



National Farmers' Federation

Submission to the Joint Standing Committee on Treaties Inquiries into the Indonesia-Australia Comprehensive Economic Partnership Agreement and Australia-Hong Kong Free Trade Agreement

Prepared by Dr Prudence Gordon, General Manager, Trade and Economics

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NFF Member Organisations





The National Farmers' Federation (NFF) is the voice of Australian farmers.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and length of the supply chain.

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 represents Australian agriculture on national and foreign policy issues including workplace relations, trade and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

Statistics on Australian Agriculture

Australian agriculture makes an important contribution to Australia's social, economic and environmental fabric.

Social >

There are approximately 88,000 farm businesses in Australia, 99 per cent of which are wholly Australian owned and operated.

Economic >

In 2017-18, the agricultural sector, at farm-gate, contributed 2.4 per cent to Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2018-19 was \$61.2 billion, up from \$59.6 billion in 2017-18.

Workplace >

The agriculture, forestry and fishing sector employs approximately 323,000 people, including full time (236,700) and part time employees (84,300).

Seasonal conditions affect the sector's capacity to employ. Permanent employment is the main form of employment in the sector, but more than 26 per cent of the employed workforce is casual.

Environmental >

Australian farmers are environmental stewards, owning, managing and caring for 51 per cent of Australia's land mass. Farmers are at the frontline of delivering environmental outcomes on behalf of the Australian community, with 7.4 million hectares of agricultural land set aside by Australian farmers purely for conservation/protection purposes.

In 1989, the National Farmers' Federation together with the Australian Conservation Foundation was pivotal in ensuring that the emerging Landcare movement became a national programme with bipartisan support.

The National Farmers' Federation (NFF) appreciates the opportunity to make this submission to the Joint Standing Committee on Treaties inquiry into the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) and inquiry into the Hong-Kong Australia Free Trade Agreement (AHKFTA).

The NFF strongly supports early ratification of both agreements. While not the subject of this inquiry, the NFF also supports expeditious ratification of the Peru-Australia Free Trade Agreement (PAFTA).

Access to international markets

Australian farmers rely on access to international markets to ensure the short and long-term viability of their farming businesses. In 2017-18, Australia exported \$49 billion worth of agricultural produce out of a total production of \$60 billion¹. Dependence on international markets varies by commodity. Wool and cotton farmers, for example, export approximately 98 per cent of their production, beef 76 per cent, wheat 70 per cent, and dairy 40 per cent. While horticulture currently exports approximately 20 per cent of its production, this number is growing. In the six years to 2016-17, Australia's fruit and nut exports to its top five destinations more than doubled, and the value of vegetable exports increased 50 per cent.

Access to international markets reduces reliance on a domestic market constrained by a relatively small population and limited retail channels. It also enables scale production that allows for innovation in meeting the demands of niche markets. Primarily, access to international markets enables Australian farmers to target markets that offer the best returns.

Increased access to international markets, and that achieved through trade agreements with North Asian markets in particular, has directly impacted on the farm gate prices enjoyed by Australian farmers for a number of commodities. In the past 12 months, we have seen record prices achieved for some commodities including wool and live sheep. In 2017-18, the total value of livestock products increased by 20 per cent, driven by international demand for Australian superfine wool which increased by 30 per cent. The total value of cotton increased by 49 per cent and horticultural crops increased by 5 per cent.

With one of the worst droughts in Australia's history currently impacting agricultural production across significant parts of Queensland, New South Wales, northern Victoria, some parts of South Australia and the Northern Territory, relatively high farm gate prices for some commodities has partly offset the fall in production volumes.

IA-CEPA, when ratified and implemented, will increase opportunities for Australian farmers to benefit from engagement with international markets.

Importance of Trade Agreements

Securing trade agreements with Australia's trade partners is critical for both maintaining and expanding market access and for reducing the many risks farmers must manage when selling into international markets.

¹ ABARES (2018), Agricultural Commodities and Trade Data, Agricultural Commodity Statistics,

International market risks come on top of the wide range of risks Australian farmers already manage in their day to day operations. These range from climate and disease risk, to fluctuating exchange rates and consumer trends.

Regulatory trade barriers and agricultural import policies present significant barriers to Australian agricultural exports. These include high tariff barriers and quota restrictions, sanitary and phytosanitary restrictions and conditions that are arbitrarily applied, and a range of trade administration requirements that impede imports. It is generally acknowledged that international agricultural markets remain the most distorted in terms of government intervention and trade barriers.

Trade agreements play an important role in helping to reduce these barriers and improve the transparency and certainty around standards and trade administration.

IA-CEPA would build on the existing suite of Australian trade agreements by instituting additional bilateral trade rules that increase both access and regulatory certainty.

IA-CEPA Market Access Outcomes

IA-CEPA has secured significant new market access for Australian agricultural exports. This access, detailed below, is achieved through tariff elimination, tariff cuts and quota expansion. This preferential access directly supports the competitiveness of Australian agricultural products in the Indonesian market. With Australian agricultural exports forced to compete on global markets with product produced by farmers that enjoy generous subsidies, the importance of even small tariff and quota preference margins cannot be underestimated.

Sugar: IA-CEPA locks in the tariff cut, agreed in 2017 by the Australian and Indonesian governments, which reduced the tariff on Australian sugar from 8-12 per cent to 5 per cent. This has effectively restored the competitiveness of Australian sugar exports with our competitors in this market.

Feed grains: IA-CEPA guarantees duty free access for 500,000 tonnes of feed grains per year (wheat, barley, sorghum) with this volume increasing by 5 per cent per year. This outcome builds on our already strong grains trade with Indonesia with wheat being the single largest Australian agricultural export to Indonesia and Indonesia being Australia's largest wheat trading partner.

Live Cattle: IA-CEPA creates a new 0 per cent tariff quota for 575,000 head of live male cattle per year. This quota will grow at 4 per cent per year over 5 years to 700,000. Importantly, the permits required to access this quota will be issued automatically on an annual basis and will not include seasonal restrictions. This significantly improves on current access arrangements for live male cattle exports to Indonesia. IA-CEPA also includes a review, to be conducted five years after the agreement enters into force, to consider whether to increase the quota beyond the 700,000 cap. IA-CEPA also locks in a 0 per cent tariff on imports of live female cattle with no quota or import permit restrictions. Expansion of, and improvements to, the live cattle trade with Indonesia will particularly benefit Northern Australia which supplies the vast majority of these exports.

Frozen beef and sheepmeat: IA-CEPA eliminates those tariffs, not already eliminated under the Australia-ASEAN-New Zealand Free Trade Agreement (AANZFTA), on all Australian exports of frozen beef and sheepmeat into Indonesia after 5 years. Tariffs on frozen offals will also be eliminated when the agreement enters into force.

Pork: IA-CEPA has further reduced the tariff cuts achieved under AANZFTA for Australian pork entering Indonesia, and reduced the time in which these cuts will be implemented.

Dairy: IA-CEPA eliminates tariffs on those dairy products that did not secure tariff elimination under AANZFTA. This includes skim and whole milk powder, and grated and powdered cheese. Tariffs on non-liquid milk will be eliminated by 2026 and by 2033 for liquid milk.

Potatoes: IA-CEPA will cut the 25 per cent tariff on potatoes (excluding granola, median, nadia and blis) to 10 per cent for 10,000 tonnes per year when the Agreement enters into force. This tariff will be further reduced after five years to 5 per cent for 12,500 tonnes per year, increasing by 2.5 per cent per year.

Carrots: IA-CEPA has secured an immediate 15 percent tariff cut (from 25 per cent to 10 per cent) for 5,000 tonnes of carrots. This tariff will further reduce over time to 0% after 15 years for an unlimited volume.

Mandarins: IA-CEPA will reduce the 25 per cent tariff on mandarins to 10 per cent on entry into force for 7,500 tonnes per year. Over 20 years, the tariff will be further reduced to 0 per cent for an unlimited volume.

Oranges: IA-CEPA will secure duty free access for 10,000 tonnes of oranges per year, increasing by 5 per cent each year.

Lemons and limes: IA-CEPA similarly secures duty free access for 5,000 tonnes of lemons and limes per year, increasing by 2.5 per cent each year.

Honey: Under IA-CEPA, the 5 per cent tariff on Australian honey will be eliminated after 15 years.

IA-CEPA Rules Outcomes

The NFF supports rapid ratification of IA-CEPA not only for the improved market access outcomes for specific commodities outlined above but also for the Agreement's provisions dealing with non-tariff barriers.

As noted above, IA-CEPA secures the automatic issueing of import permits for live cattle as well as frozen beef, sheemeat, feed grains, citrus products, carrots and potatoes. Securing these commitments are important. Problems with securing import permits can, in some instances, have the effect of negating the benefits of tariff cuts and quota increases.

IA-CEPA also includes a specific chapter on non-tariff measures (NTM). The NFF believes this is the first time a separate NTM chapter has been included in one of Australia's FTAs.

Indonesia- Australia bilateral relations

IA-CEPA's importance extends well past the market access gains and improved trade rules underpinning our bilateral trade relationship. The Agreement is equally important for its

contribution to strengthening the relationship between Australia and Indonesia and for broader strategic relations in our region.

With a population of approximately 268 million people, a working-age population projected to increase by 68 per cent by 2030, increasing urbanisation and solid economic growth of 5 per cent since 2013, Indonesia presents real opportunities to grow our bilateral economic relationship. The increased people to people, and business to business ties fostered by improved trade and investment under IA-CEPA further supports greater understanding between our countries, at multiple levels, and more constructive engagement beyond the economic sphere.

Parliamentary Support Critical

Bipartisan support has characterised Australia's position on international trade for many decades. The NFF strongly encourages all members of Parliament to support early passage of legislation to enable ratification of IA-CEPA, the AHKFTA and PAFTA. When drought is severely impacting the livelihoods of many farming families and rural and regional businesses, measures to improve the international competitiveness of Australian agricultural exports are critical.

The NFF appreciated the opportunity to present to the Committee on 26 August 2019 in Sydney. Please do not hesitate to contact us further should you require any additional information or clarification.

Yours sincerely



PRUDENCE GORDON
General Manager, Trade and Economics