

JOINT STANDING COMMITTEE ON TREATIES

INQUIRY TO THE INDONESIA-AUSTRALIA COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT (IA-CEPA)

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Opening Statement

GrainGrowers welcomes this opportunity to appear before the JOINT STANDING COMMITTEE ON TREATIES inquiry into the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA).

GrainGrowers is a grain farmer representative organisation with more than 17,000 members across Australia. Our goal is a more efficient, sustainable and profitable grain sector that benefits Australian grain farmers and the wider industry.

GrainGrowers supports the IA-CEPA.

Trade and Market Access is a key focus of our industry. In particular, GrainGrowers seeks to drive the development and implementation of positive trade and market access outcomes for the industry and its customers.

Australian grain farmers grow some 45 million tonnes of grains, oilseeds and pulses each year, which at the farm gate alone is worth \$14 billion. This production generates more than 170,000 jobs across rural, regional and metropolitan Australia.

Over 70% of Australia's grain production is sold offshore, generating \$12 billion each year, and accounting for more than a quarter of all Australian agricultural export earnings¹.

Domestic sales of grain also underpin the fortunes of other important Australian export industries such as red meat, wool and dairy.

Trade is vital for the Australian grains industry and regional communities. Maintaining a strong free trade agenda, one which focusses on addressing tariff, quota and non-tariff barriers to trade is imperative for the ongoing success of the sector.

The Australian grain industry seeks to improve trade opportunities through multiple channels. There are no silver bullets.

Bilateral and regional preferential trade agreements, such as IA-CEPA, are an important potential tool in improving export opportunities for the Australian grain sector.

New trade agreements, such as IA-CEPA, must be commercially meaningful. They must complement and build upon the agreements that preceded them.

In our opinion, IA-CEPA achieves these objectives.

Indonesia is a country of boundless opportunity for the Australian grains industry.

A country with 263 million people, Indonesia's population is forecast to grow to 295 million by 2030. It will become the world's third largest economy by 2050.

Indonesia is on our doorstep. Indonesia is already Australia's largest wheat market with annual trade volumes typically (in other words non-drought years) around 4.2 million tonnes, valued at \$1.3 billion.

¹ Source: ABARES Agricultural Commodities, March 2018, 3yr average 2015/16 to 2017/18.

This equates to approximately 20% of Australian wheat exports in a typical year.

Wheat is the single largest Australian agricultural export to Indonesia with about 40% market share, and outside of Australian drought years, Australia is the largest supplier of milling wheat to Indonesia.

Despite this good new story there have been some challenges for Australia's grain trading relationship with Indonesia.

Firstly, Australia's grain trading relationship with Indonesia has been almost exclusively for wheat for flour milling purposes. Australian grain farmers had been effectively locked out of the Indonesian stockfeed manufacturing sector.

Secondly, Australia's existing position as Indonesia's preferred supplier of milling wheat is under threat by the rise of low-cost producers in the Black Sea and now Argentina.

IA-CEPA directly addresses both issues for the Australian grains sector.

The agreement includes a new quota of 500,000 tonnes of Australian feed grains to Indonesia per year, growing at 5% per annum.

This is a material market access gain for the Australian economy.

Under this arrangement, Australia will be the only country with formal access to Indonesia's stock feed manufacturing market. This is a market of over 18 million tonnes, growing by around 1 million tonnes per annum, fueled by rapid growth in Indonesia's poultry, aquaculture, beef and pork sectors.

This newly agreed feed grain quota is equivalent to more than 12,000 b-double truckloads of grains, and is equivalent to 20% of South Australia's total barley crop. In dollar terms, this new feed grain quota is worth over \$125 million to Australian farmers. Given the uncertainty that

Australian barley exporters currently face in other key markets, including China, the importance of this new market access cannot be overstated.

In addition to the market access outcomes, we are equally as excited that this agreement between Australia and Indonesia is a genuine economic partnership. A partnership that will allow the relationship between Indonesian and Australian businesses to flourish.

To this end, we are particularly excited that, as part of IA-CEPA, Indonesia and Australia will start to work on a grains-specific economic cooperation initiative, the Australia-Indonesia Grains Partnership. This grains partnership will provide the required technical, economic, and social programs to allow the grains and related industries in both countries to thrive.

The Australia-Indonesia Grains Partnership will bring together decision-makers from both countries to foster relations and to maximise the opportunities for development and collaboration amongst the grains, food processing and livestock sectors.

The partnership will ensure that Indonesian stockfeed and livestock industries have the right technical support when using Australian feed grains such as barley. This will mean that Indonesian livestock sectors maximise their productivity when using Australian feed grains, thereby ensuring that the trade is no longer transactional, but instead a genuine relationship or partnership.

The partnership will support Indonesia's value-adding and export objectives in the flour milling; food processing; stockfeed manufacturing; animal/aquaculture production; and meat processing sectors.

Finally, I note that the benefits of IA-CEPA apply to a range of agricultural products, not just grains. This coverage is important for the grain production sector. This is because Australian grain farmers typically produce other commodities such as beef or lamb in addition to their grain crops such as wheat, barley or canola.

In conclusion, Australia, and in particular the Australian grain sector, is reliant on international trade. Maintaining a strong trade liberalisation agenda that focusses on addressing both tariff, quota and non-tariff barriers to trade (such as import licencing etc) is imperative for the ongoing success of the Australian grains sector.

GrainGrowers congratulates the Australian government for reaching agreement on IA-CEPA and we encourage Parliament to ratify the agreement at its earliest opportunity.

Thank you.

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