

Grain growers the losers in China chill

by **Brad Thompson** *Reporter*

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Grain growers are losing market share in south-east Asia to Black Sea producers because of Canberra's arm's-length policy to China's Belt and Road initiative.

A report commissioned by Agribusiness Australia cited Kazakhstan as an example of a major competitor emerging through Belt and Road engagement, grabbing almost 40 per cent of the global wheat market.

“China aims to further diversify agricultural products in this region, and the Belt and Road en-route countries are considered to have strong potential to export ‘land-intensive agricultural products’,” the report says.

“There is also preferential government support for Chinese businesses trading in Kazakh wheat. Accordingly, Kazakh wheat can be relatively cheaper and has quicker access to China by road and rail through Belt and Road related infrastructure investment.

“This concentration of trading with belt and road en-route countries, in products such as Kazakh wheat, affects the levels of Australian wheat imports to China.”

Although the report steered clear of making a direct link with Belt and Road sign-on, China fast-tracked import protocols for produce from Kazakhstan where Chinese President Xi Jinping first mentioned the plan to the rest of world in September 2013 .

Meanwhile, Australian farmers are yet to see some of the expected benefits of a free trade agreement with China as protocols in areas like live cattle and some fruit and vegetables are thrashed out, and a cloud hangs over the barley trade.

Agribusiness Australia president Mark Allison said the study made it clear Belt and Road would have a huge impact on supply chains and market access for farmers and agribusiness.

"I think that on all the numbers on productivity and global competitiveness what the study is saying is that Australia has been falling behind and part of that is our lack of infrastructure investment which has put us at risk of being relatively uncompetitive with other parts of the world," he said.

Even less competitive

"If you put a completed Belt and Road filter over that, then the supply chains through central Asia and eastern Europe will be even more cost-effective and make us even less competitive."

[The study was backed by Elders](#), where Mr Allison is managing director, and the Australia-China Belt and Road Initiative where he sits on an advisory board alongside BHP director and Orica chairman Malcolm Broomhead and former trade minister Andrew Robb.

Agribusiness Australia's diverse membership includes HSBC, ANZ and NAB as well as Gina Rinehart-controlled S. Kidman & Co and Andrew Forrest's Harvest Road.

The study urges Australian farmers and agribusiness to find ways to join in the Belt and Road roll-out but stops short of calling on the federal government to change course.

However, Mr Allison said Australia had to think about future trade flows based on even a moderately successful roll-out of Belt and Road and the implications for exports.

"In wheat, we have lost market share across south-east Asia and this is because of a number of things – higher production in other parts of the world and a couple of drought years affecting crop production here," he said.

"The danger is that if these markets get too used to alternative products then some of our quality advantage may be subject to lower premiums."