



# Final report

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## Value-add Transshipment of Red Meat Via Singapore

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## **Abstract**

Global supply chains are currently grappling with widespread disruption as a result of the economic and trade shifts brought on by COVID-19. Air and sea freight meat exports have not avoided this disruption, with grounded planes and delayed shipping services making it difficult for Australian beef and sheepmeat exports to access overseas markets. Due to the regulated nature of the red meat export supply chain, Australian beef and lamb products don't have the cross-border and intermodal flexibility of other traded goods – options which could alleviate some of these pressures.

This project sought to uncover what alternative supply chains may exist through a red meat re-export model via Singapore. Singapore was targeted as a natural facilitator of re-exported Australian red meat due to its unrivalled connectivity into key Asian markets, robust food safety credentials and regulatory environment, and eagerness to position itself as a food trade hub for the wider region. Non-traditional distributions models could create value by reducing freight costs, increasing speed and connectivity to market, and leveraging the preferential access and infrastructure of the transit country.

This project, delivered by AgriGate Australia, sought to assess the opportunity and viability of re-exporting via Singapore through an initial desktop study, which would then lead onto a trial phase, and finish with a full cost-benefit analysis. However, due to the lack of agreed export protocols between Singapore and destination markets and unclear timeline to address such, this project was terminated after the desktop phase. While barriers prevented the project from being completed, interest in alternative supply chains remains amongst the trade in Australia and Singapore and regulatory discussions are ongoing.

## Executive summary

### Background

Australian red meat has traditionally been exported direct from Australia to destination markets. While containers may move between vessels and be transhipped via overseas ports, the Australian Government container seal, which ensures the integrity of the product, cannot be broken in transit under standard practise. This creates an inflexibility for distribution networks and reduces the modal and route options for exporters.

However, some precedent exists for alternative arrangements – notably, the New Zealand–Singapore–European Union (EU) agreement to allow air-to-sea repacking and transhipment of meat products under government supervision. If current arrangements could be facilitated by existing or new agreements in Asia, Singapore could be leveraged as a central distribution centre, tapping into the country’s air and sea connectivity to markets in the region, or even a value-add hub for exporters without existing capability in Australia (in fact, value-adding product in Singapore may be important for rules of origin thresholds and market access requirements).

The idea of re-exporting via centres such as Singapore is not new; however, the uncertain regulatory requirements and commercial viability have reduced the attractiveness for those attempting such models. More recently, Singapore government policies to bolster the country’s domestic food capability have also encouraged greater investment in transhipment capabilities. In partnering with the MLA Donor Company, AgriGate Australia was able to mitigate the regulatory and commercial risk and assess the viability of establishing a re-export and value-add supply chain via Singapore.

### Aims/objectives

This project had two key deliverables:

- Documentation and evaluation, via a desktop study, of the market access, regulatory and logistical challenges, and the value-adding opportunities in re-exporting Australian red meat from Singapore to Asian markets
- Conduct a commercial trial and cost-benefit analysis of re-exported Australian beef via Singapore to two markets identified in the desktop study

As the first phase uncovered major regulatory roadblocks, the project was terminated ahead of the trial phase.

### Methodology

The project design adopted the following structure:

- Desktop study to establish key opportunities, challenges and remaining ‘unknowns’ to be validated and tested in trial phase. Areas of exploration included: identification of suitable end-markets; process and product mapping and subsequent market access and country of origin implications; applied tariffs and other duties across jurisdictions; technical market access requirements, such as documentation and labelling; freight options and costings; and, value-adding capability assessment and availability of suitable partners in Singapore.
- Trial phase to be based on staggered expansion of target markets:

- Value-adding in Singapore and distribution in the local market to assess domestic capability and create baseline for re-export business models
- Value-adding in Singapore and re-exporting to the Philippines (initially Indonesia)
- Value-adding in Singapore and re-exporting to Hong Kong (initially China)
- Post-trial cost-benefit analysis by third-party and recommendations for scaling-up business model

## **Results/key findings**

The desktop phase of the project indicated that the re-export and value-add business model could be commercially viable for AgriGate Australia. Supply chain, distribution, and freight considerations appeared favourable and AgriGate Australia was able to engage with capable Singapore-based logistics and value-adding partners.

With the degree of value-adding in Singapore proposed by AgriGate Australia, the level of product transformation may be adequate for it to be treated as Singapore-origin for the determination of border tariffs in the final market. Importantly, re-exporting via Singapore does not appear to add additional tariffs and other duties beyond what is paid on shipments direct from Australia (i.e. there is no tariff disadvantage).

Initial conversations with Singapore government agencies indicated that bilateral agreements existed with the Philippines (via Free Sale Certificate) and Hong Kong (via Singapore Food Authority issued Health Certificate) to allow for re-exported fresh meat products to enter the end markets. However, on further exploration, existing agreements were limited to processed and cooked products. While Singapore is open to establishing such arrangements with end-countries, due to the extended timeline of such negotiations, all parties decided to terminate the project.

## **Recommendations**

Despite the critical market access roadblocks enabling a Singapore re-export business model, the fundamentals of Singapore's proximity and connectivity to fast-growing markets remain. More so, the current COVID-19 trade environment has demonstrated major shortcomings for traditional freight options. Re-exporting red meat via Singapore would not suit all, or most, Australian red meat export businesses, but opportunities may exist for smaller and nimble operators.

For the Singapore Government (via the Singapore Food Authority) to engage with end-market competent authorities, a clear business case needs to be presented to justify allocation of government resources. Dependent upon the nature of any negotiated protocols, it may be necessary for the Australian Government (via the Department of Agriculture, Water and the Environment) to also be at the table (in a similar vein as the New Zealand–Singapore–EU trilateral agreement).

Lastly, any negotiated trilateral agreement may require new processes and the application of emerging technologies to underpin the integrity of the system and give confidence to all countries involved that product moving across borders remains safe and unadulterated.

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## 1. Background

### 1.1 Value proposition

The role of Singapore as a logistics hub is central to the value proposition of re-exporting through the country. Particularly, for export establishments without a large overseas trade footprint or Non-Packer Exporters (NPEs) who don't already have warehousing and logistics infrastructure assets, the ability to consolidate and store product in Singapore for re-export across Asia (or markets further afield, such as the GCC) is appealing.

In addition, intermodal freight solutions (air-to-sea or sea-to-air) opens opportunities to leverage Singapore's connectivity and:

- reduce the overall cost of freight,
- increase the speed and responsiveness to markets compared to traditional sea freight,
- increase the opportunity for higher value chilled red meat, and
- potentially open routes to entirely new markets.

Intermodal opportunities may be particularly valuable in the current climate, where widespread disruption to sea and air freight remains a constant challenge.

Leveraging Singapore, with unrivalled air connectivity across South East Asia, may make it easier to access fragmented but high-value island markets and/or where regular and direct freight routes from Australia don't exist. Having a centralised distribution centre may also suit customers with a footprint across the region, such as regional hotel chains or e-commerce platforms, that want responsive and quick delivery across various channels.

### 1.2 Regulatory requirements

Australian red meat exports must be shipped under seal and accompanied with a recognised Health Certificate, signed by a representative of the Australian competent authority, attesting the product meets the animal health and food safety requirements of the importing country. Once the seal has been broken in the importing country, the guarantees of the Australian government can no longer be extended as it has left the control of the integrity process.

For a Singapore re-export arrangement to occur, either:

1. All three countries involved (or potentially more if part of a wider agreement, such as with ASEAN) would need to agree on an approved arrangement whereby government supervision ensured the integrity of the entire cross border supply chain (similar to the EU precedent below) and the validity of the Australian health certificate was maintained, or
2. The final importing country would need to be prepared to accept product without the full animal health and food safety guarantee ensured by the Australian health certificate and primarily rely on the food processing and handling guarantees of Singapore, or
3. Product would need to be adequately processed or cooked (hence, removing any animal health and/or food safety risk originating from Australia) in Singapore and exported to the final destination under a Singapore health certificate (or equivalent) and in line with any importing country requirements.

The third of these re-export arrangements can, and does to a limited degree, already occur under existing agreements. This would typically include preserved, dried or cooked pork products, such as pork bakkwa in the case of Singapore. The definition of what constitutes a processed/cooked product can vary by country but it, generally, excludes all fresh and frozen meat products. To unlock the value of a fresh and/or frozen red meat re-export supply chain, variants of either the first or second regulatory arrangement would be required.

### **1.3 New Zealand – Singapore – European Union (EU) precedent**

In 2016, the EU Commission adopted regulation for “consignments of fresh meat of New Zealand origin, eligible for introduction into the Union and destined to the Union, in order to allow unloading, storage, reloading and transit through Singapore” provided the Singapore competent authority overseas the transit of goods and provides a veterinary certificate ‘NZ-TRANSIT-SG’ to go alongside the original New Zealand certificate (EU Commission, 2016).

This arrangement allowed for an expediated shipment time, as it opened-up the possibility of airfreight exports from New Zealand to Singapore to be repacked into a refrigerated container and shipped via sea freight to the EU (SATS, 2017). The shortened time in freight enabled greater shelf life on chilled New Zealand meat, particularly lamb, upon arriving in the EU.

While the precedent is encouraging for business models attempting to replicate such arrangements, it lacks a degree of commercial flexibility: it took several years to negotiate; requires use of the EU e-cert system, TRACES; transshipment must be via Changi Airport customs and under supervision by a Singapore government authority; and it is solely a solution for one market.

In 2021, the original bespoke regulation was superseded and repealed by broader regulations (EU Commission, 2020). It is unclear how new regulations impact the prior arrangement.

## **1.4 Supporting government initiatives**

### **1.4.1 Singapore food policy**

Singapore, via the Economic Development Board (EDB), Enterprise Singapore (ESG), and Singapore Food Agency (SFA), is attempting to bolster its domestic food capabilities, recently encapsulated by its “30-by-30” strategy (to produce 30% of its domestic nutritional needs by 2030) (SFA, 2021). Becoming a food export hub for the region, and the externalities that would generate for the domestic industry, is aligned to such government efforts to bolster the capacity of Singapore’s food sector.

### **1.4.2 China-Singapore (Chongqing) International Land-Sea Trade Corridor (CCI-ILSTC)**

Singapore and China have established a new freight route into western China, the New International Land-Sea Trade Corridor (CCI-ILSTC), which potentially offers faster freight times to the growing Chinese cities of Chongqing and Chengdu, by tapping into a new rail link and circumventing river barges and bottlenecks along the Yangtze (MTI, 2018). Accessing this route, which is part of China’s Belt and Road Initiative, doesn’t require re-exporting via Singapore (it could be accessed via normal transshipment) however it is another opportunity which may be leveraged for product consolidated and re-exported from Singapore.



### 1.4.3 Australia-Singapore Digital Economy Agreement

The Australia-Singapore Digital Economy Agreement entered into force in 2020 and features “e-certification for agricultural exports and imports” (DFAT, 2021). On its own, this agreement does not facilitate re-exports via Singapore. However, the adoption of digital documentation and certificates could be a substantial enabler to support a re-export business model and, if coupled with new traceability technologies, could enhance the integrity and commercial flexibility of such alternative arrangements.

### 1.4.4 Regional Comprehensive Economic Partnership (RCEP)

RCEP, which has been signed but not yet ratified, is an agreement between 15 Pacific countries: Australia, Brunei Darussalam, Cambodia, China, Indonesia, Japan, the Republic of Korea, Lao PDR, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Thailand, and Vietnam (DFAT, 2020).

As Australia had existing trade agreements with all members, RCEP didn’t provide further preferential market access gains. However, RCEP does create alignment on rules of origin across the region and, by lowering the country-of-origin tests, may make it easier for Australian products value-added in Singapore to leverage the preferential access of the transit country when entering RCEP markets.

## 2. Objectives

This project had two key deliverables:

- Documentation and evaluation, via a desktop study, of the market access, regulatory and logistical challenges, and the value-adding opportunities in re-exporting Australian red meat from Singapore to Asian markets
- Conduct a commercial trial and cost-benefit analysis of re-exported Australian beef via Singapore to two markets identified in the desktop study

As the first phase uncovered major regulatory roadblocks, the project was terminated.

## 3. Methodology

The project was designed to take place in three stages: a desktop study to determine the primary opportunities, challenges, and remaining unknowns; a series of trials to test the findings of the desktop study; and, finally, a full cost-benefit analysis to assess the commercial viability of the business model.

### 3.1 Desktop study

A desktop study was to capture a range of information to assess the viability of the alternative business model and inform if and how a trial stage should proceed. Information to be captured in the desktop study included:

- Required trade documentation trail from Australia to the final destination
- Country of origin (COO) changes and labelling implications

- Market access advantages / disadvantages pertaining to COO, including applied tariffs and other duties (i.e. does Singapore have preferential access to some markets that can be leveraged by Australia?)
- Freight and storage cost estimates under both the alternative and traditional models
- Pros and cons of various distribution models/channels
- Technical market access barriers that may arise and need to be resolved
- Assessment of Singapore infrastructure and capability to support red meat export model
- List of remaining assumptions and knowledge gaps to be tested through trial phase

The project was designed with a go/no-go decision after the desktop study to decide whether it was viable to continue through to a trial phase.

## 3.2 Trial

The original project endeavoured to test the supply chain into three key markets: Singapore, Indonesia and China. Early stages of the desktop study encountered barriers to exporting to Indonesia and China, so the project pivoted to the Philippines and Hong Kong.

### 3.2.1 Singapore

Singapore was selected as the initial market to sell into to, first, test the value-adding capability of local partners and consumer perceptions towards locally processed product. This also allowed for a gradual escalation in complexity and provided AgriGate Australia comfort that, in the case of unforeseen barriers preventing re-exports, they could still sell product on the domestic Singapore market.

### 3.2.2 Indonesia and China

While initially Indonesia and China were shortlisted as markets to pursue, due to existing customer base and mix of ASEAN and non-ASEAN membership, attaining respective country accreditation for the Singapore establishment meant the project refocused on alternative markets (pursuing accreditation of the Singapore establishment would have also been significantly delayed due to COVID-19 travel restrictions).

### 3.2.3 The Philippines and Hong Kong

The Philippines and Hong Kong were chosen due to lack of establishment accreditation required, mixture of ASEAN and non-ASEAN membership, and preliminary advice that arrangements were in place to facilitate trade.

## 3.3 Cost-benefit analysis

A full cost-benefit analysis was to be included to empirically capture:

- Key learnings from the project, with validation of pros, cons and costings of this new business model versus the traditional supply chain,
- The commercial feasibility of this new business model, and
- Financial reconciliation of the project.

## 4. Project outcomes

The desktop study phase of the project identified some key opportunities, challenges and remaining unknowns of the Singapore re-export supply chain. These outputs, in addition to accompanying information, have been summarised below.

For the purposes of the desktop study, AgriGate Australia planned to ship chilled quarter beef carcasses to Singapore (HS<sup>1</sup> product code 02011000), to then be boned and re-exported as chilled boneless (02013000), frozen boneless (02023000) and chilled bone-in (02012000) beef primals, and frozen trim (02023000), with some cuts remaining for Singapore consumption. Product was not envisaged to be cooked or further processed.

### 4.1 Freight time and cost

#### 4.1.1 Time to market

Speed and proximity to Asian export markets is a principal advantage of having a distribution centre based out of Singapore. Australian exporters could sea-freight to Singapore, hence reducing cost, but airfreight from Singapore to the end market, ensuring speedy and flexible delivery once an order has been placed. A sea-to-air model would be faster than a direct sea freight shipment and cheaper than a direct airfreight shipment.

#### Sea freight shipping times Singapore and Australia to potential markets

Port City	Sea freight time from Singapore	Sea freight time from Australia (Melbourne)
Singapore	N/A	10 days
Tianjin (China)	14.3 days	18 days
Shanghai (China)	11.2 days	15 days
Chongqing (China)	5.9 days	17.7 days
Jakarta (Indonesia)	2.9 days	9 days
Manila (the Philippines)	6.7 days	10 days
Hong Kong (Hong Kong)	7.7 days	16 days

Source: Ports.com (2020)

#### Air-freight flight times Singapore and Australia to potential markets

City (Country)	Air-freight time from Singapore	Air-freight time from Australia (Melbourne)
Beijing (China)	6 hours	11 hours
Shanghai (China)	5 hours	10 hours
Chongqing (China)	3 hours	10 hours
Jakarta (Indonesia)	1 hour 40 minutes	6 hours
Manilla (the Philippines)	3 hours 30 minutes	7 hours
Hong Kong (Hong Kong)	3 hours 50 minutes	9 hours

Source: Prokerala (2020)

<sup>1</sup> The Harmonised System (HS) of export classification is used to classify trade for statistical reasons and to determine applicable tariffs at the border. Rules of origin generally require a substantive change in the HS code for the country of origin of the product to change. For meet information on the HS system refer to [http://www.wcoomd.org/en/topics/nomenclature/instrument-and-tools/hs\\_convention.aspx](http://www.wcoomd.org/en/topics/nomenclature/instrument-and-tools/hs_convention.aspx)

### 4.1.2 Cost of freight

The following table outlines a typical base line cost breakdown\* in delivering a full airfreight AVE (1,200 kg) or a full 20ft reefer (17,000 kg) to the Philippines and Hong Kong direct from Melbourne, Australia. Indicative figures are accurate as of November 2020 and all amounts are indicated in Australian dollars.

Description	Australia to Philippines		Australia to Hong Kong	
	Air	Sea	Air	Sea
Cost of cattle*	\$14,000	\$192,500	\$14,000	\$192,500
Slaughter, boning and packing fee	\$4,800	\$66,000	\$4,800	\$66,000
Transport to freight forwarder	\$200	\$1,750	\$200	\$1,750
Local export charges	\$907	\$5,200	\$907	\$4,560
Cost of freight	\$5,400		\$3,000	
Total cost	\$25,307	\$265,450	\$22,907	\$264,810
<b>Cost / kg (CNF)</b>	<b>\$20.41</b>	<b>\$15.61</b>	<b>\$18.47</b>	<b>\$15.57</b>

\* based on November 2020 market prices

A comparable re-export cost breakdown was not available due to uncertainty around local Singapore charges. This full cost breakdown was to be calculated during the cost benefit analysis.

## 4.2 Technical access requirements

Given product entering Singapore may be consumed in the market, Australian exports into Singapore would need to comply with respective importing country requirements. These are detailed in the DAWE Manual of Importing Country Requirements (MICOR) and are not listed in detail here.

Due to the lack of agreed health protocols between Singapore and the Philippines and Hong Kong, respectively, specific fresh and frozen beef importing country requirements applied to Singapore are not available.

Fortunately, Singapore is free from any major livestock diseases, notably it's recognised by the OIE as free from foot and mouth disease (FMD) without vaccination and of negligible bovine spongiform encephalopathy (BSE) risk (OIE, 2021).

### 4.2.1 Country requirements

#### 4.2.1.1 Philippine's requirements

Meat products fall under the jurisdiction of the Philippines Food and Drug Authority (PFDA). All processed meat (raw primals) products for export to the Philippines must be registered with the PFDA and be imported through an PFDA licensed importer/distributor. In particular, PFDA requires:

1. Meat must be derived from animals found at ante and post-mortem veterinary inspection to be free from Anthrax. Meat must come from establishments which are not placed under quarantine of anthrax control and which there has been no case of anthrax.
2. Inspections of product from establishments of 'good standing' are completed within 1 day.

3. An import permit is required for fresh meat, meat products and edible offal imported into the Philippines. Exporters must ensure that their importer provides them with a copy of the import permit prior to shipment of the product.

Source: DAWE (2021)

#### **4.2.1.2 Hong Kong requirements**

Regulation 4(1)(a) of IGMPER requires meat, poultry or eggs to be imported with a health certificate issued by an issuing entity recognised by Director of Food and Environmental Hygiene (Centre for Food Safety, 2020).

If importers wish to import meat, poultry or eggs from a country/place where the issuing entity responsible for issuing health certificates is yet to be recognised as an issuing entity, they should ask the relevant issuing entity or government to apply to Food and Environmental Hygiene Department in writing and provide the following information related to its country:

- the animal disease situation;
- the legislation governing hygienic standards of meat, poultry or eggs;
- the location of processing plants and facilities for handling, processing, production, storage and transport of meat, poultry or eggs;
- details of inspection of meat or poultry in the ante and post-mortem process and qualifications of officers responsible for the inspection process;
- a sample of the official veterinary and health certificate; and
- the official name of the issuing entity responsible for issuing veterinary and health certificates.

The Singapore Food Authority (SFA) is a recognised issuing entity for this purpose.

An import permit is required for most red meat products entering Hong Kong (MICOR, 2021).

### **4.3 Supply Chain Documentation**

#### **4.3.1 Australian exports to Singapore**

Given that some product would ideally be consumed in Singapore as well as re-exported, Australian exports would need to meet Singapore importing country requirements and be accompanied by an agreed Health Certificate. Likewise, product for Singapore consumption may also require a, Australian Government Authorised Halal Program (AGAHP) Certificate, as well as other standard commercial documentation.

#### **4.3.2 Singapore re-exports to the Philippines and Hong Kong**

The export of Singapore value-added Australian beef could be made possible by two key certificates issued by Singapore Food Authority (SFA).

##### **Free Sales Certificate**

The Free Sale Certificate (Food) is a form of SFA endorsement for products intended for export, including meat, fish, dairy and egg products and processed food products. The Free Sale Certificate (Food) costs SGD16.80 per certificate and takes three working days to process (SFA, 2021b).

The free sales certificate is evidence that the food items are legally sold or distributed in the open market, freely without restriction, and approved by the regulatory authorities in the country of origin. This certificate provides an assurance to the importing country as to the safety of the product intended for export. The Philippines recognises SFA's high standards on food safety and accepts the Free Sales Certificate in place of a health certificate. However, Philippines' recognition of the Free Sale Certificate is limited to processed meat products and does not yet cover fresh and frozen product.

### Health Certificate

Most countries require consignments of food products to be accompanied by official sanitary certification stating that the product is safe, wholesome and meets the country's importing requirements. In the case of Hong Kong, SFA is able to provide a health certificate in the required format, which attests to the animal disease situation, the ante and post-mortem process, and hygienic standards in which the meat, poultry or eggs were produced in.

Documentation requirements for product value-added in and re-exported from Singapore				
Government Oversight	Australian		Singapore	
Stage	Farm gate	Australia to Singapore	Singapore to the Philippines	Singapore to Hong Kong
Documentation required	National Vendor Declaration (NVD)	Request for Permit (RFP)	Free Sales Certificate (SFA Issued)*	Health Certificate (SFA Issued)*
		Interim AGAHP Halal Certificate		
		Meat Transfer Certificate (MTC)		
		Health Certificate		
		AGAHP Halal Certificate	Certificate of Origin (Sing.)	Certificate of Origin (Sing.)
		Certificate of Origin (Aust.)		
		Bill of Lading / Airway Bill		
		Pack List		
Invoice		Invoice	Invoice	

*\*Fresh and frozen red meat is currently not recognised under such certification in the Philippines / Hong Kong. Recognition would need to be negotiated, along with additional importing country requirements. In Singapore, to monitor the transfer of meat from customs to the value-add facility and prior to re-export, additional documentations, comparable to the MTC, may also be required.*

## 4.4 Trade labelling and language

No additional labelling requirements for re-exported product were discovered during the scope of the desktop phase of the project, compared to direct shipments from Australia. Any specific labelling requirements were to be discovered/validated during the trial phase.

### 4.4.1 Philippine's labelling requirements

The Philippines has no known specific labelling and trade description requirements beyond standard practise but the expiry date on frozen product must be no later than 12 months after the date of slaughter. Advice received from Enterprise Singapore was that the labelling requirements applied to direct shipments from Australia to the Philippines would transfer to re-exported product from Singapore. Any specific details were to be discovered/validated at the time of the trial.

### 4.4.2 Hong Kong labelling requirements

Hong Kong has no known specific labelling and trade description requirements, beyond standard practise, but retail ready product must include (Legco, 2006):

- Name or designation of the food
- Slaughter date
- Use by date (recommended date if properly stored)
- Storage conditions to meet use-by date
- Name and address of slaughtering plant
- Net weight

Some items may be described in English and/or Chinese.

### 4.4.3 Trade language

Given Singapore does not have a domestic red meat industry, an export trade language does not exist, unlike the Aus-Meat language in Australia. This presents an opportunity to work with the Singaporean authorities to establish a language for Singapore red meat exports or to work with Aus-Meat to get an overseas value-add establishment accredited to use the language.

As a preliminary measure, however, the use of the United Nations Economic Commission for Europe (UNECE) language, which is based off Aus-Meat, could be adopted (UNECE, 2016). The UNECE trade language offers an internationally agreed specification written in a consistent, detailed, and accurate manner using anatomical names to identify cutting lines. The standards also define a product code, allowing all relevant information to be combined in a 20-digit string. Adopting the UNECE trade language in Singapore may be the quickest way to proceed, especially while the re-export trade was in its infancy.

## 4.5 Market Access

Australia has favourable preferential access into much of Asia Pacific, thanks to a series of successful Free Trade Agreements (FTAs) with key trading partners. In some markets, however, tariffs or volume restrictions remain and create friction to trade. Like Australia, Singapore has also pursued an agenda of preferential trade reform with partners in the region. Some of the access Singapore negotiated may or may not go beyond what Australia secured. Depending on (1) how the product is

transformed in Singapore, if at all, and (2) the rules of origin stipulated in the preferential trade agreement, the product may be treated as of Singaporean or Australian origin for tariff purposes.

Where the World Trade Organisation (WTO) Most Favoured Nation (MFN) tariff is already zero in the final import country, the rules of origin would not matter, as there is not difference between MFN and preferential rate. However, when that's not the case, the tariffs applied to product re-exported via Singapore may be more or less than direct shipments. In these cases, understanding the ROO is important.

Depending on the agreement, for a product to qualify as Singaporean origin for trade purposes, it must be:

1. wholly obtained or produced in Singapore, or
2. manufactured in Singapore from imported materials and meet a specified % of local contents, or
3. fundamentally transformed in Singapore (substantial HS code change).

A product will not generally qualify as being of Singapore origin if it has undergone simple or minimal processing such as packing, bottling, drying or sorting (Asian Legal Information Institute, n.d.).

Australian red meat products enter Singapore tariff-free, so product should not be penalised with additional border duties whether they remain in a free trade zone or not. A goods and services tax (GST), currently 7%, is payable on the Cost and Freight (CNF) value of the imported goods. However, goods that are destined for re-export are eligible for a GST refund via a separate application that can be made to the Singapore Customs department.

AgriGate Australia investigated the FTAs most aligned with this project's market mix. AANZFTA and RCEP are two major regional agreements which include ASEAN and Australia, with China also a member of the latter, that allow for preferential access in the trade of goods.

For product that is not eligible for preferential access, the MFN tariff applied on beef exports from Singapore to the Philippines, China and Hong Kong would be 10%, 12% and 0%, respectively. Given the MFN tariff applied to beef imports in Hong Kong is 0%, the rules of origin for preferential access don't need to be established.

#### **4.5.1 ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)**

Under AANZFTA, primals fabricated in Singapore should be granted preferential tariff rates to markets within the agreement (i.e., Australian, New Zealand and ASEAN). According to the AANZFTA rules of origin chapter, as in Annex 2 of product specific rules, as long as the HS code has undergone a change in tariff classification at the 2-digit level for (i.e. from chilled to frozen or vice versa, or from chilled/frozen into a cooked or processed product), it will be considered as a product of Singapore and therefore will receive preferential access in the final country (ASEAN, 2017).

While the process of simple value adding (deboning, slicing etc) in Singapore would not meet the requirements for a country of origin change, given all components are wholly originating from AANZFTA member countries, the Singapore re-exported product should still be eligible for preferential access. Given Australia is a member of AANZFTA, direct exports would face the same end-market tariff as product re-exported from Singapore. Importantly, value-adding in Singapore should not create an added tariff cost compared to the traditional direct business model.



In contrast, however, if the re-export model was replicated by a non-AANZFTA originating member (e.g., beef from the US or Brazil) and they also didn't change the HS code at the 2-digit level, they would not be eligible for preferential access on product re-exported within ASEAN.

#### 4.5.2 RCEP rules of origin

RCEP rules of origin may make it easier for products value-added in Singapore, using Australian beef, to become Singapore origin for trade purposes when re-exported to RCEP member countries.

Under the rules of origin chapter, Article 2.6 paragraph 2 states:

*“The RCEP country of origin for an originating good shall be the Party where the good acquired its originating status in accordance with Article 3.2 (Originating Goods). With regard to subparagraph (b) of Article 3.2 (Originating Goods), the RCEP country of origin for an originating good shall be the exporting Party, provided that the production process, other than the minimal operations set out in paragraph 5, for that originating good occurred in that exporting Party.”*

Paragraph 5 identifies “slaughtering of animals” as an insufficient minimal operation, but not specify whether “boning” or “value-adding” would meet the threshold. Under this case, re-exported product from Singapore may be eligible for preferential access to other RCEP members of the agreement, such as China; however, further clarification may be required.

To be eligible for the RCEP members tariff schedule, Article 2.6 paragraph 3 states:

*“Notwithstanding paragraph 2, for an originating good identified by an importing Party in its Appendix to its Schedule in Annex I (Schedules of Tariff Commitments), the RCEP country of origin shall be the exporting Party, provided that the good meets the additional requirement specified in that Appendix.”*

Where, in the case of China, “the additional requirement specified in that Appendix” is:

*“An exporting Party of an originating good is the Party where no less than 20 per cent of the total value of the originating good has been added in the production of that originating good”.*

The following table outlines the tariff commitments from China on exports from Singapore.

#### Singapore Bovine Meat Access to China under RCEP (once entered into force)

HS Code	Product Description	Base rate	Year 1	Year 10	Year 20
<b>0201</b>	<b>Meat of bovine animals, fresh or chilled</b>				
0201.10.00	Carcasses and half carcasses	20%	18%	0%	0%
0201.20.00	Other cuts with bone-in	12%	11.4%	6%	0%
0201.30.00	Boneless	12%	11.4%	6%	0%
<b>0202</b>	<b>Meat of bovine animals, frozen</b>				
0202.10.00	Carcasses and half carcasses	20%	23.8%	12.5%	0%
0202.20.00	Other cuts with bone-in	12%	11.4%	6%	0%
0202.30.00	Boneless	12%	11.4%	6%	0%

Source: DFAT (2020)

While the applied tariff on beef exports from Singapore would be in excess of that applied to direct shipments from Australia (3.6% in 2021), it would eventually converge to 0% by year 20 of RCEP entering into force and would remain below the 12% non-preferential MFN tariff rate.

In addition, product re-exported from Singapore may circumvent the safeguard which caps Australia's preferential access on direct shipments (and which has been triggered in recent years). Hence, beef exports from Singapore may temporarily have favourable treatment than direct Australian shipments when the safeguard has been triggered.

## 4.6 Knowledge gaps

Through the course of the desktop study, AgriGate Australia uncovered a range of important information but key knowledge gaps remain. In particular:

- Singapore and the prospective end-markets need to negotiate access for red-meat products originating in Australia. Depending on the business model and boundaries of regulatory oversight, Australia (via DAWE) may also need to be included in such negotiations. The timeline and appetite for executing such negotiations is unclear at this stage and likely hinges on commercial interest and a compelling business case.
- Without agreed access for fresh red meat products between Singapore and end-markets, such as the Philippines and Hong Kong, the full list of final importing country requirements is unknown.
- While rules of origin, for determining tariff treatment at the border, are stipulated in various trade agreements, country of origin consumer labelling requirements are unknown for Australian origin product value-added and re-exported from Singapore. Labelling requirements will likely depend on the degree of value-adding in Singapore and domestic regulations in the end-market. Consumer labelling requirements could have implications for 'Australia' or 'True Aussie' branding in the end-market.
- While freight times have been estimated, the time-taken to clear customs and of other stages of the Singapore supply chain is unclear (for instance, the New-Zealand-Singapore-EU precedent occurs under strict SFA supervision). Hence, it is difficult to make a direct comparison of the speed to market between traditional and alternative supply chains.
- Without the ability to run a trial, AgriGate Australia were unable to get accurate supply chain costings for use in a cost-benefit analysis.

## 5. Conclusion

A range of uncertainties remain with regards to the regulatory landscape enabling a spectrum of business models to be successful. Re-export business models range from simple re-containerisation of product (e.g., the NZ-Singapore-EU air-to-sea freight model) through to the importation and value-adding of product in Singapore for re-export under a Singapore Health Certificate.

Replicating the NZ-Singapore-EU lamb model for other markets is attractive but the protocol appears fairly inflexible and took considerable time to negotiate; in addition, uptake by the trade has not been high and, in the meantime, NZ has pivoted from the EU to China. A comparable ASEAN-wide protocol, which permitted the repacking of product in Singapore for re-export, would attract a greater volume of trade. However, to allow for greater flexibility and business autonomy (without the need for burdensome regulatory supervision) new traceability solutions may need be required to underpin the integrity of the supply chain.

One attractive business model may be the ability to sea freight to a central distribution centre in Singapore, where cartons could be stored awaiting orders, before being re-exported via airfreight

across ASEAN on demand under a valid Australian and Singaporean Health Certificate. Clearly the breaking of seals and re-batching of product creates a major challenge for maintaining the integrity of the Australian Health Certificate. However, if feasible, such a model would unlock substantial opportunities for responsive and dynamic supply chains and better cater towards the emerging suite of e-commerce platforms in the region.

## 5.1 Benefits to industry

The Singapore re-export supply chain has been discussed for many years but without much tangible progress. This project progressed the conversation and endeavoured to move it into the realm of practical application. While the trial phase of the project was not able to commence, key roadblocks were identified and can now be the focus of interested parties in pursuing this opportunity.

This project has also brought the re-export business model to the attention of regulators, government agencies and industry bodies in Australia and Singapore. Established forums to discuss related issues could be leveraged going forward if commercial players wish to pursue the re-export model in partnership with government.

## 6. Future research and recommendations

A range of research and commercial pathways could be pursued in support of the Singapore re-export business model:

- Getting regulators to agree on the terms of access is critical for enabling the re-export of fresh red meat via Singapore. For governments to expend limited human resources, a clearer business case could be presented to highlight the size of the trade opportunity. This could be done via commercial players presenting a business case to regulators or via a study estimating the share of Australian red meat exports (value and volume) that could be re-directed through Singapore. This would better quantify the value that could be created and captured by each country, and whether there is benefit in expending limited regulator resources.
- This project focused on re-exporting via Singapore to Asian markets. If it could be successfully launched in Singapore, the re-export model could also be replicated in the markets or via other hubs, such as the UAE. Other markets/hubs could be based on a different value proposition; for instance, some may present a more compelling case for leveraging a re-exporting country's preferential access to end-markets.
- A range of business models could accompany a re-export supply chain, largely based on the degree of value-add that could occur in the intermediary country. Further investigation as to which of these business models is most appropriate in a range of contexts could help inform new entrants. To uncover such information, future trials of different models would likely be required.
- For models that required greater regulatory co-operation – for instance, where product arrives in the end-market under a valid Australian and Singaporean Health Certificate – new traceability technologies may be required to give confidence to all parties. This could entail the adoption of existing off-the-shelf solutions or a more tailor-made technology – both options could be explored for future application.

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