

HON KEN BASTON MLC

Minister for Agriculture and Food, Fisheries

OFFICIAL VISIT

JAPAN AND HONG KONG

24 April – 1 May 2015



Japanese Government Minister for Agriculture, Forestry and Fisheries Mr Yoshimasa Hayashi with Western Australian Government Minister for Agriculture, and Food, Fisheries Hon Ken Baston MLC discussing current and future trade opportunities.

Purpose of the visit:

The purpose of the visit to North Asian agriculture and seafood markets of Japan and Hong Kong - China was to initiate discussion designed to establish new and build on current market opportunities for Western Australian agriculture and fisheries businesses.

Japan:

Japan imports approximately \$1 billion of agriculture and fisheries products from Western Australia annually and is our second largest market for goods exported. It is an important market for Western Australian wheat, barley and oats, as well as beef and seafood.

While China is the State's largest trading partner, it is important to maintain the key Japanese markets. With this in mind, two of the key meetings in Japan were with the Japanese Government Minister for Agriculture, Forestry and Fisheries, Mr Yorshimasa Hayashi and his Ministerial Advisers and Zenbakuren (All Japan Barley Processors Association) to reinforce the importance of this trading relationship with Japan. Other significant meetings undertaken were with the Japan Flour Millers Association (JFMA), Mitsubishi Corporation and Mitsui & Co.

Hong Kong – China:

The visit to Hong Kong provided the ideal opportunity to understand market and distribution opportunities for Western Australian produce using Hong Kong as a logistics base for entry into Mainland China. Discussions with the Australian Trade Commission (Australian Consul General's Office Hong Kong) confirmed the importance of Australian export opportunities with Hong Kong and its links to Mainland China. The visit also provided an opportunity to further discuss and develop the WA2HK project with the Hong Kong Trade and Development Council (HKTDC) for the possible use of their services to promote Western Australian agriculture and fisheries businesses to Hong Kong and Chinese businesses for extended trade development.

In addition, the visit provided an opportunity to meet and foster business links with the Hong Kong based 759 Retail Store Management for the distribution and marketing of Western Australian packaged and frozen produce.

Key Objectives:

- Meet with relevant Government and Business leaders;
- Visit leading importers and retailers of Western Australian grain, livestock and fisheries resources;
- Promote Western Australia as an investment destination for agriculture and aquaculture;
- Scope the potential for collaborate agreements for the development of new market opportunities for Western Australian produce.

The Minister acknowledged the excellent work undertaken by the Western Australian Government offices in Tokyo and Shanghai and his Department of Agriculture and Food for their contribution towards the success of this trip.

Meetings and Outcomes Achieved:

Japan Flour Millers Association (JFMA)

Monday 27 April 2015 meeting with:

Mr Kenji Takihara, Director, Executive General Manager, operation and Planning Division, Nisshin Flour Milling Inc.

Mr Toshibumi Horiuch, Executive Officer, Vice General Manager, Wheat Flour Business Department, General Manager, Business Administration, Nippon Flour Mills Co., Ltd.

Mr Kaname Aoki, Director and Executive Managing Officer, corporate Planning and Operations Division, Nitto Fuji Flour Milling Inc.

Mr Hiroaki Ishii, Manager, Operation Section, Flour Milling Department, Showa Sangyo Co., Ltd.

Mr Masatsugu Fujiwara, General Manager, Operations and Planning Department, Chiba Flour Milling Co., Ltd.

Mr Kenji Koibuchi Managing Director Flour Millers Association

Mr Yoshiaki Miyamoto, Managing Director

Mr Takehiro Kato, Director and Head of Laboratory

Discussion and outcomes

- Importance of WA noodle wheat export to Japanese customers.
- Japan purchases about 800,000 – 900,000 tonnes of Australian Soft White (ASW) blend noodle wheat annually from Western Australia.
- The recently announced Japan Australia Economic Partnership Agreement (JAEPA) and its opportunities for increased wheat sales to Japan.
- May 2014 Australian Export Grain Innovation Centre (AEGIC) led a mission to Japan to meet with millers and noodle processors to discuss supply and quality of wheat suitable for udon noodle production.
- Questions were asked regarding GM wheat given the sensitivity of this issue. An explanation was provided regarding the Australian Governments tight regulatory requirements including extensive testing putting this initiative some years away despite trials currently being undertaken.
- JFMA was keen for Western Australian quality wheat to remain available and affordable and welcomed the visits by AEGIC and others to discuss quality initiatives.
- Trade relations with JFMA and its members remains positive and continues to develop for the mutual benefit of Western Australian wheat suppliers and Japanese flour milling customers.

Mitsubishi Corporation

Monday 27 April 2015, meeting with:

Mr Go Kojima, Living Essentials Resources Div., Wheat Barley and Sesame Team Leader
Mr Kenichi Ito, Marine Products Department, Living essential Resources Div., Manager Tuna Team
Mr Kentaro Nitta, Global Strategy and Business Development Department, Asia and Oceania Team Leader.

Discussion and Outcomes;

- Mitsubishi Corporation is Japan's largest general trading company with over 200 offices in approximately 80 countries worldwide.
- Mitsubishi trades grain in WA through an entity called Agrex Australia, during discussion it was indicated that the CBH auction slot system was of concern to them from a cost perspective.
- Discussion around increased trade opportunities with Western Australia and Australia
- Mitsubishi Management expressed interest in new trade agreements as a direct result of the recently signed JAEPA.
- Discussed Japan's Bluefin tuna preference and that Mitsubishi is the world's largest Bluefin tuna trading company.
- Discussion followed regarding the Western Australian fishing industry with its high quality rock lobster, abalone wild capture and marine prawn industries.

Australian Embassy in Japan

Monday 27 April 2015, Luncheon meeting with:

Mr Tom Connor, Minister and Deputy Head of Mission Australian Embassy

Mr Paul Ross Minister – Counsellor (Agriculture) Australian Embassy

Mr Mitsuru Murasumi, Assistant Manager, New Product Development Centre, R&D Division, Nisshin Flour Milling Inc.

Mr Toshiba Horiuchi, Executive Officer, Vice General Manager, Wheat Flour Business Department, General Manager, Business Administration, Nippon Flour Mills Co., Ltd.

Mr Blaine Bisson, Sales Associate, Imported Meat Division, S Foods Inc.

Mr Susumu Kondo, Director, Energy, Utilities and Natural Resources, National Australia Bank

Mr Hiromi Ishida, President, Farmstone Co., Ltd.

Mr Hidekata Yamada, Acting General Manager, Overseas Strategy and Business Unit Maruha Nichiro Corporation.

Mr Koji Sakurai, associate Executive Officer, General Manager, Global Marketing division America and Oceania Sales Department, JGC Corporation.

Mr Kaoru Ishigaki Executive Officer, Administration Division Calbee, Inc.

Mr Yasuyuki Kawasaki Senior Managing Director Member of the Board of Directors, Sumitomo Mitsui Banking Corporation.

Australian Embassy in Japan (cont)

Discussion and Outcomes:

- Western Australia's agri-food exports to Japan were valued at A\$635.9 million in 2013/14.
- 90% of Western Australia's total exports to Japan come from wheat, barley, cereal hay, canola, malt, crayfish and beef.
- Trade relations with Japan have been strengthened through annual bilateral talks covering topics such as, dairy, beef, animal health and plant quarantine issues.
- Each of the invited guests was asked to provide a summary of issues and impacts of current trade with Australia and in particular Western Australia.
- Australian Embassy and Japanese Company Executives spoke of the opportunities for expanded trade due to the recently signed Japan Australia Economic Partnership Agreement (JAEPA) which has removed or reduced tariffs on certain commodities exported to Japan.
- Japanese companies with a history of mineral and petroleum trading with Western Australia are now looking to trade and investment in agriculture and aquaculture commodities as stable market, high quality, safe produce becomes a high priority for Japan.
- Useful contacts were made with Japanese companies seeking to investigate investment opportunities for the increased trade in Western Australian commodities. The Western Australian Government Office in Japan headed up by Commissioner Craig Peacock will facilitate further discussion with Japanese companies to connect them to Western Australian businesses keen to expand trade opportunities.

CBH Grain Japan

Monday 27 April 2015, meeting with:

Mr Mike Karube, Regional Manager CBH Japan Co. Ltd

Mr Atsushi Machida, Marketing Manager CBH Japan Co. Ltd

Discussion and Outcomes:

- CBH Group established its office in Tokyo in 2008, as part of its long term focus on Japan as a key partner for Western Australian grain growers.
- In 2012 CBH Grain was accredited by the Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF) and can now import wheat directly into Japan. Previously this was restricted to Japanese accredited trading houses.
- CBH now sells grain direct to Japanese end users through their Tokyo Office and MAFF accreditation (Japanese Government tender process).
- CBH market share for grain products in Japan fluctuates and is subject to price pressures from other suppliers. Quality and stability of supply continue to make Western Australian grains an "in demand" commodity.
- CBH Japan also raised a query regarding Canola pesticide residues, currently set at 0.01 in Japan, as Australia's level is 0.1 no trade can take place. Minister noted and will follow-up.

National Australia Bank (NAB) Agribusiness

Monday 27 April 2015 meeting with:

Mr Kohei Tsushima General Manager, Japan, National Australia Bank

Mr Graeme Paterson, Head of Operations and Business Development, Japan National Australia Bank

Mr Hiroyoshi Okayama, Director, Global Institutional Banking Japan National Australia Bank

Discussion and outcomes:

- Discussed broadly the advantages of have an NAB Office in Japan
- Discussed global banking environment including “0” interest rate in Japan and the need to be innovative and open to new challenges to stay profitable
- Shared optimism regarding potential for increased trade opportunities between Japan and Australia
- Gained an understanding of the complexities involved in a tight global financial market place.

Tsukiji Fish Fruit and Vegetable Market

Tuesday 28 April 2015, guided tour of the market with a 4.30 am start:

The Japanese government constructs, maintains and manages its fresh and frozen produce markets and ensures compliance with Wholesale Market Law and ordinances. There are 11 such markets in Tokyo.

The Tsukiji Market with its current central city location (due for re-location 1 km away in under 2 years) has served Tokyo well for decades and has an amazing array of fresh fish, seafood, fruit and vegetables on offer.

The Tsukiji Fish Market, volume and value traded:

2014	452,414,872 KG	JPY 435,022,633,269 (A\$ 5.058 billion @ 86 JPY to 1 A\$)
2013	483,951,417 KG	JPY 421,728,895,335 (A\$ 4.903 billion @ 86 JPY to 1 A\$)
2012	492,933,814 KG	JPY 417,189,738,826 (A\$ 4.851 billion @ 86 JPY to 1 A\$)

As can be seen from the above, despite volumes falling over the last few years, dollar value has increased. There is a high demand for fresh seafood and in particular tuna. The market traders are prepared to purchase premium quality tuna from anywhere in the world as was evidenced during the tuna auction. Regardless of huge volumes of commodities traded daily, hygiene and sanitation standards are a high priority as evidenced on the day of the tour.

The value of this market to the people of Tokyo was obvious and destined to continue for years to come with a new building under construction just 1 km away.

Zenbakuren – All Japan Barley Processors Association

28 April 2015 meeting with:

Mr Motonobu, Managing Director

Mr Haruo Hosoda, Director

Mr Shinji Maki, General Manager, Food Division

Mr Kazuo Takahashi, General Manager Feed Division

Discussion and outcomes

- Zenbakuren, founded in 1951 is an association of 64 Japanese barley processors, using the raw material for brewing, food and livestock feed.
- In Japan the main uses of barley for human consumption (besides brewing) is for the manufacture of shochu which is Japanese spirits.
- The total quantity of barley imported by Japan from WA is declining, despite advice that the quality of WA barley is high. From discussion it appears that the quantity of barley required has been influenced by the reduced need for livestock feed and the declining consumption of shochu.
- It was also indicated that price pressure (increased price paid for WA barley by other international consumers) has also contributed to the declining quantity of barley imported by Japan from WA.

Zen-Noh (National Federation of Agriculture Co-operative Associations) and Zen-Noh International

28 April 2015 meeting with:

Mr Yuji Sato, General Manager of Direct Feed and Forage Section, Feed and Livestock Production Division Zen-Noh

Mr Kouji Miura, Deputy General Manager of Grain Section, Feed and Livestock Production Division, Zen-Noh.

Mr Hiroaki Inuzuka, Managing Director of Zen-Noh International Corporation

Mr Masamichi Morishita, Deputy General Manager of Grain Dept, Zen-Noh H International.

Mr Kenji Sakai, Deputy General Manager of Grain Dept, Zen-Noh H International

Mr Tomohiko Shibata, Chief Trader Grain Section Feed and Grain Department, Zen-Noh International Corporation.

Discussion and Outcomes

- Zen-Noh is Japan's Federation of Agriculture Co-Operatives, and is one of the largest farmers' co-operatives in the world. Zen-Noh serves its member farmers by purchasing and distributing the materials and equipment required for agriculture production including the necessities of daily farm life, such as fertiliser, agrochemicals, feeds, and agriculture machinery.

Zen-Noh (National Federation of Agriculture Co-operative Associations) and Zen-Noh International (cont:)

Discussion and Outcomes (cont)

- Zen-Noh has 9.98 million individual members with 679 Primary Agriculture Co-operatives.
- Zen-Noh international has a branch in Perth and imports wheat and barley from around Australia.
- Department of Agriculture and Food Western Australia (DAFWA) has jointly organised with Zen-Noh inspection visits to the Western Australian grain growing areas during the growing season to observe the crop situation.
- Livestock farmers in Japan acquire large volumes of feed via Zen-Noh from US, Canada and Australia and will continue to do so with cost pressure being the dominant factor.
- Discussed potential investment in Western Australia and expressed interest in GM Wheat. The Minister advised that investment opportunities are subject to Australian Government foreign investment guidelines and should be directed to the Western Australian Government Japan Office. The Minister also indicated that GM wheat was some time away as trials were continuing and will do so for at least another year or 2.
- The Minister also provided some clarity around the GM Crops Free Areas Act and the Gene Technology Act legislative amendments being considered by the Western Australian Government.

Minister Hayashi and Ministerial Advisers

28 April 2015 meeting with:

Mr Yoshimasa Hayashi Minister for Agriculture, Forestry and Fisheries

Mr Mitsuhiro Sendai Counsellor, International Department in Charge of Economic Partnership

Mr Takanori Ohashi Assistant Director International Economic Affairs Division, international affairs Department.

Discussion and outcomes

- Minister Hayashi advised of the importance of the trade relationship between Japan and Australian and in particular Western Australia.
- Minister Baston advised of the presence of many Japanese companies in Western Australia and welcomed their continued investment presence. Minister Baston further advised that the strong business relationships that have existed for many years, initially in natural resources, petroleum products and iron ore has now expand to include Western Australian wheat, barley and cereal hay.
- Both Ministers spoke of the advantages to flow as a result of the recently signed Japan Australia Economic Partnership Agreement (JAEPA) and agreed to promote a close working relationship between their respective Departments to increase trade opportunities.

Minister Hayashi and Ministerial Advisers (cont)

Discussion and outcomes (cont)

- With regard to the JAEPA Minister Hayashi's Advisors asked for more detail regarding possible Japan investment opportunities in Northern Australian particularly for beef, cotton, soya beans and rice. Minister Baston's staff attending the meeting agreed to supply such information.
- Minister Baston explained the current development of the Ord River precinct and the State and Federal Government plans to develop investment ready opportunities concentrating initially on the infrastructure required.
- Some discussion followed regarding GM wheat which the Minister advised was quite some time away despite the fact that trials were being undertaken.

Mitsui & Co

28 April 2015, meeting with:

Mr Miki Yoshikawa, Managing Officer, Chief Officer, Food Resources Business Unit

Mr Masaya Matsuoka, Operating Officer, Food Resources Business Unit

Mr Hiroyuki Hidaka, General Manager, Grain Business Division

Mr Takaaki Hara, General Manager, Food Grain and Oilseed Department

Mr Kaku Yoshisato, Deputy General Manager, Grain Project Division

Mr Go Otsuka, Deputy General Manager, Grain Project Department

Discussion and Outcomes

- Mitsui & Co is one of the world's most diversified trading, investment and services enterprises. Mitsui has a wholly owned Australian subsidiary, Mitsui & Co (Australia) Ltd, which has around 250 employees across Australia.
- The Perth office of Mitsui was established in 1963 in Fremantle and moved to Perth in 1965. Mitsui manages a diverse portfolio of business in industries including chemicals, coal, food, gas, iron ore, oil, power generation, salt and steel products and woodchips. Mitsui has been involved in Australia's iron ore industry since the 1960s.
- Mitsui representatives were particularly interested in Western Australian investment opportunities with a preference towards importing to Japan Australian Hard and Australian Premium White wheats.

Consul General's Office Hong Kong and Macau

29 April 2015, meeting with:

Mr Dan Tebbutt Senior Trade Commissioner, Deputy Consul-General (Commercial)

Mr Taliessin Reaburn Trade Commissioner

Ms Janaline Oh Deputy Consul-General

Discussion and Outcomes:

- General discussion on the opportunity for increased trade with Hong Kong as a perfect platform for products to enter mainland China.
- Western Australian premium food and beverages are becoming known to the local market in Hong Kong (approx. 8 million residents) as safe high quality produce. The 54 million visitors to Hong Kong annually includes 40 million from mainland China.
- Also discussed the opportunities for promotion of Western Australian produce via the extensive Trade Fairs held in Hong Kong. The Wine and Spirit Fair, HOFEX, Seafood Expo Asia and Asia Fruit Logistica were recommended.

Hong Kong Trade Development Council (HKTDC)

29 April 2015, meeting with:

Mr Benjamin Chau, Deputy Executive Director

Ms Sophia Chong, Assistant Executive Director

Mr Johnny Wan, Director Exhibitions Market Development

Discussion and Outcomes:

- The HKTDC organisation is an international trade and 'business to business' facilitator using trade fairs and Expos, business matching, market intelligence and networking activities to connect producers with distributors / consumers.
- The HKTDC can provide most of the services required by the Department of Agriculture and Food Western Australia (DAFWA) for its proposed WA2HK Project which aims to promote Western Australian produce to a global market.
- Discussions are continuing between HKTDC and DAFWA to develop a service agreement.
- The Minister welcomed the opportunity to advance this initiative as it provides excellent trade promotion avenues for Western Australian food and beverage producers.

759 Retail Store Management and Tour

29 April 2015, meeting with:

Ms Ida F.K. Tang Director 759 Stores

Ms Penny M. Y. Chung Senior Manager, Purchasing Department

Discussion and Outcomes:

- Ms Tang introduced the 759 Retail Store concept and the 60 countries currently supplying them with approximately 22,000 products.
- Products sold are packaged or frozen, there is no fresh produce.
- in Hong Kong there are 247, 759 Retail Stores using a social media marketing focus reaching an estimated 836,000 frequent users.
- The 759 Retail Stores represents an ideal opportunity to market Western Australian food and beverage to Hong Kong and possibly mainland China consumers.
- During a major trade fair in Hong Kong (May 2015) HOFEX, Western Australian exporters / suppliers were introduced to 759 Store Management by DAFWA staff attending.
- The Minister visited a 759 Store to see firsthand the layout, type of products available and popularity of this retail concept.

Conclusion:

The visit promoted Western Australian premium produce, identified investment opportunities and provided contact details for two way business development. Information on specific opportunities is available from the Department of Agriculture and Food Western Australia and the Department of Fisheries.