



19 April 2018

Foreign Affairs, Defence and Trade Committee
Department of the Senate
PO Box 6100
Parliament House, Canberra ACT 2600
Via email: fadt.sen@aph.gov.au

Dear Committee Secretariat,

RE: Submission to the Foreign Affairs, Defence and Trade References Committee inquiry to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11)

GrainGrowers welcomes the opportunity to make this submission to the Foreign Affairs, Defence and Trade References Committee inquiry into the TPP-11 Agreement.

GrainGrowers supports the TPP-11 Agreement.

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

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

Australian grain farmers annually grow some 48.9 million tonnes of grains, oilseeds and pulses which at the farm gate alone is worth \$14.6 billion. This production generates more than 170,000 jobs in rural, regional and metropolitan areas across Australia. Over 70% of Australia's grain production is exported, earning some \$12.2bn in export earnings annually, and accounting for more than a quarter of all agricultural export earnings (Source: ABARES Agricultural Commodities, March 2018, 3yr average 2015/16 to 2017/18). Domestic sales of grains also underpin the fortunes of other important export industries such as the red meat and dairy industries.

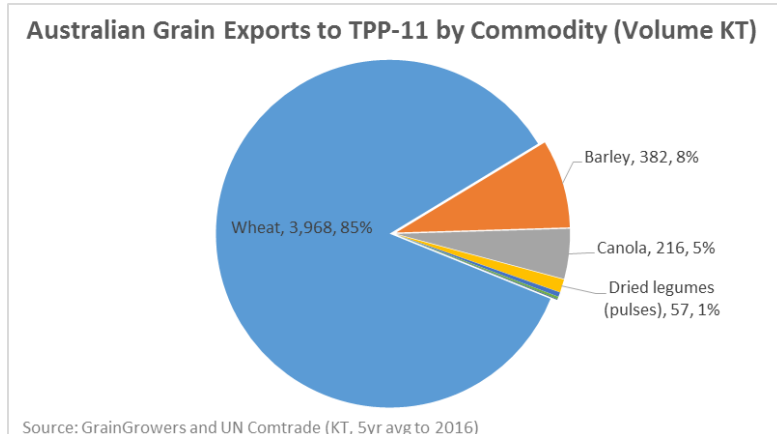
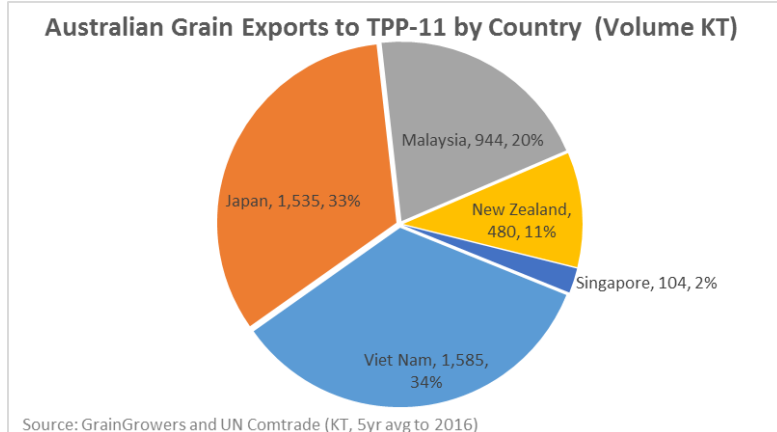
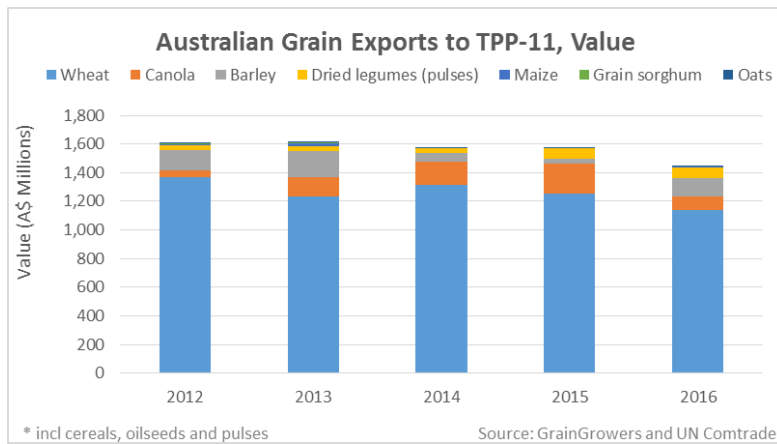
Trade is vital for the Australian grains industry and regional communities. Where there are opportunities to engage in agreements which assist the competitiveness of Australian grains in international markets, it is imperative Australia does so.

Benefits of TPP-11 for the Australian grains industry

1. TPP-11 will eliminate >98% of all tariffs in the free trade area. Benefits apply to a broad range of agricultural products, including (but not limited to) beef, dairy, sheep meat, cotton, wool, and grains. Australian grain farmers typically also produce other commodities such as beef, lamb, wool and cotton.
2. The average value of Australian grain exports to TPP-11 members over the past 5 years is A\$1.6 billion, accounting for 15-20% of Australian grain trade.



3. The TPP-11 includes five of Australia's important grain export markets in Vietnam (1.6 million tonnes), Japan (1.5 million tonnes), Malaysia (940 thousand tonnes), New Zealand (480 thousand tonnes) and Singapore (100 thousand tonnes). Australia's grain trade to the region is dominated by wheat (4 million tonnes, 85% total grain exports to region), followed by barley (382 thousand tonnes) and canola (216 thousand tonnes).



4. Australia already has preferential access into a number of TPP-11 countries because of existing trade agreements (i.e. ASEAN-ANZFTA, JAEPA). TPP-11 will build upon the market access gains provided by the market access gains delivered by the existing trade agreements.
5. Improved market access resulting from TPP-11 is most apparent in the Japanese market, where the TPP-11 promises reduced mark-up and additional quota access to wheat (Country Specific Quotas (CSQ)), barley (TPP Wide quota) and malt (roasted and unroasted, CSQ). The gains for Australian grains into Japan are:
 - a. Australia's country-specific quota for wheat grows from 38,000 to 50,000 tonnes over 8 years.
 - b. Mark-ups of within-quota wheat for food are reduced by 45% over 8 years.
 - c. TPP-11-wide quota for barley increase from 25,000 to 65,000 tonnes over 8 years.
 - d. Mark-ups of within-quota barley are reduced by 45% over 8 years.
 - e. Malt quota to Japan of 72,000 tonnes (which is initially larger than JAEPA quota, however will be superseded by JAEPA in time)
 - f. Canola oil duties eliminated over 5 years (under JAEPA the duties are to be eliminated in 2024).
6. In addition to the market access outcomes, it's also important to note that as a regional agreement, the TPP-11 will play an important role in encouraging mutual recognition of standards and reducing non-tariff barriers. TPP-11 includes improved processes for rules of origin, self-certification and increased transparency on import licensing, export arrangements and food security claims. Similarly, TPP-11 includes a Technical Barriers to Trade Committee, which it is hoped will assist with the management of increasingly prevalent technical barriers to trade internationally. Finally, TPP-11 has important provisions concerning products of modern biotechnology, including transparency mechanisms and the formation of a working group on trade-related matters related to products of modern biotechnology.

What is the implication of the US rejoining TPP-11?

The Australian grain industry benefits from the US *not* being a part of TPP-11. This is because the US is a major exporter of grains and oilseeds and competes directly with Australia in a number of TPP-11 nations. Under TPP-11 Australia continues to have preferential access (over the US) into the TPP region.

Nevertheless, there are mixed blessings regarding the USA's possible return to TPP from a grains industry perspective.

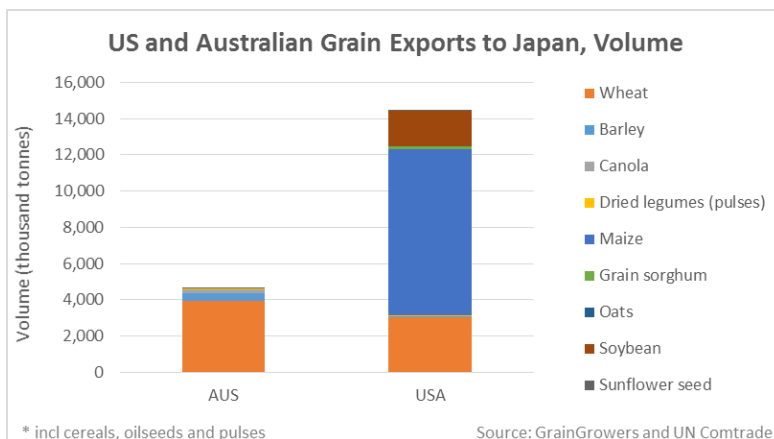
On one hand, a possible return of the US to the TPP fold sends a positive signal that seeking a liberalized trade agenda is important for the world's largest economy and the historic key-advocate for global free trade. This is particularly important given the current global economic climate, the increasing protectionist activities and rhetoric of some countries, and the challenges for achieving further reform at the multilateral level, notably the well-publicized issues at the WTO, including with the dispute settlement / appellate stalemate.

However if the US re-enters TPP, Australia will lose its competitive edge for a number of agricultural commodities into TPP markets. In particular, under JAEPA, Australian grain currently enjoys more favorable



market access compared to the US into Japan. This is particularly the case for Australian wheat exports to Japan, which have averaged A\$330M over the past five years, and compete directly with US wheat exports into this high-priced market. Under TPP-11 Australia's market access advantage vis-à-vis USA into Japan increased further. If the US re-enters TPP they will achieve the same market access outcomes as Australia currently enjoys. This will place both the US and Australian grain exporters on an equal footing into Japan. Australian grain exporters will be no worse off than US exporters. However Australian grain exporters will be worse off compared to if the US had not re-joined at all.

United States grain exports to Japan average 14.4 million tonnes per annum between 2012 and 2016, led by corn/maize (9.1 million tonnes), wheat (3.0 million tonnes) and soybeans (2.0 million tonnes).



Summary

Overall, we applaud the Australian government for reaching agreement on TPP-11. 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 SPS issues, inconsistent trade rules etc.) is imperative for the ongoing success of the Australian grains sector.

GrainGrowers supports the TPP-11 agreement and encourages the Committee to recommend to Parliament its adoption.

Yours Sincerely,

Luke Mathews

GrainGrowers Trade and Economics Manager