

Australia

Type: Strategic Market; High Volume, Large Market Share

Australia is a leading export market for U.S. agricultural equipment. It is the United States' largest market outside North America and was the third-largest overall in 2014. U.S. exports last year totaled \$785.7 million, a decline of 4.3 percent from the previous year. Australia primarily imports original equipment; exports of parts are largely for after-market sale. Equipment for the grain and oilseed sector dominates U.S. exports to Australia, although the country is also a market for a wide range of machinery to produce fruits, vegetables, orchard crops, and other high-value commodities. Australia is a top market for U.S. exporters of all sizes. As a result of the U.S.-Australia Free Trade Agreement (AUSFTA), barriers to U.S. exports are negligible.

U.S. Exports*:
3

Export* Growth:
18

U.S. Import Market
Share: 51%

*Note: Ranking based on a comparison of U.S. exports to forty strategic markets including signatories of major trade agreements and all members of the European Union and the Organization for Economic Cooperation and Development.

ITA expects U.S. agricultural equipment exports to Australia will decline slightly again in 2015, due largely to weak global prices for grain and oilseeds. Exports to the country's livestock and fresh-produce sectors are likely to rise, however, on the strength of robust demand for higher-value food products in Australia's Asian export markets. Total exports may grow modestly in 2016, as global grain and oilseed prices stabilize and the livestock and produce sectors expand their sales in Asian markets. Low commodity prices and Australia's prolonged drought will continue to depress farm income overall, however—and with it, many farmers' ability to invest in new machinery and equipment.

Overview

Australia is a strategic market for U.S. agricultural equipment exporters. Shipments from the United States account for 51 percent of the Australian import market.²³ The country's agricultural economy is highly capital-intensive and makes extensive use of advanced technologies. Australia is a leading global supplier of commodities such as wheat, barley, rapeseed, cotton, and a wide range of fruits, vegetables. The country also exports a large and growing volume of higher-value products to major Asian economies.

Australia's is attracting significant foreign investment in agriculture from China, the Middle East, and

elsewhere. Dairy is a major growth sector. Production of tree nuts—especially almonds and macadamias—is increasing rapidly as well. The on-going drought in California is boosting investment in almond production in particular.

U.S. agricultural equipment is highly regarded and widely available. As a result of AUSFTA, trade barriers are negligible. A very small domestic agricultural equipment industry does not represent significant competition. Nevertheless, strong third-country competition from Asian and European manufacturers challenge U.S. suppliers across all the major categories

Australia: Major Products

- Red Meat (33.6 percent).
- Grains, oilseeds, and other row crops: (25.9).
- Dairy (11.8).
- Fresh Produce & Spices (10.4).
- Poultry (6.6).
- Other: cotton, sugar cane (9.0).

(Percentage share of the top 20 commodities produced in 2012, by value; Source: U.N. Food and Agriculture Organization.)

of agricultural equipment sold in the Australian market.

Australia is the United States' third-largest export market for agricultural equipment, worth \$785.7 million in 2014²⁴. Exports related to grain, oilseed and row-crop commodity production were worth \$337.9 million in 2014 and represented 43 percent of total U.S. exports. Exports to the fresh produce and livestock sectors represented 6.4 and 3.2 percent of total exports, respectively, worth \$50.9 million and \$25.8 million. Agricultural sprayers accounted for 4.8 percent of total exports, worth \$36.2 million.

Exports of tractors in the 40-100hp and less than 40hp ranges were a very small percentage of overall exports.

Australia's small domestic agricultural equipment manufacturing industry is not a significant market for U.S. parts exports. U.S. parts exports to Australia were worth \$197.5 million in 2014, 25.1 percent of total exports.

Exports of U.S. agricultural equipment to Australia declined 4.3 percent in 2014. This was due to the steep world-wide decline in grain prices beginning in 2011-2012. Equipment exports have not been helped by the declining value of the Australian dollar vis-à-vis the U.S. dollar since 2013.²⁵

Grains, oilseeds, and other row crops account for a quarter of the total value of Australia's top 20 agricultural products [see box]. This sector also accounts for more than 40 percent of U.S. agricultural equipment exports. U.S. exports to the sector fell 12.7 percent last year, which had a major impact on U.S. agricultural equipment trade with Australia overall. Exports of agricultural sprayers declined even more sharply, by 43.7 percent, to \$36.2 million.

The decline in sales to Australian grain farmers was mitigated somewhat by growth in exports to other sectors of the country's agricultural economy. U.S. exports to the fresh produce sector rose 2.3 percent in 2014, to \$50.9 million. Exports to the livestock sector expanded as well, rising 6.8 percent to \$27.5 million. Shipments of agricultural parts grew 13.8 percent, to \$197.5 million. Exports of 40-100hp and less-than-

40hp tractors were mixed, with a total volume of less than one percent.

New technologies are of great interest to Australian farmers. In a country where labor is scarce and expectations for food safety are high, robotics for the dairy sector and self-propelled equipment will be well-received. Equipment for irrigation and improved water-management is another area of opportunity for innovative technologies. Unmanned aerial vehicles (UAVs) adapted for agriculture will also find application in Australia.

Agricultural equipment is sold in Australia to roughly 134,000 commercial farms through a network of dealers estimated to number 604 in 2013. Of those dealers, nearly 60 percent are part of groups with two or more outlets. Distribution channels have become much more concentrated in recent years. Single-store dealerships are becoming rare, while overseas dealers are moving into the market.²⁶

U.S. exporters need to take account of Australia's unique geography. Australia is as large as the continental United States. On the other hand, the population is only 1/15th that of the United States and is concentrated in the major coastal cities. Seasons are the reverse of the northern hemisphere. In agricultural regions, towns and cities typically have 5,000 – 150,000 inhabitants, and are served by correspondingly small- to medium-sized businesses.

Given Australia's geography, U.S. exporters should be prepared to develop regional or state-based dealer relationships. Western Australia, which is quite remote from the eastern States, should be considered a discrete market in its own right.²⁷

The outlook for Australia's agricultural equipment market in 2015-16 is complex. The livestock—beef, dairy, poultry, and pork—and produce sectors are poised to grow in the near term and beyond. Grain and oilseeds are likely to stagnate, however. New capital investment will be required to enable Australian growers to make the most of expanding export opportunities—and intensifying competition—in China, Japan, and elsewhere.²⁸

Major Trade Events

Domestic

Big Iron Farm Show

Fargo, North Dakota
bigironfarmshow.com

The Farm Progress Show

Boone, Iowa
farmprogress.com/

International Production & Processing Expo

Atlanta, Georgia
ippexo.org

The Irrigation Show

Long Beach, California (2015)
www.irrigation.org/irrigationshow/

World Ag Expo

Tulare, California
worldagexpo.com

International

CRT FarmFest

Toowoomba, Queensland
www.farmonline.com.au/events/farmfest/

Commonwealth Bank Ag-Quip Field Days

Gunnedah, New South Wales

Dowerin Field Days

Dowerin, Western Australia
www.dowerinfielddays.com.au/

Elmore Field Days

Elmore, Victoria
www.elmorefielddays.com.au/

Henty Field Days

Henty, New South Wales
hmfd.com.au/

International Dairy Week

Tatura, Victoria
internationaldairyweek.com.au/

Irrigation Australia

Mascot, New South Wales
irrigation.org.au

New Zealand National Ag Field Days

Hamilton, New Zealand
www.fieldays.co.nz/

Wimmera Machinery Field Days

Horsham, Victoria

Growth in Australia's agricultural economy is forecast to lag behind GDP, private consumption, and the industrial and service sectors of the national economy in 2015 and 2016. Still, this represents an improvement over negative growth in 2014, estimated by the Economist Intelligence Unit at -2.0 percent. Further depreciation in the value of the Australian dollar relative to its U.S. counterpart is likely.²⁹ Australia's recent trade agreements with Korea, Japan, and China and the opportunities they create for Australian farmers will drive growth in U.S. agricultural equipment exports in years to come. The Australian Government is aggressively pursuing a bilateral trade agreement with India and several multi-lateral agreements including the Trans-Pacific Partnership.

The Korea-Australia Free Trade Agreement (KAFTA), entered into force on December 12, 2014. The Australian Department of Foreign Affairs and Trade reports that half of Australia's agricultural exports were able to enter Korea duty-free at that time. Tariffs will be eliminated on 98 percent of Australian exports when KAFTA is fully implemented. Tariffs were eliminated immediately on many types of fruits and

vegetables, wine, wheat and wheat gluten, and sugar. Tariffs will be eliminated progressively on beef and other red meat, cheese, butter, and other types of fruits, vegetables, and higher value crops.³⁰

The Japan-Australia Economic Partnership Agreement (JAEP), which took effect January 15, 2015, will eliminate or reduce many Japanese tariffs on Australia's most important high-value agricultural exports. Other products will benefit from various types of preferential access to the highly-regulated Japanese market. A total of 19 "Australian-only" tariff rate quotas (TRQs) will be available for 19 agricultural products.³¹

Treatment of Australian agricultural products varies widely under JAEP. For numerous fruits and vegetables, tree nuts, citrus and other orchard and tropical fruits, the agreement provides for immediate or phased-in elimination of Japanese tariffs. In some cases, other forms of preferential access are granted instead. Tariffs will also be eliminated on many categories of processed fruits and vegetables, juices, confectionary, honey, tea, and other products.³²

In the case of meat and dairy products, JAEPA significantly reduces tariffs for beef and related products and eases other restrictions as well. Australian pork and poultry will receive improved quota treatment. Dairy provisions extend duty-free or other preferential quotas, and in some cases eliminate tariffs for cheese and certain processed dairy products.³³

On November 17, 2014, Australian Trade and Investment Minister Andrew Robb and his Chinese counterpart signed a Declaration of Intent to sign the China-Australia Free Trade Agreement (ChAFTA), following the completion of negotiations.³⁴

According to the Australian Department of Foreign Affairs and Trade, when fully implemented ChAFTA would remove all Chinese tariffs on dairy products, beef, live animals, mutton and lamb, wine, produce, and barley. Phase-in for tariff elimination would vary by product, from immediately for barley, to nine years for beef and four to 11 years for produce. Chinese tariffs would also be eliminated on a variety of processed foods, including fruit juice and honey.³⁵

The Australian Government believes that ChAFTA will provide a significant advantage for Australian agricultural exports over their leading international competitors, including the United States, Canada and the European Union. More defensively, the agreement may counter the advantages currently enjoyed in the Chinese market by Chile and New Zealand as a result of those countries' FTAs with China.³⁶

On the downside, Australian grain and oilseed producers will continue to suffer from declining global commodity prices through 2015. Recovery in this sector is unlikely before 2016, when commodity prices can be expected to stabilize.

In addition to shrinking farm income, many Australian growers are burdened with heavy debt. To a considerable extent, this is a result of reduced income resulting from long-term drought. The extension of drought conditions is a major long-term threat to Australian agriculture. Consequently, many Australian farmers will remain in a weak position to make significant investments in machinery and equipment.³⁷

Market Access/Trade Barriers³⁸

As a result of AUSFTA, Australian tariffs have been eliminated on 99 percent of U.S. manufactured

industrial and consumer goods. To be eligible for preferential tariff treatment under AUSFTA, imported goods must be obtained or produced entirely in the United States, or produced in the United States entirely from materials originating in either Australia or the United States. U.S.-manufactured goods may also qualify for preferential treatment if they are produced in part from materials obtained from third countries. However, these materials must meet the requirements of the AUSFTA rules of origin with respect to the level of source content, and/or the type of physical transformation that occurs during manufacturing.

The Australian Customs and Border Protection Service has sole jurisdiction to clear imports, including determinations regarding rules of origin. Local importers are responsible for obtaining formal Customs clearance for goods.

The most frequently used method of valuing goods for customs purposes is transaction value, which is based on the price actually paid (or payable) for the imported goods subject to certain adjustments. Valuation of imported goods can be complex and importers should consult a customs broker or contact Australian Customs.

Although virtually all U.S.-origin goods may enter Australia duty-free, imports may still be subject to the Goods and Services Tax (GST). Other charges may apply, as well. The importer is liable for the 10 percent GST on both new and second-hand goods. The amount paid or payable for international transport and insurance is included in GST-taxable import value.

Goods may be brought into Australia on a temporary basis without the payment of duty or taxes for up to twelve months. Product samples and goods imported for display at trade fairs are eligible for temporary import. Goods covered under the provisions of certain international agreements to which Australia is a party are also eligible for admission.

Customs does not require companies or individuals to hold import licenses, but importers may need to obtain permits to clear their goods. The basic documentation required for customs clearance includes a completed Customs Entry or Informal Clearance Document and an air waybill or bill of lading. Invoices and other documents relating to the transaction are required, as well. Normal commercial invoices, bills of lading, and receipts are acceptable.

As a WTO Member, Australia is a party to the WTO multilateral agreements including the General Agreement on Tariffs and Trade (GATT) and the Agreement on Technical Barriers to Trade (TBT), which includes the Code of Good Practice for the Preparation, Adoption and Application of Standards.

Standards developed by the International Organization for Standardization (ISO) are in common use. Standards Australia is the country's leading standards development organization and is Australia's member body to ISO, the International Electrical Commission (IEC), and the Pacific Area Standards Congress (PASC). Although not a government agency, Standards Australia is widely recognized as the leading standards development body in Australia. In partnership with SAI Global Ltd., Standards Australia provides standards and related products.

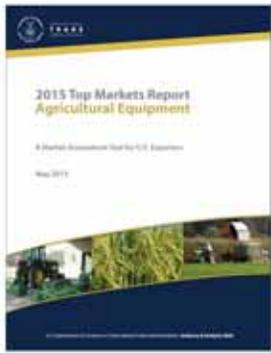
For more information on doing business in Australia, consult ITA's "Doing Business in Australia: 2013 Country Commercial Guide for U.S. Companies," www.buyusainfo.net/docs/x_8698727.pdf

Agricultural trade shows—known as “field days”—are the principle means of showcasing agricultural

equipment in Australia. These events are held for the most part from February through November (i.e., during winter in the Southern Hemisphere). The largest event is the Commonwealth Bank Ag-Quip Field Days in Gunnedah, New South Wales. A number of others, however, are significant events in their own right [see box]. The New Zealand National Ag Field Days in Hamilton, New Zealand should also be noted as the largest regional event. A calendar of events can be found at <http://farmyard.net.au/>.

CRT FarmFest and the New Zealand show are staged a week apart in June; as are Ag-Quip and Dowerin Field Days in August; presenting two prime opportunities for U.S. agricultural equipment manufacturers to visit or exhibit.

In the United States, Australian farmers and equipment dealers are regular visitors to events such as the Farm Progress, World Ag Expo and the Big Iron Farm Show. The International Production and Processing Expo is another event with significance for Australian market.³⁹



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