

Grains NTM Project

Non tariff measures (NTMs) are increasing and today are the priority trade policy issue for the grains industry. The market access challenge is ongoing and requires Government and industry to work together to address current and future challenges. This project has been a joint initiative of the Government and industry and demonstrates the value that can be captured from such activity.

Addressing NTMs provides the greatest opportunity for the industry to increase trade and increase value for the industry, growers and the economy.

Prepared for and funded by the Grains Research and Development Corporation (GRDC) and the Australian Government Department of Agriculture and Water Resources on behalf of the Australian grains industry.

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March 2018





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Introduction

Market access is critical for the Australian grains industry, with more than 75% of production exported nationally. The grains industry provides jobs and economic growth to regional communities as a direct result of international market opportunities. The gross value of production for the grains industry was \$17.8 billion in 2016/17, with record export revenue on the back of increased production. Forecast export revenues for key grains in 2016/17 were wheat \$6.09b, barley \$2.43b, canola \$2.13b and chick peas \$1.92b¹.

As a trade exposed sector, ensuring competitive market access is essential for its continued prosperity. Continued and improved market access is an essential part of the industry's platform that enables it to provide a high quality supply of grains, oilseeds and pulses to international customers.

Successive Australian governments have been highly effective in liberalising international trade with key trading partners through the pursuit of bilateral and regional Free Trade Agreements (FTAs). For Australian grain exporters, FTAs, and gains through WTO reforms, have delivered a reduction in tariff rates across a range of export markets, resulting in the expansion of export market opportunities.

This has seen the importance of tariffs reduce albeit they can still be significant in some markets. However, alongside this there has been an increasing influence of domestic support policies in some of our key importing countries and this is creating some adverse consequences for the trade environment through restricted access or changeable rules.

Thus, the focus has shifted to 'non-tariff measures' (NTMs) - a general term that describes government regulatory tools and policy measures, other than customs tariffs, that have the potential to affect the international trade in goods. In some cases, while NTMs/regulations can serve legitimate biosecurity and/or food safety requirements, they can also be harmful to trade.

While tariffs (and quotas) are still important in some markets, in general they are less restrictive and harmful for the grains sector than the emerging and growing NTMs. The industry is increasingly facing technical and phytosanitary barriers that are impeding trade, increasing the difficulty, risks and cost of doing business and potentially reducing the market return for Australian grains.

¹ ABARES Agricultural Commodities Dec 17

For the grains industry, the increased incidence of sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT) has been particularly evident. Policies are often based on zero tolerance or reduced limits and are increasingly influenced by emerging environmental and sustainability requirements to meet societal expectations. The lack of transparency and predictability of changes in market access rules and regulations is an emerging and critical challenge for the grains industry.

The grains industry sought to identify and understand these non-tariff measures in order to effectively prioritise barriers and communicate the impact of these to Government and other stakeholders. Additional work is being undertaken to quantify the impact of NTMs, tariffs and other trade restrictive policies.

The Grains NTM Project has assisted the industry to be able to better inform and engage with Government in relation to trade negotiations.

The Grains NTM Project objectives

This report is the first comprehensive survey of all NTMs, undertaken to identify and prioritise these for the grains industry.

The project objectives were to:

- Improve transparency by understanding from exporters what NTMs are impacting on them and implications for their businesses;
- Provide a better line of sight to the breadth and nature of NTMs impacting on the industry; and
- Utilise this knowledge to better inform policy and interactions with the Government, industry and markets around these issues.

The project included gathering data on Australian exports, global grain trade flows and tariffs across major export commodities and key markets. It also included a significant survey of exporters and industry organisations to gather perceptions; identify NTMs across grains and markets; and understand the burden that they impose. The study also prioritised NTMs for the grains industry.

Defining NTMs

'Non-tariff measures' (NTMs) is a general term that describes government regulatory tools and policy measures, other than customs tariffs, that have the potential to affect the international trade in goods.

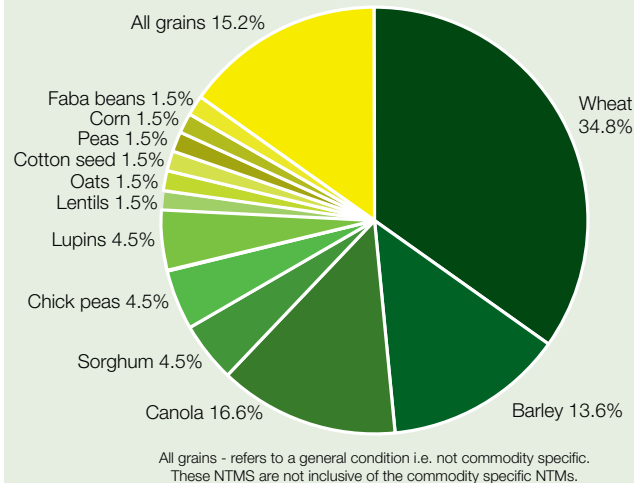
These measures vary widely in their nature and impact. The World Trade Organisation (WTO) has developed a common, global NTM classification system to facilitate the collection and dissemination of information on NTMs applied by individual countries. This system is the UNCTAD International Classification of Non-Tariff Measures.

UNCTAD International Classification of Non-Tariff Measures (2015)	
Technical Measures	A. Sanitary and Phytosanitary (SPS) B. Technical Barriers to Trade (TBT) C. Pre-Shipment and other
Non-Technical Measures	D. Contingent Trade Protective Measures E. Licensing, Quotas, Prohibitions and Quantity Controls F. Price Control Measures G. Finance Measures H. Measures Affecting Competition I. Trade Related Investment Measures J. Distribution Restrictions K. Restriction on post-sales services L. Subsidies (Excluding Export Subsidies) M. Government Procurement Restriction Measures N. Intellectual Property Measures and rights O. Rules of Origin
Export Related Measures	P. Export Related Measures

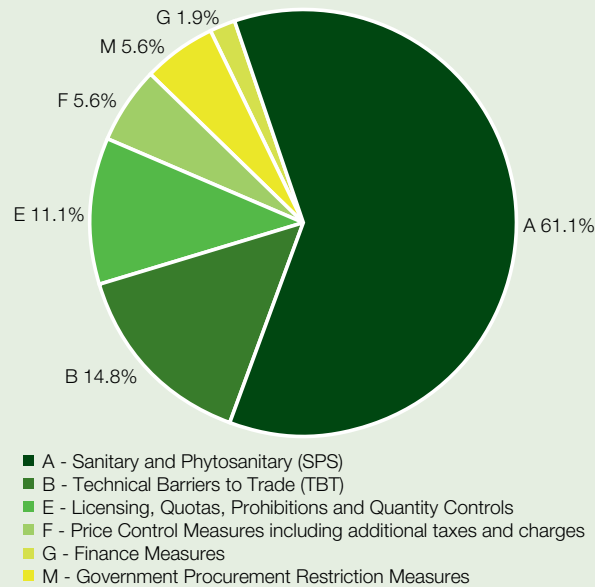
Many governments apply NTMs to achieve legitimate policy objectives such as the protection of consumers, animals, plants and the environment, however, even such legitimate measures can have adverse trade consequences. Where NTMs act to distort trade and/or favour domestic industries at the expense of international competition, these measures represent barriers to trade for Australian exporters.

Results

Grain NTMs by commodity



Grain NTMs by UNCTAD classification



In total, 54 NTMs were identified across 15 markets including many of Australia's most important markets.

NTMs by commodity

NTMs were found to impact virtually all grains, although wheat, barley and canola showed the greatest number of NTMs reflecting the importance of these grains in Australia's total exports. However, while the smaller crops may show fewer NTMs, the impact can be significant if the NTM represents a major restriction in a major market, thus placing almost all of the trade for that commodity at risk.

NTMs by UNCTAD classification

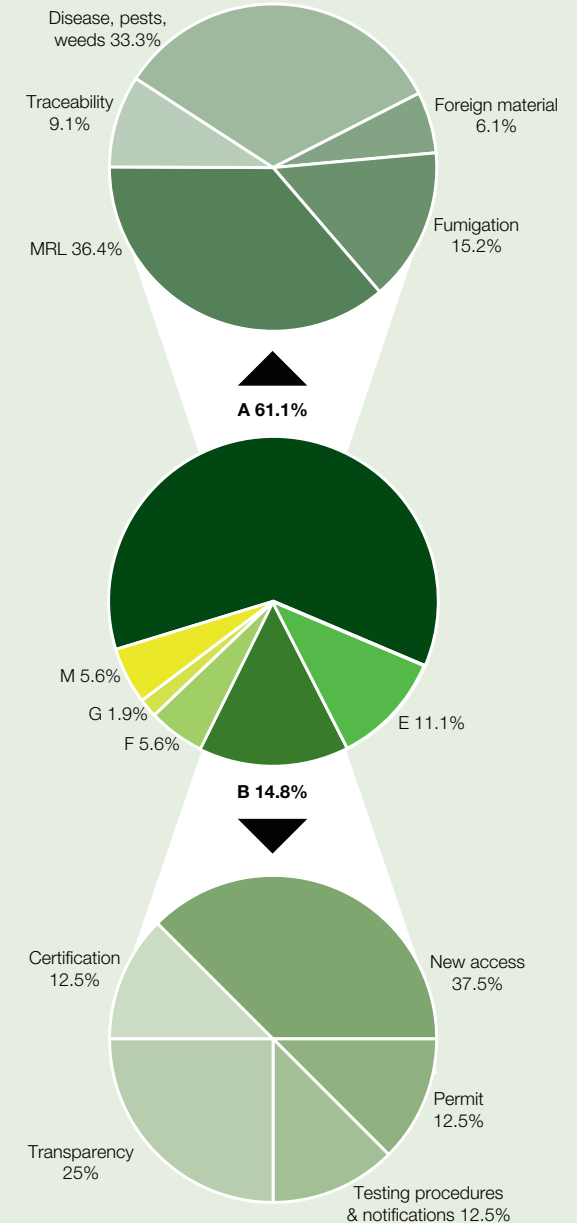
For grains, NTMs are largely concentrated around (A) Sanitary and Phyto-sanitary (SPS) measures and (B) Technical Barriers to Trade (TBT). SPS measures include biosecurity and quarantine-related activities and are aimed at protecting human, plant and animal health from pest and disease-related risk, while TBT measures relate to technical regulations, standards and conformity assessments aimed at the protection of human health and safety, or protection of the environment. SPS and TBT measures also include conformity assessment measures such as certification, testing and inspection and quarantine.

Within the SPS category, Maximum Residue Limits (MRLs) are a key issue. This can include missing MRLs in certain importing countries on particular grains; Codex MRLs (CXLs) not used as default MRLs and/or absence of an adequate default MRL policy where specific MRLs are not in place. The industry is facing divergent and different MRLs in a number of markets and this is a key concern for the sector.

Another key challenge within SPS is the emerging focus on quality, rather than purely quarantine, risks and implementation of SPS measures around concerns such as plant diseases, weed seeds and pests that are not based on science.

Within the TBT category, challenges include a lack of transparency about importing country rules and regulations as well as implementation without grace periods. Reporting of non-compliances and non-harmonised, inconsistent testing methodologies are also key ongoing TBT issues impacting the industry.

Grain NTMs by UNCTAD and grains industry classification



The grains industry has also seen a number of NTMs restricting access in recent times as markets seek to protect their domestic grain sectors. This is particularly the case for feedgrains into south east Asia where practices aimed at protecting domestic corn sectors are limiting Australia's feed grain access and penalising the feed milling sectors in those markets.

Emerging challenges for the industry are around:

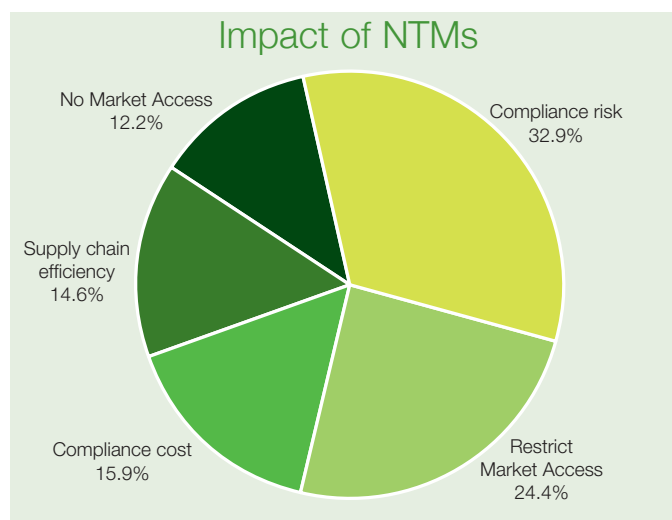
- biotechnology and plant breeding innovation products - regulations need to be science based and not restrict market access. Key priorities for the sector are synchronous approval of biotech traits, joint recognition of risk assessments for new technologies and harmonised regulatory approaches to new innovations including low level presence policies; and
- Sustainability - international methodology to define sustainability is an emerging issue and requires harmonisation to minimise compliance costs and complexity.

NTMs by impact

NTMs can be highly trade restrictive and harmful for the industry. The impacts of NTMs can be broad and include:

- Higher operational and commercial risk for exporters;
- Risk of trade ban or trade restriction;
- Increased costs (compliance, administration and production).

An indirect and longer term impact may also be lack of confidence by the industry (particularly growers) to invest in developing production capacity, in particular, for smaller/specialty crops like chick peas and lentils.



Where to for the industry and NTMs

The Government and the grains industry invests significantly in trade and market access activities. The key industry groups involved in trade and market access activities include Grains Industry Market Access Forum (GIMAF), Grain Trade Australia and Grain Growers Limited.

For the industry to be effective in addressing NTMs, there is the need to identify and communicate priorities. This will ensure the most efficient use of resources across industry and Government. This Grains NTM Project is a very important piece of work that will help prioritise and develop the industry's work-plan.

The key activities for the industry include:

- Policy
 - setting whole of industry priorities on NTMs
 - identifying appropriate policy solutions
 - providing economic, non-economic and technical information as supporting evidence
 - identifying and quantifying the benefits where possible
- This project will make an important contribution to the industry's policy development
- Advocacy
 - advocating the benefits of the Grains Industry to the Australian economy and the value/costs of trade and market access
 - ensuring that the Government understands the value of grain trade and the importance of market access
 - ensuring Government understands how NTMs impact the industry and the priority NTMs of concern
 - maintaining the Grain Industry's position relative to other commodities
- Support
 - providing technical assistance to Government to develop policy solutions and support negotiations

The grains industry has recognised the need to increase the resources that it allocates to trade and market access activities and is working to establish an enhanced trade and market access capability through the Australian Grains Industry Discussion Group.

Next steps for the Grains NTM Project

The Grains NTM Project Steering Committee is currently developing processes to ensure that the data collected through this project is maintained and updated regularly, along with ongoing industry prioritisation of NTMs and communication with Government. The industry has developed a market access database which will be a tool the industry can utilise to record and manage market access issues. This will provide a useful tool to manage the Grains NTM Project data.

The Grains NTM Project Steering Committee next steps will be to develop solutions and strategies to address the NTMs identified. The implementation of these strategies will be undertaken through GIMAF, GGL and GTA as appropriate.



Summary

NTMs are increasing and today are the priority trade policy issue for the grains industry. The market access challenge is ongoing and requires Government and industry to work together to address current and future challenges. This project has been a joint initiative of the Government and industry and demonstrates the value that can be captured from such activity.

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