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ASEAN – now! The place to grow.

ASEAN Agribusiness Webinar Update 16 February 2011

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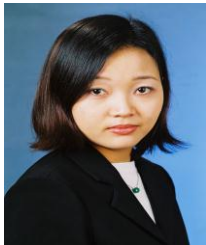
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ASEAN

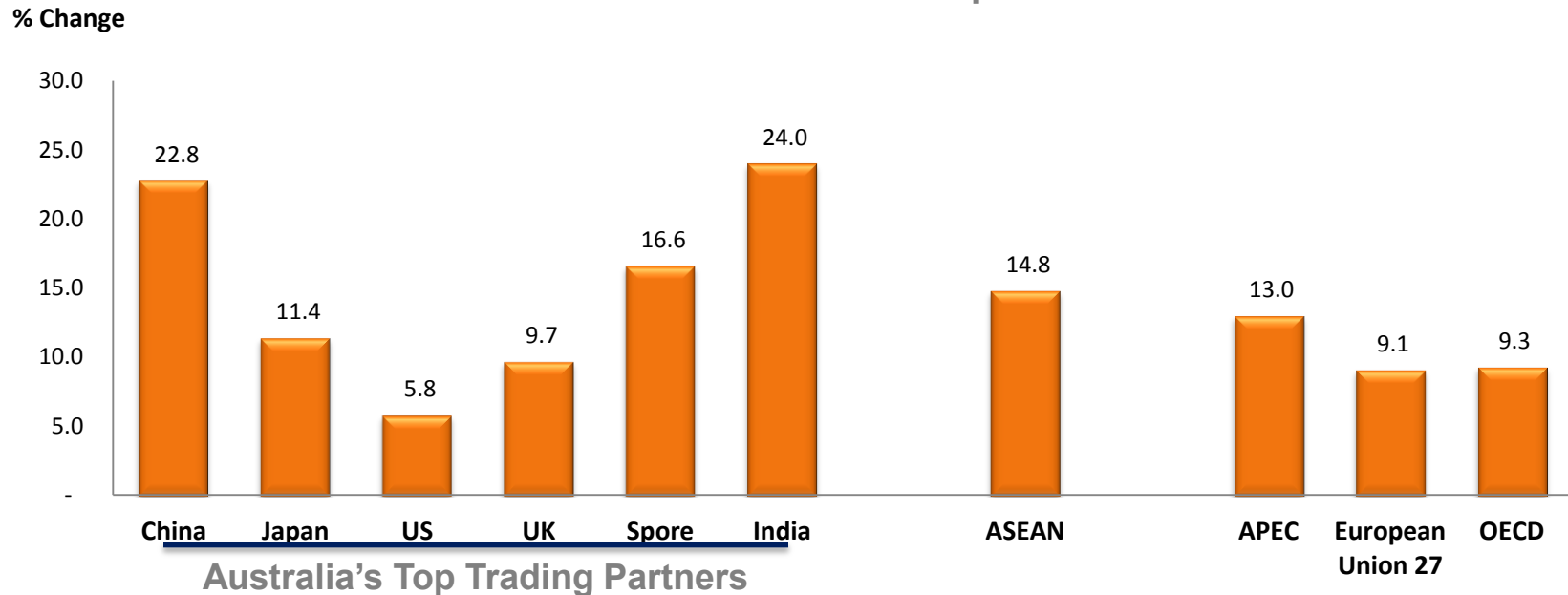


ASEAN comprises around 600 million people with a combined GDP of over A\$1.5 trillion*



Australia's total trade in goods and services 2005-2009 – 5 year trend

With the exception of China and India, Australia's two-way trade with ASEAN has been growing faster than all our trading partners' over the last decade, at an annual rate of 10 per cent.



Source: DFAT

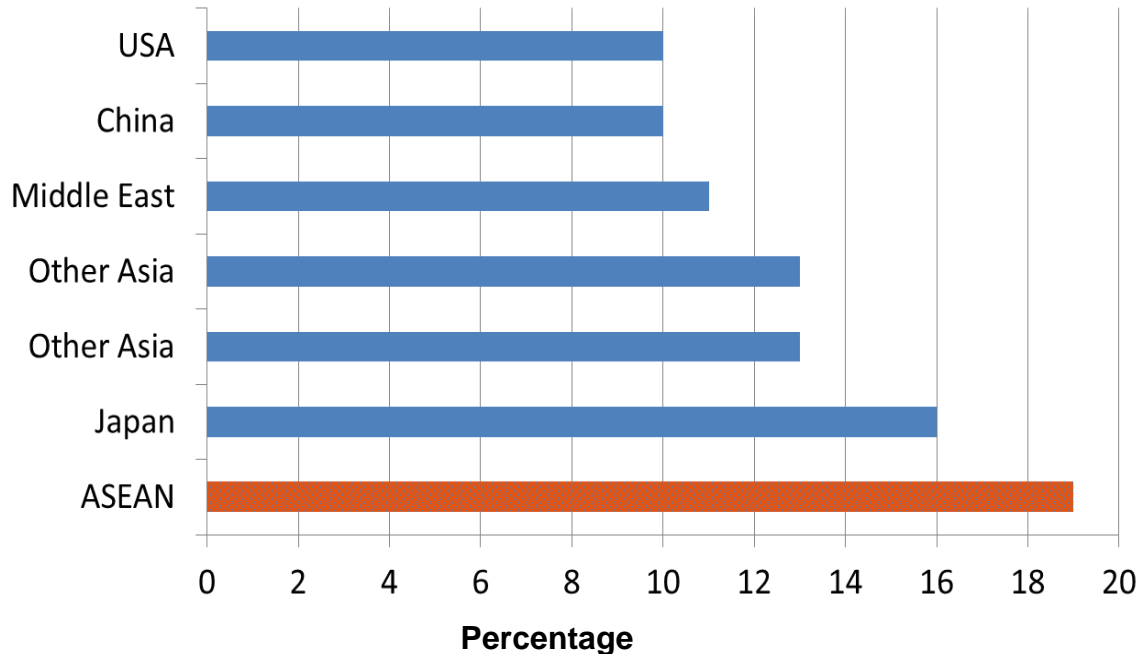


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Australian agricultural exports to ASEAN

**2008-09 exports to ASEAN valued at ~ A\$6 billion
OR 19% of total exports (↑)**



Source: ABARE, Westpac Economics

Grains, meat and dairy products are Australia's major commodities exported to ASEAN.

In 2010 key agri exports to ASEAN

- Grains ~ \$1.7b (↓ \$2b)
- Meat* ~ \$654m (↑ \$601m)
- Dairy* ~ \$646m (↑ \$610m)

Other key commodities are live animals (↓↓), sugar (↑↑), cotton (↑), beverages (↑) and malt (↓)



What is AANZFTA?

The ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) is:

- The first FTA Australia has signed since the onset of the global financial crisis
- The largest FTA that Australia has ever signed
- Came into effect on 1 January 2010 with the goal to deepen economic partnerships between ASEAN Australia-New Zealand

AANZFTA is the most comprehensive FTA ASEAN has concluded:

- It covers goods, services, investment, intellectual property, e-commerce, temporary movement of business people, and economic cooperation;
- It binds ASEAN tariffs and contains substantial tariff elimination commitments and WTO-plus commitments in other areas, which will strengthen Australia's commercial ties with the region;
- The commitments will expand and deepen over time in line with development of the ASEAN community towards economic integration – 'ASEAN 2015'



What does all this mean?

Within the ASEAN region...

- Thailand leading the way in driving regional economic cooperation
- Increasing harmonisation across the markets in ASEAN
- Growing pressure for consistency in the implementation of regulations and systems recognition
- Greater investment in agricultural developments and manufacturing facilities across markets

Key benefits for Australian agribusiness exporters...

- Greater access to increasingly linked supply chains
- Improved recognition of export to third markets within the region

Notwithstanding ongoing challenges...

- Domestic policies overturning regional commitments
- Regulatory matters and the 'grey economy'



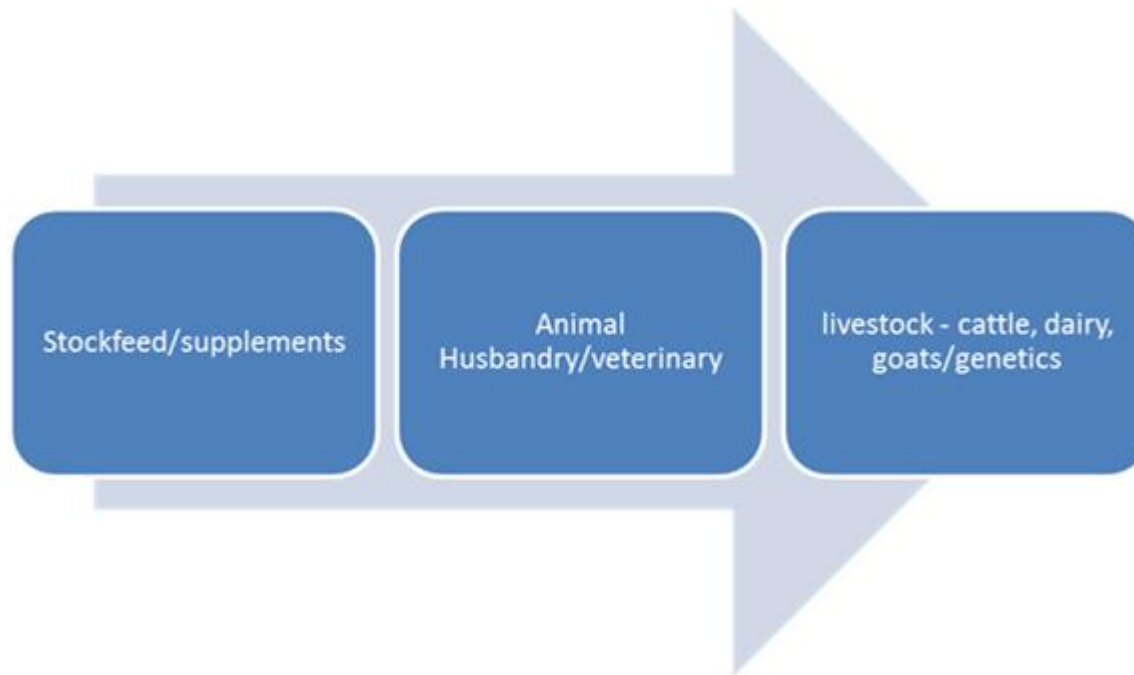
AANZFTA Tariff Highlights

Category	Previous Tariff (MFN)	Tariff Under AANZFTA	Country
Live Bovine Animals - Buffalo - Goats - Equine - Fish	3% 5% 40% (out of quota) 7% 30%	0% 0% 5% in 2018 0% in 2011 0%	Philippines, Thailand, Vietnam, Malaysia Indonesia Philippines Philippines, Indonesia (racehorses) Thailand, Malaysia
Wheat for food and feed Wheat flour	7% 20%	0.1 Baht/kg eliminated 0% 0% 0%	Thailand Malaysia Philippines (grains and wheat flour) Vietnam
Oats	7%	2.75 Baht/kg to be eliminated 0% 0%	Thailand Philippines Malaysia
Some Fertilizers	3% 5%	0% 0% 0%	Philippines Thailand Malaysia
Fresh Flowers	25% 54% 40% 15%	5% 5% 0% 0% 0%	Indonesia Thailand Vietnam Philippines, Malaysia



Agribusiness Opportunities across ASEAN

Opportunities across the value chain



Indonesia Update

Agriculture Sector Overview

- Agriculture contributed **13% to GDP** in 2009: growth at **6%**
- Agri exports to Indonesia in 2009/2010: **more than AUD 3.5 billion**
- Australia a major supplier of **live cattle, wheat, cotton, and sugar.**
- Policy agenda of **self-sufficiency by 2014** covers beef, dairy, sugar, and salt.
This creates opportunities for agricultural technology & services that support industry development.



Import Regulations and Tariffs

Stockfeed

- Animal feed material to be registered with the Directorate of Animal Feed, the Directorate General of Livestock and Animal Health at the Ministry of Agriculture.
- Applications need to comply with both technical and non-technical requirements.

Pharmaceutical products for Veterinary Use

- Animal medicine products to be registered with the Directorate General of Livestock & Animal Health.

Livestock

- Livestock import permits must be requested to the Directorate General of Livestock and Animal Health.



Indonesia Update

Agricultural Tariffs

- Indonesia yet to ratify the AANZFTA
- Bilateral discussions underway for a Comprehensive Economic Partnership Agreement (CEPA) :
 - Welcome input to develop the agreement – advice on lodging a submission:
<http://www.dfat.gov.au/fta/iacepa/submissions/preparing-submissions.html>

Opportunities across the value chain

Stockfeed

- Strong prospects. Foreign investors dominate the animal feed industry
- 80% of local feed production goes to poultry farming
- Indonesia can supply up to 7 million tonnes of feed per year
- Imported feed material: corn (50% - 60% part of feed), soybean meal (20% - 30% part of feed), meat bone meal (5-8% part of feed), poultry meat meal, and premix
- Latest feed product imported from Australia: wheat DDGS

Trends

- Most r&d on animal feeds being done in poultry feed
- Demand for aqua feed is growing in Indonesia

Live Opportunities- Stockfeeds

- Dairy cattle feed manufacturing technology, especially feed sourced from local plants (incl sugar cane)
- Meat Bone Meal, min protein 50%
- Poultry Protein Meal, min protein 65%
- Lupin meal for research and development purposes.
- Containerized wheat for feed.



Indonesia Update

Animal Husbandry

- Animal husbandry (poultry, small and large ruminants) is traditional and developing
- Requires skilled human resources to develop businesses in Indonesia

Trends

- Government providing loans to encouraging industry to develop animal breeding programs
- Consumer's increasing awareness on nutrition has increased animal protein consumption

Livestock

- Australia's largest market for live cattle export
- 2010 live cattle (beef) exports more than 520,000 head
- 2010 live cattle (dairy) exports more than 3,500 heads
- Import protocol for sheep/goat imports only allowed for research – NOT commercial use

Trends

- Self-sufficiency policy dominates debate on cattle imports
- For beef cattle: importer must purchase at least local cattle at 10% of the number of cattle imported, cattle to be quarantined for 14 days and must be fattened for at least 60 days
- Indonesia's dairy industry is growing and dairy consumption is increasing

Live Opportunities- Animal Husbandry

- Artificial insemination technology

Live Opportunities- Livestock

- Dairy cattle – Friesian Holstein



Indonesia Update

Key issues

- Regulation changes
- Import allocations in support of self-sufficiency agenda

Why consider the market?

- A population of 240 million people
- Rising income, urbanisation: more demand for high quality products, such as dairy and meat
- Government policy for self sufficiency creates a number of opportunities for technology transfer
- Australia is well known as one of the leading agribusiness supplying countries



Philippines Update

Agricultural Sector Overview

- Agriculture contributes **14% to GDP**
- Majority of livestock still raised in small-scale backyard farms. Pig farming and poultry production dominate the sector
- FDI into **Public-Private-Partnerships (PPP) in agriculture** being encouraged
- Australia a major supplier of agricultural commodities (**barley, wheat, pulses, dairy, and live animals**)

Import Regulations and Tariffs

Stockfeed:

- Feed grains need to be registered with the Bureau of Plant and Industries (BPI) whilst prepared animal feeds through Bureau of Animal and Industry (BAI)

Fertilizers/Pesticides:

- Register the product through the Fertilizers and Pesticides Authority (FPA)

Pharmaceutical products for Veterinary Use:

- An appointed distributor needs to register product through local Food and Drug Administration (FDA)

Livestock:

- Secure Veterinary Quarantine Clearance (VQC) from the Bureau of Animal and Industry (BAI)



Philippines Update

Agricultural Tariffs

- Tariffs for live animals (horses, bovine, sheep and goats) are phased to 0 by 2011
- Tariffs for prepared animals feeds (i.e. fish meal, vegetable oil cake, meat & bone meal) reducing in phases and to be eliminated by 2013
- ASEAN Free Trade Agreement - CEPT with ASEAN countries implemented in 2010

Opportunities across the value chain

Stockfeeds

- Vibrant local livestock production. 19.4% increase in last quarter of 2009
- Wheat is 40% composition of animals feeds & demand dependent on price & availability of corn
- Market players are integrated agri companies (end users), traders and agents

Trends

- Inputs for feed wheat such as corn, and other grains like barley, sorghum can be interchangeable-based on market prices
- BMI report shows feed wheat consumption increased by 1mn tonnes (20 times) in 2009
- Growth seen in the aquaculture industry vs hog and poultry

Live Opportunities- Stockfeeds

- Feed wheat for hog and poultry
- Feed oats, lucerne for Equine
- Bird seeds & oats for game fowl
- Protein meals, trace minerals and feed additives for all animals



Philippines Update

Animal Husbandry

- Demand for genetics for dairy/beef cattle and small ruminants
- Ongoing R&D in biotechnology for the swine industry
- Veterinary products, technology & equipment being sought (small & large ruminants, equine & swine)

Trends

- Continuous improvement of stock through live imports, artificial insemination & embryo transfer
- Politicians keen on livestock dispersals for livelihood projects

Livestock

- Import of thoroughbred horses to be sustained over next 3-5 years as long as American bloodlines available at Australian auctions or sales
- 99% percent of the total number of goats in the country is raised in household farms
- For the cattle sector, 94% of the country's stock belongs to the backyard category

Trends

- Revived customer interest in importing live animals with FedEx announcing their weekly trip to Manila
- Ongoing government projects for animal dispersal (PL 480)

Live Opportunities- Animal Husbandry and Veterinary

- Animal nutrition products for goats (i.e deworming, iron supplements and mineral blocks)
- Agricultural equipment for both feeder and dairy cattle

Live Opportunities- Livestock

- Goat- Boer, Saanen and Anglo Nubian
- Equine- thoroughbred/standardbred and mini horses
- Cattle-Grey Brahman-feeder, Dairy-Holstein Sahiwal, Fresian & Jerseys



Philippines Update

Key issues

- Various government agencies handling import processes
- Small growth in inventory of cattle due to pasture lands, restrictive trade policies, rising mortality & growing frozen beef imports
- Lack of equipment and knowledge in animal nutrition
- Price sensitive market, seeking consolidated live animal shipments



Why consider the market?

- Large population and rising incomes provides a growth market for wider variety of agricultural products
- Needs imported raw materials (grains, dairy, meat) to sustain domestic production for food and feed
- A relatively open trading system with some of the lowest applied tariffs in the region.



Vietnam Update

Agricultural Sector Overview

- **75% of the population** working & living by the agriculture sector
- Agribusiness accounts for about **20% of GDP**
- Majority of livestock are still raised in small-scale backyard farms
- Pig farming and poultry production dominate domestic agriculture industry
- Government **encouraging Foreign Direct Investment in Agriculture**



Import Regulations and Tariffs

Stockfeed

- Feed grains needs to ask permits from the Animal Husbandry Department
- Fish & bone meal needs to be registered with the Animal Health Department

Pharmaceutical products for veterinary use

- Exporters need to provide the ingredients for the National Centre for Testing Veterinary to test for an official announcement and to be eligible to circulate within Vietnam
- Pesticides- needs permits from the Plantation Dept. and the Plant Protection Department.

Livestock

- Still waiting for import protocol between Australia and Vietnam to be finalised



Vietnam Update

AANZFTA tariff highlight

- Wheat and barley to reduce from 5% to 0% in 2016
- Oats seeds to reduce from 3% to 0% in 2016
- Worked grained of maize (corn) to reduce from 10% to 5% in 2015 then down to 0% in 2017
- Wheat pellets to reduce from 20% to 5% in 2016 then 0% in 2017

Live Opportunities- Stockfeeds

- *Wheat pellets*
- *Fish & bone meal*

Opportunities across the value chain

Stockfeed

- Prepared animal feeds and feed ingredients or inputs
- Wheat is 60% composition of animals feeds but demand is dependent on price/ availability of corn
- Market players are integrated animal feed factories (end users), traders and agents

Trends

- Inputs for feed still based on corn and soybean, manufacturers are looking for new ingredients to replace soybean such a lupin to keep a price as low as possible.
- Feed factories with distribution network & strong branding overseas to push for functional foods.



Vietnam Update

Animal Husbandry

- Ministry of Agriculture & Rural Development is leading some projects to increase the numbers by importing semen and embryos of cows and goats

Trends

- There is a significant need to grow cattle herd but import protocol not finalised so importing semen is a workable alternative.

Live Opportunities- Animal Husbandry

- Semen
- Embryo

Livestock

- Dairy cattle are most in demand
- Goat a secondary priority after dairy cows
- Live horses is a small market for the entertainment market

Trends

- Imported cattle by air shipment (quick, small volume to trial)
- Importers cannot wait until protocol is finalised so there are some shipments already coming in from NZ and the US

Live Opportunities- Livestock

- TH Milk needs to import 1000 HF dairy cows
- Vinamilk needs about 10,000 dairy cows



Vietnam Update

Key Issues

- Cattle import protocol not yet in place
- Some changes in policy might happen without prior notice

Why consider the market?

- Emerging market with 70% of the population <30 years – strong consumer/worker base
- Rapidly expanding dairy sector
- Agriculture government priority for FDI (for ex. tax exemptions, land rental free for first 20 years)



Brunei Update

Agricultural Sector Overview

- Government of Brunei emphasis on **agriculture and agri-food development** to ensure food security and grow the sector's economic contribution to GDP
- Australia exports **live animals and stock feed** to Brunei
- Australia provides consultancy services in Agricultural industry



Import Regulations and Tariffs

- The **Animal Quarantine Unit of Department of Agriculture** Brunei is the authority that issues import permits for animals. Live animal imports should be supported by:
 - A valid import permit issued by the Department of Agriculture , Brunei Darussalam.
 - Health certificate from exporting country issued by a competent veterinary authority certifying that the animal(s) are free from disease of an infectious or contagious in nature.
 - Bill of sales and services.

AANZFTA tariff highlight

- Australia exports with zero tariffs on agricultural commodities.



Brunei update

Opportunities across the value chain

Stockfeed

- Brunei imports stockfeed mainly from Australia or indirectly via Malaysia for the livestock and equine industry.

Animal Husbandry

- Opportunities lie in consultancy and after sales services for animal and farm management. The Department of Agriculture announces tenders for consultancy projects in their website www.agriculture.gov.bn
- Veterinary services (animal nutrition, health)

Livestock

- Brunei imports live cattle , goats, horses

Aquaculture

- New technologies for seed production and new species for culture

Live opportunities: *Livestock*

Cattle –Brahman

Goats – Boer

Horses - Thoroughbred



Brunei update

Key issues

- Freight issues – Royal Brunei Airlines aircraft not suitable to carry livestock cargo.
- Increase in chilled beef imports has impacted on the live cattle imports. Live cattle imports increase mainly around the month of 'korban'
- Price sensitive market – importers tend to 'shop' around

Why consider the market?

- Except for poultry, eggs and leafy vegetables, Brunei is not yet self sufficient to meet the country's food supply demand
- Agriculture activities are mainly centered on the production of food commodities which heavily depends on raw material imports
- Achieving food security is a major goal for the government



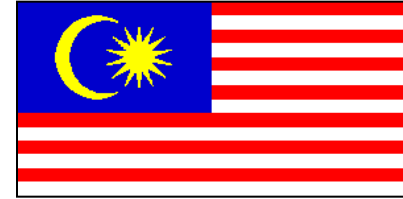
Livestock being loaded onto trucks at Muara Port yesterday



Malaysia Update

Agricultural Sector Overview

- Around 8% of GDP – dominated by palm oil production (for export)
- ↓ people employed in sector ↑ reliant on imports
- Leading halal market in ASEAN > positioning as hub market for ASEAN
- R&D investment to increase production in some key sectors (corn, rice, poultry) with (MARDI)
- Production in other areas (sugar, cocoa) continues to decline



Import Regulations and Tariffs

- Import licence from *Department of Veterinary Services (DVS)* required for meat, eggs, all dairy products, wine, plants & cereal flours. For seafood, import licences from *Fisheries Development Authority of Malaysia*. For plant and plant products, the Department of Agriculture issues import permits.
- All meat and livestock products (except pork) must be certified halal by a Malaysian approved Islamic organization (according to the *Malaysian Islamic Development Department (JAKIM)*). The Import license, Veterinary Health Certificate, and Halal Certificate must accompany each shipment and be properly labelled.

AANZFTA tariff highlight

- Australia exports with zero tariffs on agricultural commodities to Malaysia



Malaysia Update

Opportunities across the value chain

Stockfeed

- Shortage of feed ingredients ~ demand to grow 8%
- Australia supplies to livestock & equine industry
- Demand also growing for aquafeed
- Consultancy services in animal nutrition (feed blends)

Animal Husbandry

- Genetic materials required
- Breeding technology transfer to develop more robust x-breeds on local stock – cattle & goats
- Education & training required in veterinary science

Livestock

- Largest importer of Australian goats
- Growing demand for live cattle with ↑ in commercial rearing facilities (National Feedlot Program to double the herd by 2014)
- Camels now airfreight!



Live Opportunities - Livestock

- goats
- cattle (beef & dairy)
- feedlot management
- Abattoir construction & operation (halal)



Malaysia Update

Key issues

- Buyers shop around for best price (requests for quotes is a normal practice). Supplier discretion is required.
- Sustainability and survival of livestock and aquaculture in the Malaysian environment
- **Halal:** Commercial decision to maintain accreditation – however, with Malaysia having the most stringent regulations in halal, maintaining halal status under Malaysian requirements may enhance product branding in other halal markets in the future.



Thailand Update

Agricultural Sector Overview

- Geographical advantage – gateway to Indochina, Burma, Southern China
- **70 million** in agri related industries, agriculture contributes 10% to GDP
- Australia and Thailand – strong bilateral relationship - TAFTA

Import Regulations and Tariffs

Stockfeed

- Animal feed materials need to be registered with the Department of Livestock Development (DLD – Ministry of Agriculture)

Pharmaceutical products for veterinary use

- Veterinary medicine products must be registered with Food and Drug Administration (FDA – Ministry of Public Health)

Livestock

- Live cattle, poultry any other live animals must register with DLD – Ministry of Agriculture
**Tip* : Proceed with the importer to register your products with appropriate authorities (livestock with the Department of Livestock Development [DLD]; fertilizer with Department of Agriculture [DOA])



Thailand Update

AANZFTA tariff highlight

- TAFTA leads a very distinctive competitive advantage to Australian agriculture exporters
- Elimination of over 80% of all items from on day 1 of effective (1 Jan 2005) until now
- Target of zero tariffs, Australia and Thailand will eliminate virtually all tariffs on goods by January 2010 and on agricultural products by 2020

Opportunities across the value chain

Stockfeed

- Importation of feed material/ingredients: soy, corn, meat & bone meal
- Low grade wheat for animal feed
- Pet food ingredients and materials

Trends: Australian product accepted due to consistency in quality & reasonable price

Animal Husbandry

- Growing opportunity for training of Thai veterinarians & marine biologists
- Technology, R&D

*Trends: More Thai higher education students taking agricultural related programs (veterinarian, horticulture, fisheries, forestry and animal husbandry)
Increasing number of Thai veterinarians/officers taking scholarships in Australia.*

Live Opportunities - Stockfeeds

- Wheat
- Bovine
- Bone meal
- Soy

Live Opportunities - Animal Husbandry

- Vet science (cattle)



Thailand Update

Livestock

- Strong demand for cattle, poultry (incl ostrich), genetics. Vets from DLD required to inspect the farm/facility

Live Opportunities- Livestock

- Beef cattle
- Goats (meat)

Other

- Potential demand for cotton, used farm machinery, spare parts, after-sales-services



Thailand Update

Key Issues

- Political arrangement and stability
- Thai DLD has strict import regulations and exporters must work with AQIS to ensure that all requirements are met with appropriate certification
- Importers are price sensitive and exporters have to demonstrate value for money and consistency of quality supply

Why consider the market?

- Thailand is a major agriculture and food manufacturing country
- Global food companies use Thailand as a based for production and re-export
- Importers seeking quality inputs to produce export quality value added products
- Australia and Thailand – strong bilateral relationship since implementation of TAFTA agreement in 2005



Agribusiness Initiatives across ASEAN

- ASEAN Grains Buyers Mission : April 2011
- ASEAN Goat Buyers Mission : April/May 2011
- ASEAN Dairy Technology & Services Mission to Indonesia & Thailand : June 2011
- Magic Millions 2011 National Sales : June 2011



Events In ASEAN

Date	Location	Name of Event	Type of Event
4 - 6 March 2011	Jakarta, Indonesia	Agrinex Expo 2011	Agribusiness exhibition
25-26 March 2011	Cagayan de Oro Philippines	Federation of Cattle Raisers and Association of the Philippines	Industry gathering, farm visits and tours
15 – 17 June 2011	Surabaya, Indonesia	Indolivestock 2011	Livestock and feed exhibition
20-23 Sept 2011	KL Convention Centre, Kuala Lumpur, Malaysia	Malaysia agro 2011	Agriculture and Agro based services exhibition only (no livestock)
6-8 October 2011	Manila, Philippines	Agrilink 2011	Agribusiness exhibition Livestock, supplements, agricultural equipment



Useful Links

For more information on AANZFTA see:

- www.dfat.gov.au/trade/fta/asean/aanzfta/
- Austrade AANZFTA Tariff Finder: <http://aseantariffs.austrade.gov.au/>
- <http://aanzfta.asean.org/>

For any queries please email us:

- ASEAN.agribusiness@austrade.gov.au





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ASEAN – now! The place to grow.

Khob Khun Kaa! Cam on! Terima kasih! Selamat!

Thankyou