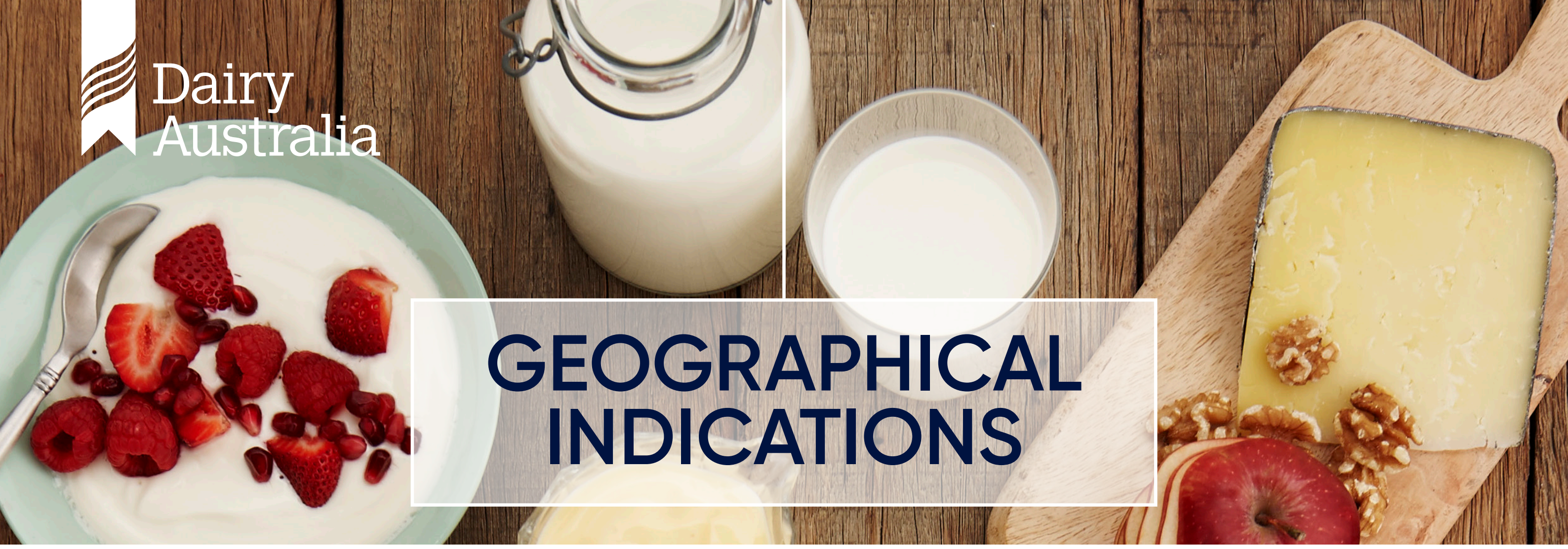

GEOGRAPHICAL INDICATIONS

AUSTRALIAN DAIRY INDUSTRY CONCERNS WITH THE AUSTRALIA–EU FREE TRADE AGREEMENT

The Australian dairy industry is a supporter of an open trading environment and welcomes Free Trade Agreement (FTA) discussions that are focused on opening market access arrangements between countries. However, we have some significant concerns with the Australia–European Union FTA.

The industry is deeply concerned with European Union (EU) efforts to impose its overly restrictive and anti-competitive Geographical Indications (GIs) regime on Australia. The EU's attempts to usurp common food names, unfairly displace Australian products and misuse its market power are unjustified. In effect, it privileges one set of food producers – those in the EU – over others.

The industry seeks to ensure ongoing use of common food names that are part of the public domain, and the continued use of food names that can also legitimately be used in world markets.

Australian dairy does not oppose the concept of GIs, but opposes the trade restrictive nature of the EU's GI system. That is, when common food names exist.

The impact of a strict agreement on GIs will be keenly felt by farmers, with the possibility of lower demand for raw products which will impact on farmers' returns. Reduced company sales and revenues will flow through into weaker demand for off-farm milk and negatively affect regional farm gate prices.

There will also be a substantial impact on cheese manufacturers around the country. This includes large processors and more local, award-winning, specialty cheese makers. Many cheese makers brought their cheese making skills from Europe, as migrants to Australia, forming part of Australia's rich migration story. These businesses are often significant employers, who have grown their business over preceding decades.

What are Geographical Indications?

A Geographical Indication (GI) identifies a product as originating in a specific region where a particular quality, reputation or other characteristic of the good is attributable to that geographic origin. This is best illustrated with an example from the wine industry, where champagne and burgundy are both now protected GIs. This means that Australian wine producers are not able to call wines by these names.

An agreement on GIs as part of an Australia–EU FTA could have two possible impacts:

1. Restricted use of common food names, including names of cheeses commonly produced in Australia.
2. Restricted use of packaging and labelling that are judged to evoke an image of a particular EU product in the mind of the consumer. E.g. flags, colours or images that evoke European nations.

A strict agreement on GIs has the potential to significantly impact Australia's dairy industry.

What’s the size of the risk?

Reflecting Australia’s migration history, our industry produces at least 15 varieties of cheese whose future production and sale is at considerable risk if GI protections are enforced in the Australian market.

Two varieties – feta and parmesan – dominate the highest risk category. Both these varieties are widely produced locally, with over 70 brands of feta and 30 brands of parmesan on sale.

Since many Australian firms also utilise their European heritage in their production and local marketing, it is very possible that an FTA agreement on dairy GIs would be adversely affect future sales of an additional 45,000 tonnes of Australian cheese (with a domestic sales value of $300 million) based on the evocation rules embodied in any GI protocols. At a minimum, many of these local cheese manufacturers would have to incur major re-branding, re-labelling and re-marketing costs under a FTA.

There is also a risk for Greek style yoghurts. While traditionally not considered subject to GI protocols, recent moves in the EU highlight that there is some commercial risk for Australian producers. In addition to the potential loss of product sales (currently worth $120 million, p.a.), Australian firms could face some significant transition costs, if like cheese, their current product labelling is found to be the subject to the evocation provisions in a FTA.

Local products with aggregate annual sales of over $650 million are at some commercial risk if dairy GI protections are built into any EU FTA. Estimating the extent of any permanent industry revenue loss is difficult in advance of any final FTA text/details. The potential direct cost to Australian dairy manufacturers (due to lost sales and increased marketing costs) from the strict enforcement of dairy GIs under a FTA could range from $70-90 million p.a. in the early years of the FTA. That is, an aggregate cost of $210-270 million over the first three years of implementation.

DAIRY NAMES AT RISK INCLUDE
Feta
Parmesan
Grana Padano
Haloumi
Havarti
Pecorino Romano
Neufchatel
Taleggio
Gruyere
Asiago
Greek yoghurt

What's the expected impact on employment?

The employment impact of a strict GI regime is expected to be considerable, particularly in rural and regional Australia. Dairy is a significant employer both regionally and in the outer suburbs of major cities where a number of medium scale cheese and yoghurt production facilities are located. This also includes small artisan cheese producers.

Dairy Australia estimates, based on Econsearch multipliers, suggest that reduced industry revenue from the imposition of an EU GI regime could see Gross Regional Production across Australia drop by over $220 million and dairy employment (both regionally and in the outer suburbs of major cities) decline by 650–1,000 people.

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