



FACT SHEET

JULY 2004

AUSTRALIA FREETRADE AGREEMENT: UNDERMINING OUR AGRICULTURAL MARKETS

Celebrating 25 Years of Grassroots Leadership & Action

A bilateral Free Trade Agreement (FTA) between the United States and Australia has been negotiated and signed, threatening family farming and ranching, businesses dependent on agriculture, and rural communities. This agreement gives too much economic power to multi-national corporations; was negotiated under a process that is unfair and undemocratic and will have, if ratified by Congress, disastrous consequences for many farmers, ranchers, small businesses, and rural communities.

U.S.-Australia Agriculture Trade: Threatens Family Farmers

The U.S.-Australia Free Trade Agreement would immediately end or phase out tariffs for many agricultural products, including beef, lamb, sheep, wool, wheat, and dairy products. This will clear the way for Australia to dramatically increase exports undercutting the viability of U.S. farmers and ranchers.

Australia is already accelerating its exports to the United States. Despite U.S. tariffs, Australia is currently exporting beef, lamb and sheep to the U.S. at rates above its quota, and Australia's exports of beef and lamb to the U.S. are growing steadily. Meanwhile, U.S. exports of agricultural products to Australia are disproportionately small—a problem that will not be solved by this agreement.

Reducing and dropping tariffs through a trade agreement with Australia is not necessary to maximize agricultural trade between the two countries. Existing tariffs and Tariff Rate Quotas (TRQ) are designed to limit the amount of a commodity that can be exported to another country to preserve the importing country's domestic market. Currently, exports that exceed the TRQ have a higher tariff rate to discourage additional imports that may be harmful to the importing country's producers or markets.

Unfettered Beef Trade

Australia regularly exceeds its beef quota to the United States. According to U.S. Department of Agriculture (USDA), the TRQ on beef currently permits imports of 378,214 metric tons (mt) (416,035.40 U.S. tons) of Australian beef into the U.S which equates to about 1,386,784 head of cattle. According to the Foreign Ag Service (GAIN Report AS4003), in 2002 Australia actually exported 554,000 mt of beef (609,400 US Tons) which is the equivalent to about

2,031,333 head of cattle. This amounts to 5.8% of the US beef production and decreased prices to US producers by at least \$8.70 per cwt.

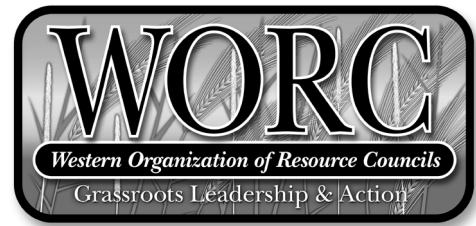
Under the pending trade agreement the TRQ would increase each year for 18 years, after which, all limits on Australian beef imports will expire. As Australia's cattle herd continues to grow and imports to the U.S. increase, the next generation of U.S. ranchers will find its market lost to Australian imports.

Increased Market Concentration Equals Corporate Control

The Australian agreement gives more economic power to multi-national food suppliers. Many multi-national agri-conglomerates have investments in both the U.S. and Australia. In 2002, Australia's second and fourth largest meat processors merged. Australia's largest meat processor is Australian Meat Holdings, which is owned by Swift and Co., a U.S. based company. Swift and Co. gained tremendous market power in both the U.S. and Australia by buying ConAgra, the second largest packer in the United States. Another American company, Cargill, is actively involved in meat processing in Australia.



In the case of beef, these corporations would have the ability to use international shipments of captive supplies (cattle owned or controlled by those companies) to manipulate the prices. US trade negotiators did not address the issues of corporate concentration and decreased market competition, in effect endorsing a market system seriously disadvantaging both cattle producers and consumers of beef.



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FTA with Australia Affects More Than Beef

Under the negotiated agreement, most lamb and sheep meat tariffs will go to zero immediately. The remaining lamb and sheep meat tariffs will be phased out over four years. This creates even easier access to an Australian product that has already devastated the U.S. sheep rancher.

TRQ on dairy products would also increase through this agreement. The agreement allows access to dairy products previously excluded from the U.S. market, such as certain cheese, butter, milk, cream, and ice cream products and other dry dairy ingredients such as milk protein concentrate (MPC).

Tariffs on wheat and cereal flour mixes would go to zero upon implementation of the agreement. Although Australia is not currently a large wheat exporter to the U.S., they are developing their durum market. In addition, the Australian Wheat Board, a monopoly, buys, sells, and controls the wheat market in that country.

Trade Agreements Negotiations — Closed Door Process

Negotiating trade agreements, like the Australian Trade Agreement, largely happen behind closed doors. Very few people participate, but the chosen few essentially lock in entire business sectors. The very people these agreements impact the most, for all practical purposes, have no voice in this process.

In addition, Congress gave away, through the Trade Promotion Authority Act, or Fast Track, its constitutional responsibility to advise and consent on all treaties with foreign governments. Congress will have only 20 hours of floor debate before voting yes or no. Congress cannot amend the proposed trade agreement once it has been introduced. Family farmers and ranchers have very limited opportunities to influence Congress about this harmful treaty and its impacts on their livelihoods and communities.

What You Can Do

Urge your Congressional Delegation to Vote No on FTA Australia

The agreement has been signed by the president. The next step is a Congressional vote. Your elected officials need to know that this agreement would be devastating for farmers, ranchers and rural communities. Contact your Senators and Representatives now and ask them to voting NO on FTAAustralia.

WORC is a network of grassroots organizations from seven states that include 8,750 members and 50 local community groups. WORC helps its members succeed by providing training and by coordinating regional issue campaigns. Our members are farmers, ranchers, and consumers like you who are working to preserve national sovereignty and stop the advance of corporate control.

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FREE TRADE AGREEMENT WITH
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