

Agriculture in the United States and Australia may share some similarities, but when it comes to free-trade talks, the connections are less clear. As officials from both countries consider the upside of a free-trade agreement (FTA), U.S. beef producers question the “Down-Under” deal.

“A successfully negotiated U.S.-Australian FTA should serve as an example of how an *open*, as opposed to *free*, trading environment can be established, even between staunch competitors,” says Gregg Doud, National Cattlemen’s Beef Association (NCBA) chief economist. “By open trade we mean equal access into each partner’s market.”

NCBA has historically expressed reservations about entering any FTA that provides more access to American markets than the United States gets in return. Doud says NCBA prefers a trading environment with open, or equal, access to both partners’ markets. Currently, Doud notes that the United States is the world’s largest beef importer and second-largest beef exporter. At the same time, Australia is the world’s largest beef exporter and currently enjoys the largest market share — about one-third — of the more than \$2.5 billion U.S. fresh and frozen beef import market.

“Relatively speaking, U.S. beef exports to Australia would fit in the trunk of a car,” Doud says. Australia’s beef shipments to the United States last year totaled \$884 million.

The NCBA, as part of a coalition of several other agriculture groups, has voiced concerns about the FTA to Agriculture Secretary Ann Veneman and U.S. Trade Representative Robert Zoellick, who support the negotiations. In a letter late last year the coalition stated, “U.S.-Australian agricultural trade is highly unbalanced in favor of Australia, and involves a number of complex and sensitive commodity issues which can only be effectively addressed in the WTO (World Trade Organization) negotiations. . . .”

Another view

The Australians have a different perspective. Michael Thawley, the Australian ambassador based in Washington, D.C., since 2000, recently told members of the Saint Louis (Mo.) Agribusiness Club that



What’s the upside of free trade for U.S. beef producers?

by Barb Baylor Anderson

Australia’s total food exports are less than the increase in U.S. food consumption each year.

“The Australian beef industry is one-sixth the size of the U.S. beef industry, and our exports represent only 3% of the total U.S. beef production,” Thawley says. “The United States is not buying (Australian) beef as charity, the U.S. wants to add value to its beef trim waste . . . the U.S. is an investor in the Australian beef industry.”

Thawley believes an FTA would benefit both countries because U.S. and Australian ag producers face similar issues, including the challenges created by farm and industry consolidation and global trade issues. He sees the FTA as an opportunity for both countries to benefit from growth markets in Asia, rather than as a threat.



“Our economies are closely integrated,” he says. “Australia is one of the best markets for high-value U.S. products. Australia also imports from the U.S. much of its inputs for the agriculture sector, chemicals and fertilizer, and is Caterpillar’s second-largest import market. The U.S. is the No. 1 investor in Australia, and we are the eighth-largest investor in the U.S.”

Agriculture represents one-quarter of Australia’s total exports, although the industry is a small part of the economy, Thawley adds. Even so, the industry has been hit

hard. Ag producers have seen an 80% drop in national farm income and an increase in farm costs.

“Most of our ag exports went to the United Kingdom, but that disappeared with the creation of the European Union (EU). Australia can’t afford subsidies, so we have had to attack EU farm policy from within,” he notes, quipping that, “You can get a cheaper steak from Australia than from the EU, even if you put the animal in a first-class seat on a Qantas (airplane), feed it Dom Perignon and slaughter it in Brussels.”

Thawley stresses that Australia is a free trader, not a major subsidizer. “If the U.S. can’t have an FTA with us, then whom can you have an FTA with?” he says. “The FTA won’t solve all of our differences in policy, but it can bring benefits to both economies. We can increase two-way investment with an FTA . . . We can use the FTA to provide a model for the WTO round in agriculture. Free-trade agreements can raise the bar for a better WTO resolution.”

Still, NCBA believes balanced trade can only come through comprehensive, multilateral WTO negotiations.

“NCBA will not support increased access to the U.S. beef market (in an FTA) until meaningful access and tariff reduction are achieved in other major beef-importing countries,” Doud says. “Because Australia, New Zealand and several South American countries are major beef exporters and major beef importers are in Asia and Europe, balanced trade can only be achieved through WTO negotiations that gain more access than we give.”

