

14 February 2017

Mr Ken O'Dowd MP
Chair
Joint Standing Committee on Trade and Investment Growth
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Chair,

Re: Inquiry into the growth potential in Australia's trade and investment relationship with Indonesia

GrainGrowers welcomes the opportunity to contribute to your inquiry into the growth potential in Australia's trade and investment relationship with Indonesia. GrainGrowers is a grain farmer representative organisation with 17,500 members across Australia, and through its policies, programs and services aims to develop a more efficient, sustainable and profitable grain production sector that benefits all Australia grain farmers and the wider grains industry.

GrainGrowers is particularly interested in this inquiry due to the huge importance the Indonesian market holds for Australian grain farmers. Australian wheat exports to Indonesia are valued at \$1.3bn annually, accounting for more than 20% of Australia's total wheat exports. Indonesia is a growing market, with its total wheat imports expected to surpass those of Egypt, to become the world's largest wheat importer by the end of this decade. Similarly, as Indonesian diets change we can expect that the quality requirements and diversity of grains will expand.

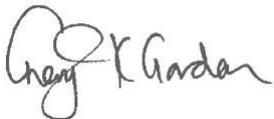
Australia is well placed to service this growing Indonesian demand for grain. Our high quality, safe and reliable grains, together with our proximity to Indonesia provides to them a logical and efficient supply chain partner in their endeavours to service domestic grain needs, but also grow their exports of noodles and baked goods across Asia.

Given the importance of the Indonesian grain market to our sector, GrainGrowers, together with partners from the wider industry, have developed a proposal for a Strategic Grains Initiative in Indonesia. This initiative is for a training and innovation centre, and is based on the need to maintain and foster the market as it grows and becomes more attractive and accessible to alternative grain supply competitor nations. This initiative is a proactive approach to market maintenance, not a reactive response to a trade crisis. The Australian grain export market of Indonesia is a functioning mutually beneficial trade, but cannot be taken for granted.

The Indonesian market for Australian grains is critical to our sector and the sustainability of Australian grain farmers, but should be recognised more broadly as critical to the Australian Indonesian relationship. At \$1.3bn value annually, wheat exports are Australia's largest export to Indonesia, accounting for 20-25% of total Australian exports, and these exports are valued at more than 2 times the value of Australia's live cattle exports to Indonesia, which has received much attention over time. Australian grain exports provide a very sound backbone to Australia's trade relationship with Indonesia, so the value of a Strategic Grains Initiative in Indonesia is not only to Australia's grain farmers and the wider grains industry, but the entire Australian economy. We submit to this inquiry, that government involvement in this initiative would be to the benefit of our sector, the wider economy, general trade relations and Australia's aid development aims for our region.

To further inform you inquiries, I attach GrainGrowers' market brief for Indonesia, together with the concept brief for the Strategic Grains Initiative (as submitted to and included within the Indonesia Australia Business Partnership Group *Partners in Prosperity* (August 2016) submission to IA-CEPA). I would also welcome the opportunity to speak to this inquiry as it proceeds.

Yours sincerely,



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ATTACH 1: Indonesian Market for Australian Grains: *An Overview* September 2016

ATTACH 2: A Grains Industry Strategic Initiative for Indonesia: Concept Brief

