



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 6/23/2006

GAIN Report Number: AS6038

Australia

Agricultural Situation

Ag DownUnder Vol. 10

2006

Approved by:

Kathleen Wainio, Agricultural Counselor
U.S. Embassy

Prepared by:

Kathleen Wainio, Lindy Crothers, Meredith Elliott, Mike Darby

Report Highlights:

- Cole AWB Oil-for-Food Inquiry Extended Until September 29
- Sugar Smut Outbreak in Queensland
- AGMinister Rejects Wine Industry Rescue
- High Stocks, Production Plague Australian Wine Industry
- AWB Office Opening in Brazil
- "No Bananas Kept on the Premises at Night"
- Australia Actively Pursuing Free Trade Agreements
- Live Cattle Export Deal to Russia
- Plea for Army in the Cane Toad Battle

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Canberra [AS1]
[AS]

Cole AWB Oil-for-Food Inquiry Extended Until September 29

The Australian Government has granted a three-month extension to the Cole Commission investigating the conduct of the Australian Wheat Board (AWB) under the U.N. Oil-for-Food Program. The new reporting date for the Cole inquiry is September 29, 2006. The extension to the reporting date comes after a further claim by AWB in the Federal Court that a large number of documents are subject to legal professional privilege and therefore not available to the Inquiry. The Australian Government has recently passed amendments to the Royal Commissions Act 1902 to help commissions of inquiry test the privilege claims put to them. Information on the Cole inquiry is available at: www.oilforfoodinquiry.gov.au

Sugar Smut Outbreak in Queensland

For the first time, the fungal disease cane smut has been found in the state of Queensland. Eight properties in the Childers area of Queensland have been placed under quarantine to contain the spread of the disease. Nearly all of Australia's sugarcane crop is grown in Queensland and northern New South Wales. The disease could pose a significant threat to Australia's \$A2 billion sugar industry. (For further information see GAIN Report AS6037)

AGMinister Rejects Wine Industry Rescue

Agriculture Minister McGauran rejected an industry proposal to implement a national levy on the grape crush to help fund a \$A60 million rescue package to reduce the wine glut. McGauran told an emergency wine industry summit that "key responsibility for charting the way forward rests with the industry itself". "There is also a problem taking forward a large government assistance package to cabinet when the industry in question has a strong history of growth and, indeed, is forecast to grow further," McGauran noted. Minister McGauran is in favor of easing the oversupply with increased exports and warned about the consequences of measures to limit production. "I encourage you to consider how your customers will perceive the initiatives and react. You should also take care that your international competitors are not given a competitive advantage as a result of any plans for a vine pull." The Minister offered a \$A50,000 grant to help with market intelligence. (Source: The Canberra Times, June 10, 2006)

High Stocks, Production Plague Australian Wine Industry

The Australian wine industry has experienced strong growth in production and exports over the past decade and plantings have grown from just 60,000 hectares under grape vines ten year ago to just below 160,000 today. However, this growth has created oversupply problems that are now resulting in significant price declines. Wine stock levels have also received much media attention recently with one report observing that Australia's wine stocks equate to more than one glass of wine for every person in the world. The industry is now facing a period of restructure and reorganization. (For further information see Gain Report AS6036)

AWB Office Opening in Brazil

AWB Chairman Brendan Stewart has announced his company's Sao Paulo trading office will be operational by the end of the month. "Brazil is an emerging economy and is a dominant player across several commodities," Mr. Stewart said. "By opening AWB Brazil we will give ourselves a chance to become a part of the opportunities Brazil is offering." The expansion into Brazil was noted by AWB as an example of how the company is getting on with business, in spite of the distractions of the Cole Inquiry. The company has offices in Tokyo, Singapore, Beijing, New Delhi, Cairo, Geneva and Portland. (Source: Farmonline, June 9, 2006)

“No Bananas Kept on the Premises at Night”

Before Cyclone Larry struck on March 20, Australia was consuming 20 million 13-kilogram cartons of bananas a year, approximately 13 kilos per person. About 90 percent of the total crop was devastated by the cyclone. Retail prices of bananas are currently as high as \$A12.99/kilo. Press reports indicate there have been thefts of bunches of bananas from farms in the Queensland area. Australia does not import bananas; the Philippines has been negotiating with Biosecurity Australia for seven years in a bid to export bananas to Australia and a draft risk assessment is expected shortly. The timing of the assessment has not changed because of the shortage. (Source: The Australian, June 16, 2006)

Australia Actively Pursuing Free Trade Agreements

Australia, a champion of multilateral negotiations on liberalizing world agricultural trade, has of late been much more active in pursuing bilateral free trade agreements (FTAs). In addition to Australia's long-standing Closer Economic Relations agreement with New Zealand that went into effect in 1983, Australia now has comprehensive free trade agreements with the United States, Thailand, and Singapore, and is currently negotiating FTAs with China, ASEAN (with New Zealand), Malaysia, and the United Arab Emirates. Further, Australia is conducting a feasibility study of an FTA with Japan.

Live Cattle Export Deal to Russia

The Australian agribusiness company Elders recently signed an export cattle deal with Russia to provide an initial shipment of 3500 cows in late July. It is anticipated that the deal will expand to export 50,000 cattle per year. A company spokesperson said Russia is rebuilding its herd and turned to Australia because of its disease-free status and relative price competitiveness compared to the European market. Elders will be looking for Hereford, Simmental and Friesian cows to export to Russia to start acclimatizing to the Northern Hemisphere temperature. (SOURCE: Stock & Land, June 16, 2006)

Plea for Army in the Cane Toad Battle

In an effort to halt the cane toad's advance across northern Australia, West Australian Environment Minister Mark McGowan has requested army assistance to help prevent the toads marching into the state from the Northern Territory. The cane toad front, 170km from the northern West Australian border, has stalled while the Territory experiences its dry season. "Invasive species have been one of the tragedies of Australian history," said McGowan, a former naval lieutenant. The Minister said he was not asking for a battalion but two dozen or more personnel to help "fight them in the field". On the weekend, McGowan pledged a further \$A3.6 million for the cane toad fight, bringing the total to \$A6.1 million. In its battle to try to halt the cane toad's advance, the state uses listening devices on its Northern Territory border to locate telltale croaking. (Source: The Australian – June 19, 2006)

Recent Reports from FAS/Canberra

The reports listed below can all be downloaded from the FAS website at:

<http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp>.

Report Number	Title of Report	Date
6001	Fresh Deciduous Fruit Annual	12/28/05
6002	Ag DownUnder, Vol. 1	01/13/06
6003	Health Claims & Sugar Content of Fresh Fruit	01/24/06
6004	Livestock Semi Annual	02/08/06
6005	Fine Food 2006 Trade Show – Australia	01/27/06
6006	Ag DownUnder Vol. 2	01/27/06
6007	Comment Period for Proposed Health Claims Standard Extended	02/06/06
6008	Tree Nuts Annual	02/09/06
6009	Ag DownUnder Vol. 3	02/15/06
6010	Cotton Quarterly Update	02/24/06
6011	Comment Sought on Feasibility of Extending Country of Origin Labeling	02/28/06
6012	Biosecurity Australia Begins Assessment of U.S. Stone Fruit for Import	03/08/06
6013	The Corish Report: “Creating Our Future: Ag & Food Policy for the Next Generation”	03/08/06
6014	New Guide Available for Country of Origin Labeling	03/09/06
6015	AgDownunder Vol. 4	03/10/06
6016	Cyclone Larry Affects Sugar Industry	03/21/06
6017	Grain Annual	03/21/06
6018	Fortification of Cereal-Based Beverages	03/22/06
6019	Ag Down Under Vol 5	03/24/06
6020	Stone Fruit Annual	04/03/06
6022	Grains Week Features ‘Discussion Paper’ Proposing Radical Changes to Single Desk	04/12/06
6023	Sugar Annual	04/13/06
6024	Ag Down Under Vol 6	04/21/06
6025	Grain Quarterly Lockup	05/01/06
6026	Ag Down Under Vol 7	05/09/06
6027	Cotton & Products Annual	05/15/06
6028	Justification for Requirement for Wood Packaging Material to be Bark Free	05/15/06
6030	Review of Permitted Seeds List for Australia	05/19/06
6031	Ag Down Under Vol 8	05/19/06
6032	Dairy Semi Annual	05/30/06
6033	Wheat Australia sells 350,000 MT to Iraq	05/31/06
6034	Ag Down Under Vol. 9	06/02/06
6035	Australia Actively Pursuing FTAs	06/07/06
6036	Wine Annual	06/08/06
6037	Sugar Smut Outbreak in Queensland	06/20/06