



CANEGROWERS

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30 May 2024

Committee Secretary
House of Representatives Standing Committee on Agriculture
PO Box 6021
Parliament House
Canberra ACT 2600
Via [Website](#)

Dear Levies Taskforce

New Inquiry: The Role of Australian Agriculture in Southeast Asian Markets

Thank you for the opportunity to provide a submission on the New Inquiry into the Role of Australian Agriculture in Southeast Asian Markets following a referral from the Minister for Agriculture, Fisheries and Forestry, Senator the Hon Murray Watt, on 29 February 2024 to the House Standing Committee on Agriculture.

Queensland Cane Growers Organisation Ltd (CANEGROWERS) is a not-for-profit public company with the sole purpose of promoting and protecting the interests of sugarcane growers since inception in 1925.

Representing over 70 per cent of Australia's sugarcane growers, CANEGROWERS is the peak body for the sugarcane industry. With 13 district offices in Queensland, our strong regional presence ensures that services and advocacy are provided in local communities as well as at the highest levels of industry and government decision-making.

CANEGROWERS supports and endorses the development of a national strategy for greater trade and investment between Australia and Southeast Asia. In the report *Invested: Australia's Southeast Asia Economic Strategy to 2040*, Nicholas Moore AO clearly identifies the intimate linkages between Australia's prosperity and security and that of its neighbours, particularly those in Southeast Asia. This is as true for the Australian sugar industry as it is for the wider economy and for.

With around 85% of raw sugar production exported, the Australia sugar industry is export oriented. The exports are heavily concentrated, 90% of exports are sold to just three markets – Indonesia, South Korea and Japan. In each of these markets business is conducted with strong and stable counterparties. Nonetheless, this high degree of market concentration brings with it risks. In 2023, with the support of funding made available to through the Australian Government's Department of Agriculture, Fisheries and Forestry (DAFF) Agricultural Trade and Market Access (ATMAC) program, CANEGROWERS commissioned a study¹ to understand the opportunities for sugar exports to potential new markets, including those in Southeast Asia.

Countries in Southeast Asia have a diverse mix of sugar balances. Indonesia is the world's second largest sugar importer. In contrast, in most years, Thailand is the world second largest exporter. Malaysia is a consistent importer 1.5 to 2.0 million tonnes each year. The Philippines and Vietnam are transitioning from countries with structural sugar production surpluses to being in structural deficit.



Until 2018/19, the region produces small surpluses in most years. Since then, the South-East Asia has been a net deficit region. This deficit is forecast to continue. Because Thailand exports a significant quantity of sugar outside the region, mostly to East and Northeast Asian countries, there are significant inflows to the region to meet consumption needs. Import demand tends to favour raw sugar, supplying coastal sugar refineries. Traditionally this demand is met with sugar from Australia and Brazil supplemented with Guatemalan sugar. In the four years 2019 to 2022, with the support of significant sugarcane and sugar price supports (which a World Trade Organization (WTO) Panel found to be inconsistent with its commitments), India emerged as a major sugar export competitor in the region. India's sugar policies and sugarcane support structures will be a key to its ongoing disruption of sugar supply patterns in the region.

Australia is well located to supply the East and South-East Asian sugar markets. A geographic freight advantage and the fact that these markets as a whole are and will remain large deficit markets, mean these markets are Australia's highest returning raw sugar export destinations.

Countries choose to import sugar from specific origins for a variety of reasons. Commercial and technical considerations include vessel size limitations, availability of product, reliability of supply, counterparty risk and sugar quality. As a longstanding reliable supplier, Australia rates highly on each of these criteria.

Government policy settings such as tariff preferences, quota restrictions and import licencing arrangements are also important considerations. An important challenge for the Australian government and industry working together is to ensure that Australia can compete on equal or better footing than its principal competitors in the region Thailand and India. This means securing preferential access to markets for Australian sugar and ensuring countries comply with their international trade commitments.

With longstanding commercial relationships underpinned by sugar's inclusion in several bilateral and regional trade agreements, Indonesia (AANZFTA and IA-CEPA), South Korea (KAFTA) and Japan (JAEPA and CPTTP) are Australia's three highest ranking sugar export destinations.

In contrast, sugar was excluded from the China-Australia FTA (ChAFTA). Despite China consistently being one of the world's largest sugar importers^[2], no market access gains for Australian raw sugar were made in ChAFTA. In 2020, sugar China imposed unofficial restrictions, further limiting its coastal refinery's access to Australian sugar. Australia has not supplied sugar to China since these unofficial sanctions were imposed.

Malaysia is one of the world's largest and most consistent importers of raw sugar. Without a domestic production base, Malaysia's reliance on imports to meet its consumption requirements will continue. Malaysia does not impose import duties on raw sugar. Therefore, it is not possible for Australia to gain preferential access to the market. Any trade will be driven by commercial considerations.

The Philippines was once a consistent sugar exporter, shipping most of its surplus to the high-priced US market. Since 2010, cane area has fallen steadily, sugar production has fallen short of consumption and The Philippines relies on imports to meet its supply deficit. The Philippines imposes an MFN duty of 65% on sugar imports. As a member of ASEAN, in 2015 offered a preferential tariff of 5% to fellow ASEAN members. To protect its domestic sugar industry, the flow of imports is managed through an import licencing system. Although most of the imports are white sugar, Australia would only to be in a position to supply this potentially attractive market if it has comparable preferential



access with ASEAN members. One possible avenue for this to occur would be through bilateral discussions and implement through amendment to The Philippine's AANZFTA tariff schedule.

Vietnam's sugar production has deteriorated sharply since 2017. This change reflects labour shortages, rising wages, difficulties associated with mechanising small farm holdings and pressures arising from urbanisation. In contract consumption continues to increase. The shortfall in domestic supply, more than one-half million tonnes annually, is filled by imports. In 2019 the combination of a severe drought and the implementation of a preferential five per cent tariff on imports from ASEAN members, resulted in a sharp increase of imports from Thailand. The Vietnamese government responded in 2021 by imposing antidumping duties of 42.99 per cent and an anti-subsidy tax of 4.65 per cent on sugar products originating from Thailand for five years starting 16 June 2021. White sugar can enter Vietnam from other ASEAN countries at 5% duty.

As part of its CP-TPP commitments Vietnam eliminated the five per cent tariff applied to its WTO in-quota (114,000 tonnes) volume for CP-TTP members' sugar from entry-into-force^[3] (14 January 2019) and commenced reductions in its MFN tariffs for both raw and white sugar^[4]. The current CP-TPP MFN tariff is 9% for raw sugar and 14.5% for white sugar. Annual reductions will continue until the MFN tariff is eliminated for CP-TPP members on 1 January 2028. Under current arrangements Australia has a tariff advantage over other major sugar exporters for in-quota raw sugar entering Vietnam. However, the lower duties paid by ASEAN members on white sugar continues to disadvantage Australian raw sugar entering Vietnam.

Currently, one of Vietnam's major sugar refiners and raw sugar importers is working with Australia's largest raw sugar exporter exploring the possibilities of securing improved terms of trade for Australian raw sugar entering Vietnam.

With many uncertainties about future Indian sugar policies and the profile of its subsidised sugar exports, securing access to Southeast Asian sugar markets is vitally important. The value of market diversity must not be understated. It provides export options and increases the competition amongst importers seeking cane sugar which is produced to the highest environmental and sustainability standards. This enables Australia to extract the full premium value of our sugar in all markets.

CANEGROWERS offers the following proposals in response to the focal points of the Committee's Terms of Reference:

Leveraging Partnership Opportunities

- i. Research and Development: Continuing to provide funding for research and development to innovate and improve sugarcane and sugar production efficiency and sustainability.
- ii. Scholarships and Training: Developing scholarship programs for Southeast Asian partners that offer increased Australian education and training opportunities, will build goodwill and collaboration over time.

New and improved market access, streamlining trade systems, and supporting industry to identify and build market opportunities

- i. Market Access: Continuing to improve market access opportunities for Australian exports by improving provisions for sugar access (tariff and non-tariff) in all trade agreements and ensuring that Australian exporters are not disadvantaged compared with other suppliers to the region.
- j. Non-tariff Barriers: Working with trading partners throughout the region to remove quota, import licencing and other forms of red tape that inhibit trade.



- k. Diversification: Assisting the diversification of revenue streams beyond raw sugar.
- l. Labor and Skills Development: Addressing labour shortages and skills development through targeted programs can ensure the industry has the workforce it needs to expand and innovate.
- m. Sugar Code of Conduct: Fostering competition and innovation in Australian raw sugar marketing structures by continuing the mandatory overseen by the Australian Competition and Consumer Commission (ACCC).

Sugarcane Plant Biosecurity

- i. Collaborative Research: Support joint research projects like those between Sugar Research Australia (SRA) and other international bodies to tackle major biosecurity risks and improve genetic gains in cane variety breeding.
- ii. Biosecurity Agreements: Follow the example of the agreement between Australian and Indonesian sugarcane industries to increase biosecurity protection for farms by testing Australian sugarcane varieties in Indonesia.

Adapting to a Changing Climate

- i. Net Zero Emissions: Supporting industry initiatives across farms, mills and transport to reduce emissions with the aim of achieving net zero by 2050.
- ii. Farmers' Adaptation Strategies: Implement strategies that enhance farmers' ability to adapt to climate change, such as information accessibility, education and training.
- iii. Climate-Smart Agriculture: Overcome barriers to adopting climate-smart agriculture practices, by supporting information sharing through farmer-to-farmer networks and investment in extension.

Improving Sustainability, Technology and Innovation

- i. Sustainability: Assist the development of an internationally recognised system (framework), that incorporates the ASEAN guidelines on sustainable agriculture to demonstrate Australia's environment- and people-friendly farming practices and to measure and report on the Australian Sugar Industry sustainability commitments and its progress towards meeting those commitments.
- ii. Precision Agriculture: Support research efforts designed to improve soil health and biodiversity and incorporate precision agriculture technologies for optimised use of fuel, fertilisers and agri-chemicals.

Identifying new and emerging opportunities and challenges

- i. Market Access and Trade Agreements: By negotiating favourable trade agreements, the government can help the sugar industry gain better access to Southeast Asian market.
- ii. Investing in Market Intelligence: Continuing programs such as DAFF's ATMAC program and enhancing investment in Australia's network of agriculture counsellors play an important role in providing first hand role in identifying and responding to market access issues as they emerge.
- iii. Economic Strategy: Implementing a comprehensive economic strategy that includes agriculture and food, focusing on technological advances and collaborative investments.
- iv. Government-Industry Collaboration: The strategy could include working closely with CANEGROWERS to support for diversification of the industry's product streams, provide assistance with the development of higher value export products and to address regional labour shortages.

Mechanisms to leverage identified opportunities and address key priorities

- i. Invest in Agricultural Research Development and Extension: Increased investment in the sugar industry's RD&E is critical to the industry responding to the challenges of a changing climate,



- demonstrating zero emissions and sustainable production, shifting consumer trends and the need to capture the benefits of higher value product streams.
- ii. National Agricultural Innovation Agenda (September 2020): Follow the five pillars of reform set out by the National Agricultural Innovation Agenda, which includes strengthening ecosystem leadership, improving funding balance, embedding innovation practices, strengthening regions, and creating next-generation innovation platforms.
 - iii. Government Support: Continue government co-investment in sector capacity, such as R&D, and risk management tools will help manage the challenges of Australia's variable climate.
 - iv. Diversification: Continue government grants and tax incentives to support on- and off-farm diversification and the commercialisation of the resulting novel products.
 - v. Sustainable Agriculture Framework: Support the development of sustainability frameworks that recognise the characteristics of Australia's unique agricultural production system and their adherence to ASEAN guidelines on sustainable agriculture, which emphasise resource efficiency, ecosystem conservation, rural livelihoods, resilience, and good governance.
 - vi. Regional Programs: Provide support for regional programs that prioritise food security, food safety, nutrition, encourage women in agriculture and strengthen sustainable farm practices.

These strategies integrated with the proposed mechanisms will enable the Australian government and sugar industry working together to effectively leverage opportunities and tackle the challenges within the Southeast Asia region, while fostering a robust and sustainable sugarcane industry at home.

Regards

Dan Galligan
Chief Executive Officer

^[1] GlobalData (2023), Understanding Opportunities for Sugar Exports to Potential New Markets, September (unpublished ATMAC funded project).

^[2] China imports more than four million tonnes of sugar annually (source: International Sugar Organization). This annual import requirement is increasing and is expected to exceed five million tonnes this year (2024). In 2018, Australia exported around 180,000 tonnes of raw sugar to China.

^[3] <https://www.dfat.gov.au/trade/agreements/in-force/cptpp/outcomes-documents/Pages/cptpp-goods>, accessed 15 April 2024.

^[4] Tariff | 1701.13.00 | DFAT Free Trade Agreement Portal, accessed 15 April 2024.