



15 August 2019

Committee Secretary
Joint Standing Committee on Treaties
PO Box 6021
Parliament House, Canberra ACT 2600
Via email: jsct@aph.gov.au

Dear Committee Secretariat,

Re: Submission to the Joint Standing Committee on Treaties inquiry to the Indonesia-Australia Comprehensive Economic Partnership Agreement

GrainGrowers welcomes the opportunity to make this submission to the Joint Standing Committee on Treaties' inquiry into the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA). GrainGrowers supports the IA-CEPA Agreement. Ratification and effective implementation of IA-CEPA as soon as possible is GrainGrowers' key trade priority.

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 Australia grain farmers and the wider grains industry. Trade and Market Access is a key policy focus of GrainGrowers and we seek positive trade and market access outcomes for the Australian grains industry and its customers.

Australian grain farmers annually grow around 45 million tonnes of grains, oilseeds and pulses which at the farm gate alone is worth \$14 billion. Approximately 70% of Australia's grain production is exported, earning approximately \$12 billion in export earnings annually, and accounting for more than a quarter of all agricultural export earnings. There are 110,000 people directly employed in grain, beef and sheep farming in Australia, mostly in rural areas, with another 208,000 people employed in food manufacturing.

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.

The Indonesia-Australia relationship is important for many reasons. IA-CEPA presents a unique opportunity to deepen and strengthen our trade and economic ties with Indonesia. Indonesia is Australia's largest wheat export market with roughly one-fifth market share in normal years.

Implementing IA-CEPA is critical for Australian grain farmers not only because of our current trade, but also because of the potential to significantly grow grains trade to Indonesia. The proximity, population and growing purchasing power of Indonesians will create new markets for Australian agricultural exports,

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particularly grains, for years to come. However current barriers to trade prevent Australian farmers and regional communities from fully realizing on the Indonesian opportunity.

IA-CEPA secured new access for Australian feed grains and represents dollars in farmers' pockets. Under IA-CEPA, Australian farmers are set to gain 500,000 tonnes of new feed grain market access to Indonesia, making Australia the only country in the world with such market access. This new market, equivalent to 12,000 trucks worth of barley, sorghum and wheat, is worth \$125 million in farmgate value to the Australian grain industry.

IA-CEPA also provides a critical platform for the development of the Australia-Indonesia Grains Partnership, an economic cooperation initiative that will strengthen relations and result in stronger and more sustainable growth in both country's agri-food industries. The Grains Partnership will reinforce Australia's traditional position as the single largest supplier of milling wheat to Indonesia whilst allowing new trade, investment and bolster relationships between Australia's grain industry and Indonesia's food manufacturing, stockfeed and livestock sectors.

We applaud the Australian government for reaching agreement on IA-CEPA. 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 is imperative for the ongoing success of the Australian grains sector.

GrainGrowers, along with Grain Trade Australia (GTA), Australian Export Grain Innovation Centre (AEGIC), Australian Grain Exporters Council (AGEC), Grains Industry Market Access Forum (GIMAF) and Grains Industry of Western Australia (GIWA), supports IA-CEPA and encourages the Committee to recommend to Parliament its adoption. I am happy to expand on this submission if that would be useful to the inquiry, and can be contacted via email (luke.mathews@graingrowers.com.au) or by telephoning (02) 9286 2000.

Yours Sincerely,

Luke Mathews

GrainGrowers General Manager Policy and Research

ATTACHMENTS: Australia-Indonesia Grains Partnership (March 2019)

ATTACHMENT

Australia-Indonesia Grains Partnership: An Economic Cooperation Proposal

Summary

The Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) was signed in Jakarta on 4th March 2019. As part of this agreement, the Australian grains industry has worked with the Australian Government and identified a collaborative industry initiative with Indonesia, the **“Australia-Indonesia Grains Partnership”**.

The partnership will bring together Indonesian and Australian decision makers from government and industry to foster relations and to maximise the opportunities for development and collaboration amongst the Indonesian and Australian grains, food processing and livestock sectors.

Background

The Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) was signed in Jakarta on 4th March 2019. The agreement is now awaiting ratification by both governments.

Indonesia is a large and growing market for milling wheat and feed grains. Indonesia’s impressive demand growth is being driven by a rapidly expanding population, a westernisation of diets – including growth in flour (bread and noodle) consumption – and robust expansion in the local livestock and feed industries.

Indonesian milling wheat imports are around 10 million tonnes per annum. Per capita flour consumption in Indonesia is 22 kilograms per year, well below the global average of 50 kilograms, implying ongoing demand growth for milling wheat in the future. Indonesian flour consumption is dominated by noodles (instant noodles 36%, wet noodles 18%, dry noodles 4%), followed by bread (26%) and biscuits and snacks (16%). Flour-based products are increasingly displacing rice as a breakfast option.

Indonesia’s feed grain (stockfeed) consumption was estimated at 18 million tonnes in 2017, and is growing by 1.1 million tonnes (7%) per annum. Growth in feed grains is driven by Indonesia’s rapidly expanding livestock sector, supported by changing diets and improved technology such as refrigeration and transportation.

Indonesia is already Australia's most significant wheat market, valued at \$1.2-1.3 billion per annum, and equating to approximately one-fifth of Australia’s total wheat exports. In volume terms, Australia exports between 3.5-4.5 million tonnes of wheat to Indonesia each year. In addition to Indonesia being Australia’s largest wheat export market, wheat is also Australia’s single largest rural export to Indonesia. Wheat accounts for roughly 40% of Australia’s total agricultural, fishery and forestry exports to Indonesia, 2.3X larger than the next largest agricultural commodity export, live cattle¹.

IA-CEPA will support a new wave of prosperity in grain trade and investment between Australia and Indonesia. Australia’s current grain trade to Indonesia is almost exclusively wheat for milling purposes,

¹ Note: Australian grain and agricultural exports in the 2018/19 season have been adversely impacted by extreme drought conditions and supply limitations. As a result 2018/19 has been excluded from this analysis.

however, IA-CEPA would allow more diversity and growth in Australia's grain trade with Indonesia in the future. IA-CEPA will boost opportunities for the Australian grain industry and support growth, development and trade opportunities for Indonesia's food manufacturing, stockfeed and livestock sectors.

Key outcomes for the Australian and Indonesian grain sectors as a result of IA-CEPA include:

- New 500,000 tonne duty-free tariff rate quota, growing 5% pa, for Australian feed grains into Indonesia, including feed barley, sorghum and feed wheat.
- Establishment of the Australia-Indonesia Grains Partnership.

Proposal Detail: Australia-Indonesia Grains Partnership

1. Overview

The proposed "Australia-Indonesia Grains Partnership" will bring together Indonesian and Australian decision makers from government and industry to foster relations and to maximise the opportunities for development and collaboration amongst the Indonesian and Australian grains, food processing and livestock sectors.

2. Key Benefits

The Australia-Indonesia Grains Partnership is designed to achieve the following outcomes:

- Demonstrate bilateral commitment from Australia towards Indonesia's requirements for long term food security.
- Support Indonesia's value-adding and export opportunities in the flour milling; food processing; stockfeed manufacturing; animal/aquaculture production; and meat processing sectors.
- Invest in human capacity building, technical training and high potential talent development within Indonesia's agrifood industries.
- Promote trade of Australian milling wheat and feed grains to Indonesia, thereby complementing industry's efforts to open feed grain market access under IA-CEPA.
- Develop a platform for future trade in pulses, oilseeds and other grains (such as milling oats).
- Design a successful capacity-building model that can be replicated with Indonesia in other important value and growth food markets (such as the ASEAN market) or replicated by Australia in a stand-alone bilateral initiative with other emerging economies.
- Create a high-level strategic industry coordination through a bilateral Australia Indonesia Grains Partnership "Industry Advisory Council" (IAC). The IAC would set the strategic direction and design for the proposed Australia Indonesia Grains Partnership Program.

3. Key Focus Areas

The proposed partnership focuses on the following key areas:

- Technical capability and capacity building – milling wheat
- Technical capability and capacity building – feed grains and livestock nutrition
- Human (leadership) capability and capacity building
- Industry/government relationship building, food security, safety and regulatory harmonisation.

4. Suggested Program Design and Implementation

It is suggested that the Australia-Indonesia Grains Partnership will include the following²:

- a) Grains Leadership Program: A modular technical training program for delivery in Australia and Indonesia. The training program is to be positioned as³:
 - A prestigious program: for selected high potential staff from the Indonesian flour milling; premium baking/food processing sectors; and nutrition, feed and livestock industries.
 - An innovation agenda: training technical staff in the applications of Australian grains.
 - A leadership program: developing the capabilities of the leaders in the Indonesia grain, milling, livestock and food sectors.
- b) Scholarships provided for Indonesian PhD candidates to complete their studies in Australia (for example at AEGIC or a suitable Australian university). PhD topics would be aligned to one of the four streams identified above and be focussed on Australian grains.
- c) Development of Grains eLearning Program. A technical eLearning program that allows the Grain Leaders to engage and train their staff using Australian training materials. These programs would be prepared in Bahasa and would lead to certificates in topics such as grain technology and milling. This will allow the Partnership to reach many grain industry participants and it will also be enduring beyond the five years of the initial program.
- d) Establishment of Annual Indonesian-Australian Grains Forum which would facilitate government and industry engagement across Australian and Indonesian stakeholders. It is envisaged that this would include a specific program to address the ongoing food security and safety issues faced by the rapidly expanding Indonesian grains industry. The forum may also include participation at Australian Grain Industry Conferences (AGIC) Australia and AGIC Asia Conference (<https://www.ausgrainsconf.com/>).

² The final strategic objective and design of the program will be developed by the Industry Advisory Council. However, it is suggested that the five overarching technical capacity building modules may include: (1) Grain (cereals and pulses) product development; (2) Grain ingredient evaluation; (3) Grain process technology; (4) Grain logistics and supply chain management; and (5) Stockfeed (bovine, poultry, aquaculture) ration evaluation and formulation.

³ It is proposed that a modular two-year technical training program would be provided to small cohorts of high potential persons from Indonesia's agrifood industry. The program will build a network of alumni under the auspices of, for example, the "Australia Indonesia Grain Partnership Program". See Appendix (a) Grains Leadership Program

Finally, it is proposed that the modular technical training programs and eLearning models would contribute to formal certification and qualification (i.e. diploma or graduate diploma level).

5. Operation, Stakeholders and Industry Advisory Council

Membership:

It is proposed that the partnership has membership from Indonesian and Australian national government agencies, as well as prominent members from across grains, food processing and livestock business and investment community. The proposed stakeholders include:

Australian Stakeholders	Indonesian Stakeholders
<ul style="list-style-type: none"> Major marketers of Australian grain (min of two, however preferably incl. at least each of CBH, Plungrove, Glencore, Cargill, Emerald, GNC) 	<ul style="list-style-type: none"> Indonesian Flour Milling Association (APTINDO) http://aptindo.or.id/
<ul style="list-style-type: none"> Australian Export Grain Innovation Centre (AEGIC) 	<ul style="list-style-type: none"> Indonesian Feedmills Association (GPMT) http://www.gpmt.or.id/
<ul style="list-style-type: none"> Industry bodies: GIMAF, GTA, AGECE, GGL, GIWA 	<ul style="list-style-type: none"> Indonesian flour milling companies (at least two)
<ul style="list-style-type: none"> Department of Agriculture and Water Resources (DAWR) 	<ul style="list-style-type: none"> Indonesian baking/food processing companies (at least two)
<ul style="list-style-type: none"> Department of Foreign Affairs and Trade (DFAT) 	<ul style="list-style-type: none"> Indonesian stockfeed manufacturing companies (at least two)
<ul style="list-style-type: none"> Australian grain breeding companies 	<ul style="list-style-type: none"> Indonesian tertiary education provider (TBC)
<ul style="list-style-type: none"> A major Australian stockfeed manufacturing company (such as Ridley) 	<ul style="list-style-type: none"> Indonesian Government

A select group of representatives would be nominated to form part of the Industry Advisory Council.

Project reporting and secretariat:

It is proposed that the partnership reports to the Australian Minister for Agriculture and the Chairman of Indonesia Investment Coordinating Board as the leading Ministers for the partnership.

It is further proposed that project management and secretariat functions be provided by the Department of Agriculture with support from Department of Foreign Affairs and Trade.

Operation and delivery:

It is proposed that the Australian program would be conducted by the Australian Export Grain Innovation Centre (AEGIC) under the direction of the Industry Advisory Council.

AEGIC has many years of experience in the design and delivery of training for the grain industry. It has facilities in Sydney and Perth to support the program and has staff suitable to conduct components of the program. In particular AEGIC has experience working with the Indonesian grain industry including a wide

industry network. AEGIC would become a registered training provider and connect with a university to formalise qualifications.

6. Other Considerations

It is noted that the proposed Australia-Indonesia Grains Partnership is not a fixed “bricks and mortar” investment in Indonesia. Instead it is an investment in technical and leadership capacity building, delivered through module-based programs in both Australia and Indonesia, resulting in the creation of an alumni network in the Australia-Indonesia grain, feed and food sectors.

Importantly, this proposal can be deemed as an “industry-good activity” and will be:

- Supportive and complementary of commercial efforts made by marketers of Australian grains
- Supportive and complementary of commercial efforts made by Indonesian agrifood businesses
- Not displacing of the commercial efforts of Australian marketers or Indonesian agrifood businesses
- Undertaken collaboratively with Australian marketers and Indonesian processors through their participation in the Australia Indonesia Grains Partnership Industry Advisory Council.

Contribution and Acknowledgments

This Australia-Indonesia Grain Partnership project proposal has been developed in conjunction with the wider Australian grains industry. We thank the contribution and endorsement of AEGIC, GTA, GIMAF, AGECE, GIWA and the many private companies engaged in the export of Australian grains to Indonesia who provided direct input to this proposal.

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Appendix (a) Grains Leadership Program

A three-stage program is recommended for participants from Indonesia and Australia. The program would include: leadership, technical training and supply chain operations. It is acknowledge that the program will require further shaping for design and content with input from the Industry Advisory Council with a particular emphasis on addressing the Indonesian requirements.

It is proposed that participants would spend 2 x 2 weeks in Australia completing theory, practical training and industry visits. They would trace the Australian supply chain from farm to ship loading. They would be introduced to major players across the industry and improve their technical knowledge. A third stage would be conducted in Indonesia where participants present the results of projects they have undertaken within their company/organisation. It is suggested that the leadership program is rolled out over 3 x 2 day sessions. The final session would be delivered in Indonesia.

Each stage would target around 10 participants, with up to 8 from Indonesia combined with 2-3 grain growers from Australia. The Indonesian participants would be selected from Government, and major flour and feed millers. The aim would be to include participants from across the Indonesian skills base to represent procurement, finance, logistics and milling technicians. Most of the course would be consistent for all participants and will include flour and feed elements to capture a broader focus for future leaders.

We would target 60 to 80 Indonesian participants over five years. Additional years would be welcome, but it might be best to review the program before extending the commitment. We consider the engagement with growers to be an extremely valuable component of this course. We could consider other Australian participants on an attendance fee basis.

Graduation to be based in Indonesia at the conclusion of the final student project presentations. Australian growers will participate in the Indonesian program and this will include exposure to the facilities and operations of each participating company/ organisation.