguay Round took 11 years)*
- *Very difficult to get agreement on agriculture – multifunctionality, food security, important to developing and developed*
- *Likely to continue progress under the 3 pillars and extend the 'peace clause'*

Sanitary and PhytoSanitary (SPS)

- *Contentious*
- *Who bears the burden of proof?*
- *Science doesn't always have 100% of the answers yet --> a problem for SPS*
- *FMD - South America, UK --> estimated that if FMD endemic had access to FMD free markets it could decrease the value of beef exports from FMD-free countries by 36%. (Ekboir et al, 2002)*
- *BSE - UK, Japan, US --> OIE said countries overreact to BSE*

Regional Trade Agreements

- *Debate about whether consistent with WTO and trade liberalisation agenda*
- *EU (Customs Union)*
- *NAFTA*
- *FTAA*
- *US-Australia FTA*

European Union

- *Much more trade within EU than with other nations*
- *Production and consumption both 7.5 million tons (FAS, 2001)*
- *Consumes approximately 15% world beef supplies but only 5% of this is sourced from outside the EU*
- *1.5 million tons traded between EU countries but only 390,000t imported from outside EU (European Commission Directorate-General for Agriculture, 2001)*

NAFTA

- *Tariff-free trade in beef and live animals between signatory countries.*
- *Also exemption from TRQ limits*
- *Gives NAFTA countries an advantage in NAFTA markets over other countries*
- *Beef trade has increased between NAFTA signatories - perhaps partly at the expense of other suppliers to these markets.*

FTAA

- *Proposed to link 34 countries in the Americas*

- *Incorporating NAFTA, MERCOSUR, CARICOM etc*
- *Due to conclude negotiations in 2005*
- *Could advantage beef producing South American countries in North American beef markets*

Australia - US FTA

- *Removal of within quota tariff (4.4c/kg) into US. Over quota tariff phased out.*
- *Australia beef producers will have access for an additional 15,000 tons of beef in year 2, increasing to 70,000 tons in year 18, and then effectively free trade.*
- *Not big impact but may help Australia keep status quo in face of FTAA impacts (and eradication of FMD).*

So?

- *Trade liberalisation and globalisation will continue (though generally slow progress towards free trade)*
- *Need to consider your beef production - costs and quality - relative to other nations' production and markets*
- *Seedstock producers need to focus on breeding animals which suit end market requirements eg growth rates, marbling, fat coverage in typical production conditions*

Challenges

- *End markets (& therefore product specifications) change with trade opportunities --> need to stay informed & preempt due to lag time*
- *Should you aim to breed Herefords that are a good breed for all markets (e.g. above average in all traits) or the best breed for particular markets and production systems? Is the ideal Hereford the same for every country?*

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- *World Trade Organization www.wto.org*