

MEDIA RELEASE

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Chinese partnerships boost agribusiness profitability

Australian farmers and agribusiness entrepreneurs working with Chinese businesses are reporting greater access to new markets and value chains, which is translating to increased profits, according to new research released today.

Commissioned by The Australia China Business Council (ACBC) and sponsored by NAB, the *2014 Australia-China Trade Report* is the only report of its kind to provide such a deep analysis of the benefits to Australian agribusiness from trade with China.

Key findings from the report include:

- 89 per cent of Australian agribusiness firms surveyed describe their two year business outlook with China as optimistic
- 88 per cent of Australian agribusiness firms surveyed say China is important to their global expansion plans
- 57 per cent of all businesses surveyed say Chinese contacts have provided access to value chains for new markets
- the benefit to Australian households of trade with China increased five-fold from A\$3,400 in 2009 to A\$13,985 in 2013
- direct trade from Australia to China contributes 5.5 per cent to Australian GDP, amounting to \$79,150 million.

ACBC President John Brumby said export of agricultural and food products from Australia to China have risen dramatically since 2009.

“China is now the largest market for Australian agricultural and food products. Chinese demand for premium and high quality Australian food products, such as beef and other meats, has increased dramatically in the last two years,” Mr Brumby said.

“In 2013, Australian exports of beef to China increased nearly four times, oil seeds five times, and other meat exports doubled year-on-year.”

Khan Horne, NAB General Manager Agribusiness, explained the report breaks new ground by providing the first close analysis of the impact of bilateral trade between Australia and China on Australia’s business and economic integration with global value chains.

“Partnering and coordination with Chinese businesses allows Australia businesses to gain access to new value chains or to improve their position in existing value chains,” he said.

“It can also afford Australian agribusinesses access to new markets and the ability to distribute goods and services to both Australian and Chinese markets. Thirty-seven per cent of surveyed Australian agribusinesses have a partnership in place with a SOE; however there is still a lot of potential as this figure is as high as 83 per cent in other sectors.”

Mr Horne said there is considerable growth potential for Australian agribusiness in processed food as Chinese incomes rise.

“Just three per cent of Australian agricultural exports are destined for the Chinese consumer

market compared with 24 per cent of New Zealand's exports, pointing to untapped market opportunities for Australian exporters.

"Physical infrastructure is still a barrier for Australian agribusiness exporters, with 50 per cent of respondents sighting this as an impediment to dealing with China."

Mr Brumby said the report's release was perfectly timed, given Australian firms are looking at how they can engage with China following the signing of the Australia-China Free Trade Agreement late last year.

"This is a report by business for business and clearly explains how many Australian businesses are succeeding in China," Mr Brumby said.

"An encouraging development is represented by Chinese plans to invest in the Australian agricultural sector such as the recent announcement by the Beijing Agricultural Investment Fund to invest \$3 billion in an agribusiness supply chain stretching from Australian farms to Chinese consumers.

"This degree of transnational supply chain integration involves significant infrastructure investment at both ends of the chain, as well as major challenges in operations management."

Mr Horne said global value chains – where different stages of the production process are located across different countries – have traditionally been difficult for Australian businesses to infiltrate.

"This research shows that existing relationships with Chinese trade partners are opening doors for Australians in previously untapped global networks. In fact, 80 per cent of businesses surveyed claim that their China business is part of their global value chain," Mr Horne said.

"A high proportion of Australian agribusinesses say their profits have increased over the last two years, with profitability linked to cooperation with Chinese partners and integration into value chains."

The 2014 Australia-China Trade Report was formally launched today by the Minister for Foreign Affairs, The Hon Julie Bishop, at the Australia China Business Council Networking Day at Parliament House, Canberra.

This year, in preparing the report, the ACBC conducted an exclusive business survey of over 200 Australian firms engaged in Chinese business, predominantly from its membership. The report is supported by case studies from different industries and a new data source, the World Input-Output Database.

The 2014 report goes further this year by analysing the impact of Australia-China trade across industry sectors, including Australia's integration with global value chains, and the flow-on effects for the Australian economy down to the household level. The report was prepared thanks to major sponsorship from the National Australia Bank and seed funding from the Australia China Council of the Department of Foreign Affairs and Trade (DFAT).

To download a full copy of the report visit: <http://www.acbc.com.au/Publications>

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