

14 February 2017



Mr Ken O'Dowd MP  
Chair  
Joint Standing Committee on Trade and Investment Growth  
PO Box 6021  
Parliament House  
Canberra ACT 2600

Dear Chair,

The National Farmers' Federation (NFF) was established in 1979 and is the peak national body representing farmers, and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF is committed to advancing Australian agriculture by developing and advocating for policies that support the profitability and productivity of Australian farmers.

The NFF welcomes the opportunity to make a submission to the Joint Standing Committee on Trade and Investment Growth relating to Australia's trading relationship with Indonesia. Indonesia is currently Australia's fifth largest export market overall with wheat, live animals (excluding seafood) and sugar being major Australian exports. For each of these products, the Indonesian market takes between 22% and 30% of all Australian exports.

Australian and Indonesian trading relations have been enhanced since the Australia-ASEAN-NZ free trade agreement (AANZFTA) came into force. However, the negotiation of the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA CEPA) and the Regional Comprehensive Economic Partnership (RCEP) present substantial opportunities to deepen and strengthen this important trading relationship.

In terms of live cattle exports, Indonesia is Australia's largest export market and the priority here is ensuring that Government-to-Government relations are on a sound and stable footing. Trading relations have improved since the live cattle ban and the Australian Government needs to continue to stress the importance of the live cattle trade between our two nations.

Indonesia's self-sufficiency goals have caused consternation amongst Australian producers through changing rules regarding weight limits, breeder stock and live cattle import quotas, in particular. The Australian Government should explore opportunities to leverage and coordinate our aid programme with trade policy to seek mutually beneficial outcomes.

Most import tariffs for red meat are due to be eliminated under AANZFTA, although some remain for beef and sheepmeat. These should be addressed in IA CEPA as a matter of priority.

In terms of sugar, the negotiation of IA CEPA and RCEP both present good opportunities to level the playing field between Australian and Thai sugar producers. Thailand currently enjoys preferential access by virtue of the ASEAN Trade in Goods Agreement (ATIGA) vis-à-vis AANZFTA.

Australia's dairy industry faces some additional challenges due to the fact that many Australian origin dairy products are processed. There is significant potential for the Australian Government to work closely with Indonesian authorities to reduce the cost burden throughout the dairy supply chain in complying with import policies and procedures. Issues for attention include labelling and certification requirements, product and site registration costs, divergence between Indonesian and international food safety standards and pre-departure testing requirements.

In addition to pursuing opportunities for commodities that export large quantities to Indonesia, there are opportunities to grow niche markets. One example of this is pork products. While Indonesia is a majority Muslim nation there are still over 30 million non-Muslim Indonesians who could potentially consume pork. Tariffs on frozen boneless pork are subject to a slow reduction timetable under AANZFTA and the Australian Government should seek to accelerate these reductions and seek full elimination of these tariffs in IA CEPA.

Australia currently only exports a minimal quantity of pork products for a range of historical and other reasons. However, our proximity to Indonesia means there are substantial opportunities for Australian pork producers to supply the five-star and fine dining markets in Indonesia with premium, chilled pork delivered via air freight.

Similar to the role that Australia can play through its live cattle industry, the Australian pork industry is well placed to help Indonesia meet its food security goals. The high health status of Australia's pig herd lends itself to the supply of breeder pigs and genetics into Indonesia. This is another example where Australia can leverage our aid programme to build capacity in Indonesia.

As recommended in the Indonesia-Australia Business Partnership Group submission to IA CEPA, the existing red meat and cattle partnership is a good model to expand to other agricultural sectors and this could be integrated more deeply with Australia's aid programme.

Finally, in addition to addressing the specific priorities outlined above, it is important that IA CEPA and RCEP improve transparency in Indonesian import policy procedures for all Australian imports. Australia can do much to build Indonesian capacity in terms of skills and this should also be pursued as a key pathway to address market access issues and improve trading relations between our two nations.

Yours sincerely

**SCOTT KOMPO-HARMS**  
**General Manager, Trade and Economics**