

# HONG KONG – AUSTRALIA FREE TRADE AGREEMENT

## WHAT'S IN IT FOR DAIRY?

The Hong Kong – Australia Free Trade Agreement (FTA) entered into force on 17 January 2020.

Hong Kong is an important export market for Australian dairy. The Australia- Hong Kong FTA will provide certainty, and security for Australian dairy exporters, as well as strengthen the long established and valued partnership with Hong Kong in the supply of high-quality dairy products.

### Hong Kong is an important market for Australian dairy exports

tonnes over the past ten years. This makes Hong Kong one of the top ten export markets (typically number 8) by volume for Australian dairy with on average just under 4% of total Australian dairy exports destined for the Hong Kong market. In value terms dairy exports to Hong Kong have ranged between \$100 million and \$150 million per annum in recent years.

### Global exports to Hong Kong in 2019-20

- Rank at #18 in the global dairy market (by volume).
- Destination for 226.8 thousand tonnes of dairy product, worth US \$1,327.0 million (March 2019 to February 2020).
- Exports to Hong Kong have decreased by 8.0% over 5 years.
- The biggest volume growth (product categories exceeding US\$20 million) has been in: Cream (48%), Infant Powder (18%), Ice Cream (16%), Milk (3%) and Butter (1%).
- The biggest volume decline (product categories exceeding US\$20 million) has been in: WMP (-47%), Condensed Milk (-41%) and Cheese (-13%).



### Australian market share in 2019-20

- Rank at #4 in the share of the Hong Kong import volume.
- Destination for 27.4 thousand tonnes of Australian dairy product, worth US \$109.0 million (March 2019 to February 2020).
- Exports to Hong Kong have increased by 7.1% over 5 years.
- The biggest volume growth (product categories exceeding US\$1 million) has been in: Infant Powder (425%), Yogurt (27%), WMP (14%), Milk (12%) and Cheese (2%).
- The biggest volume decline (product categories exceeding US\$1 million) has been in: Butter (-54%), SMP (-29%) and Condensed Milk (-18%).

**Table 1** Australia's exports to Hong Kong

| Product Group | Market Share (USD) |             | Volume (1000 of tonnes) |             | Value (Million USD) |              |
|---------------|--------------------|-------------|-------------------------|-------------|---------------------|--------------|
|               | 2015-16            | 2019-20     | 2015-16                 | 2015-16     | 2015-16             | 2019-20      |
| Butter        | 26.1%              | 13.5%       | 2.1                     | 1.2         | 8.2                 | 6.5          |
| Cheese        | 19.7%              | 27.9%       | 3.1                     | 3.4         | 13.1                | 19.0         |
| Infant powder | 5.3%               | 4.8%        | 1.4                     | 2.2         | 26.9                | 42.8         |
| Milk          | 22.2%              | 27.4%       | 14.2                    | 16.3        | 17.5                | 20.8         |
| WMP           | 6.1%               | 16.2%       | 1.0                     | 1.3         | 5.9                 | 10.1         |
| <b>Total</b>  | <b>7.5%</b>        | <b>8.2%</b> | <b>25.6</b>             | <b>27.4</b> | <b>81.9</b>         | <b>109.0</b> |

## Dairy market access to be locked in at zero tariff

The Australia-Hong Kong Free Trade Agreement is important for Australian dairy because it ensures that Australian dairy products will face a zero per cent tariff into the future.

Hong Kong currently does not impose import tariffs on dairy products from any source, including Australia. The Australia-Hong Kong Free Trade Agreement locks in a zero % tariff on Australian dairy products. This provides confidence and surety for Australian exporters. At some point in the future Hong Kong could decide to increase import tariffs from the currently applied rate. Implementation of the Australia-Hong Kong Free Trade Agreement will remove this risk for Australian dairy exports to Hong Kong.

## Addressing technical barriers to trade

The industry welcomes the specific text within the agreement that refers to the management, transparency, cooperation and reciprocal elimination of technical barriers to trade in goods, which will assist in a practical sense if the dairy industry encounters access issues into Hong Kong in the future.

## Dairy customer relationships are long established and valuable

Australian processors have a history of partnering with ingredient blenders and food manufacturers in Hong Kong to supply high quality, innovative dairy products. Food manufacturers in turn value add our ingredients; creating jobs and wealth in respective supply chains.

Dairy Australia has undertaken market development programs to Hong Kong for the past 15 years. Hong Kong dairy/food processors and trading companies have participated in the annual Dairy Australia Scholarship training program since 2002, and nearly 20 senior and middle managers representing the Hong Kong dairy industry have taken part in the training program and became member of the Dairy Australia alumni program. Dairy Australia also holds regular seminars and workshops in the market to promote Australian dairy products to the local industry.

The Australia-Hong Kong Free Trade Agreement will assist to support and strengthen existing networks and relationships between the Australian dairy industry and customers of Australian dairy in Hong Kong.