

Grains Non-Tariff Measures Project

With the Australian grain industry bouncing back and recovering from the impact of drought experienced during 2017-2020, access to international markets is as important as it has ever been.

In 2021/22 Australia is forecast to produce 50.2million metric tonnes (mmt) of grain, with exports expected to be 67% of production at 33.4mmt. The industry value is forecast to be a \$14.85 billion (b) at the farm gate (just behind the record of \$17.6b in 2020/21) and \$11.9b of exports (\$12.4b in 2020/21), meaning the grain industry is the highest value industry in the agriculture sector. While the resilience of the grain industry is admirable, it shows how critical market access is, what is at risk, and that a sustained focus, vigilance, investment of resources and work is essential by industry and Government to maintain and grow the success of the Australian grain industry.

With a couple of notable exceptions, the Australian grain industry has enjoyed a trade environment that has not been significantly impeded by tariffs. For Australian grain exporters, Free Trade Agreements (FTAs), and gains through World Trade Organisation (WTO) reforms, have delivered reductions in tariff and quota restrictions across a range of export markets, resulting in the expansion of export market opportunities.

However, Non-tariff Measures (NTMs), including government tools or policy measures that impact trade, have emerged, and remain a significant issue in terms of transparency, risks and cost for the grain industry. It should be noted NTMs can serve legitimate biosecurity and food safety purposes, but where they do not, they impact ultimately on the grain producer and consumer value.

The first Grains NTM Project was prepared for and funded by the Grains Research and Development Corporation (GRDC) and the Australian Government Department of Agriculture on behalf of the Australian grains industry in March 2018.

The grain industry, through the Grains Industry Market Access Forum, funded an update of the project in May 2019.

This update and report published Dec 2021 is prepared by Grain Trade Australia and GIMAF.



Grains NTM Project

Introduction

The grain industry prepared its first report summarising and classifying the NTMs impacting the exports of grain from Australia in 2017. This followed the collation of widely recognised NTMs and included primary market information through a survey and interview of many exporters of Australian grain at the time. NTMs were categorised by grain commodity, UNCTAD¹ classification and the impact of the applied measure. The analysis provided a valuable tool to communicate and illustrate to Government and other stakeholders the range of NTMs impacting grain exports and an opportunity to compare the categories and impacts of NTMs with other agricultural industries. This provided the basis for focussed government effort on tackling barriers with trading partners where impacts were being observed across multiple sectors.

The Grain Industry NTM Report was updated in 2019 following another survey of exporters on trade impediments. The 2019 survey and report reinforced that the significant impact of NTMs remained a critical issue for exporters with notable impacts observed by exporters being caused by increases in risks relating to compliance in meeting importer requirements and actual compliance costs.

This 2021 update of the Grain Industry NTM Report relies on information collated by industry organisations (Grains Industry Market Access Forum, Grain Trade Australia and Grain Growers Limited) and maintained in the industry's Market Access Database, along with a survey and interviews of new and current market access issues identified and experienced by Australian grain exporters.

The most significant new market access impediment applying to Australian grain in the period since the 2019 review was the impact of the barley Anti-Dumping and Countervailing Duties investigations initiated by China in late 2018. This resulted in duties of 80.5% being applied to Australian barley entering China and as a result this trade has been halted after averaging annual trade levels of 4 to 5 million tonnes over the five-year period to 2018. It is noted the Australian Government has formally lodged a complaint with the WTO in relation to these tariffs and duties.

An increase in phytosanitary non-compliance notifications, of which none were substantiated by Australian Government investigations has been noticed during this period. This has resulted in exporter suspensions and heightened exporter compliance risk. These are examples, that enhanced the urgency to seek new market access and market access improvements in other markets for Australian exporters and is an example where seemingly politically motivated actions by Governments can distort trade, leading to costs and risks in trade that in the short to medium impact importers, exporters and processors and are ultimately borne by producers and consumers.

Grains at a glance²

	2020/21	2021/22	5 Year
Crop production (mmt) ²	58.136	50.213	44.866
Industry Value \$Am FOB ²	17,659	14,624	14,008
Exports (mmt) ²	36,524	33,443	26,294
Export Value \$Am FOB ²	12,427	11,924	10,646

Source: ABARES, ABS, USDA

² Excludes Rice

¹ United Nations Conference on Trade and Development (UNCTAD), Home | UNCTAD

The Grains NTM Project objectives

With a couple of notable exceptions, the Australian grain industry has enjoyed a trade environment that has not been significantly impeded by tariffs. The evolution of FTAs has had a significant impact in removing tariffs however the trade environment has seen the growth in NTMs during the last decade which continue to create barriers to trade. In particular Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBT) have been selectively and regularly used by importing countries to impede trade for political and protectionist reasons. The lack of transparency around the use of these measures on trade outcomes has provided the basis to continue to monitor and communicate their impact to the Australian government.

The objective of this project is to:

- Improve transparency by understanding from exporters what and how NTMs impact on them and the 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.
- Provide the Australian government with data and information on trade-impeding measures used by various countries, in order to work towards improving the transparency, predictability and where possible reduce trade distortions, costs and risks consequential to trade impeding NTMs.

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 WTO has developed a common global NTM 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.

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 barriers represent barriers to trade for Australian exporters and ultimately lead to negative economic outcomes for all parties concerned. It is accepted that countries are entitled to set an 'appropriate level of protection' (ALOP) to apply reasonable quarantine and other measures to protect human, plant and animal as well as environmental health. However, it is critical that applied measures are scientifically justified and are not implemented to restrict trade for protectionist reasons.

UNCTAD International Classification of Non-Tariff Measures (2019)

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



Results

NTMs Overview

The information and data that has been collated by industry organisations (Grains Industry Market Access Forum, Grain Trade Australia and GrainGrowers Limited) and maintained in the industry's Market Access Database, and from survey and interviews with a number of Australian grain exporters of new and current market access issues identified and experienced by them. Naturally, there are likely to be additional NTMs not readily captured through this project.

Commodity groups designated "All" (e.g., "All cereals") mean the NTM identified will impact on more than one specific commodity.

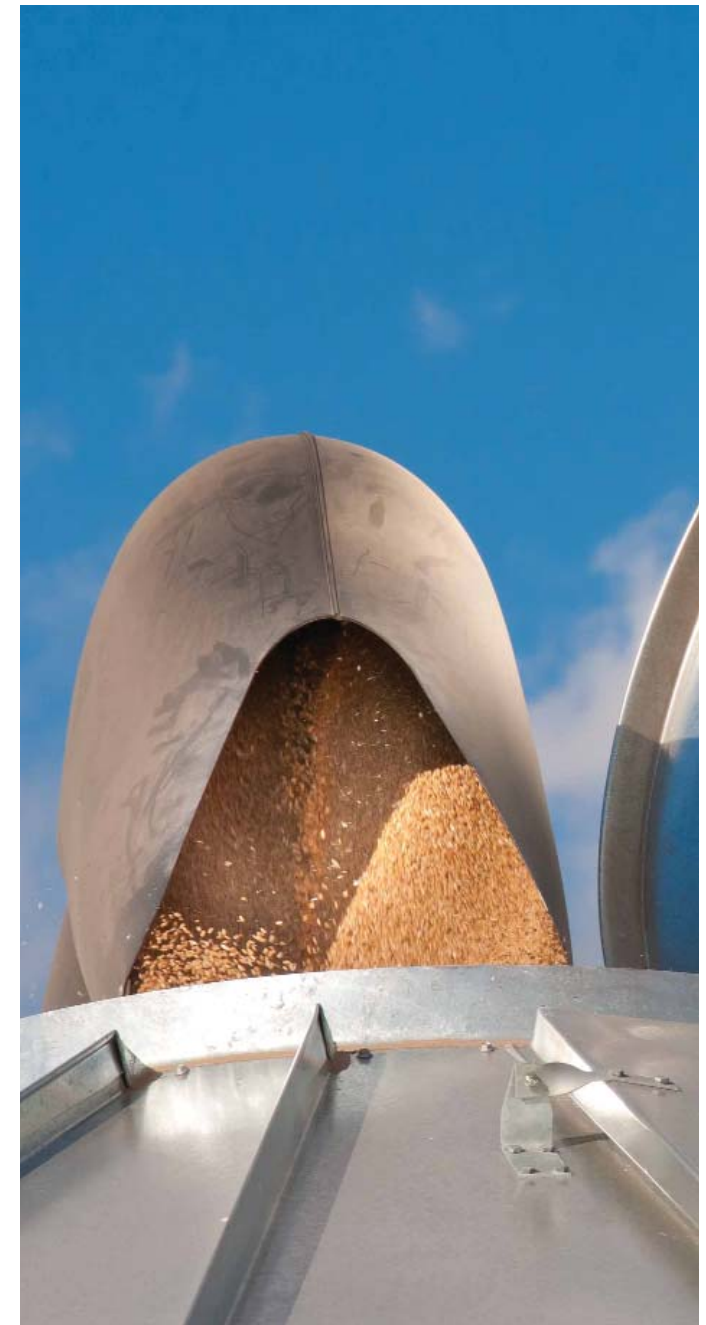
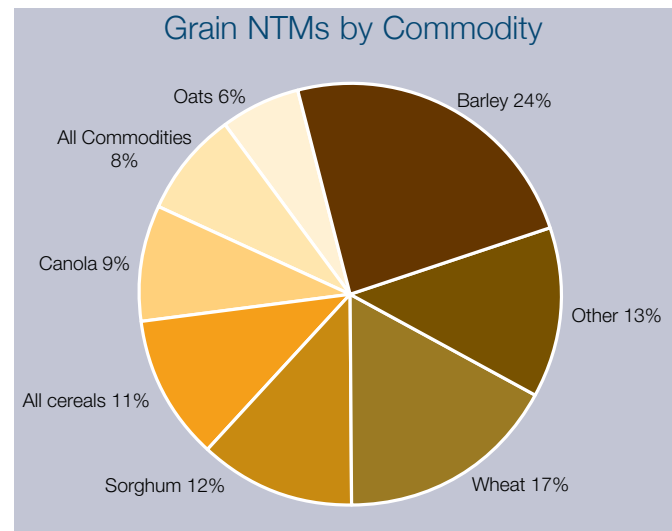
Analysis shows NTMs can emerge from policies based on zero tolerance or reduced limits and are increasing by being influenced by emerging environmental and social concerns and requirements.

Current active NTM's total 90 grain industry issues in 17 different markets impacting on around 15 various commodities. However it is simplistic to think of each NTM having the same impact as the impact of NTMs can be quite broad, where the severity can be a function of factors including:

- No market access
- extra cost vs no market access
- the size of the market's relative value (premium)
- the risk impact and probability of occurrence

NTMs by Commodity

NTMs impact across a wide spectrum of commodities. The cereal commodities (including wheat and barley and "all cereals" categories) account for over 52% of the NTMs. With the inclusion of other major crops of canola and sorghum 73% of the total active NTM issues are captured and another 8 percent applies to NTMs that impact all commodities (including those previously noted), meaning over 80% of NTMs will impact Australia's major production crops. This is not surprising as it aligns somewhat with the export volumes. Minor commodities can be significantly disadvantaged by specific NTMs where market options are limited.



NTMs by UNCTAD Classification

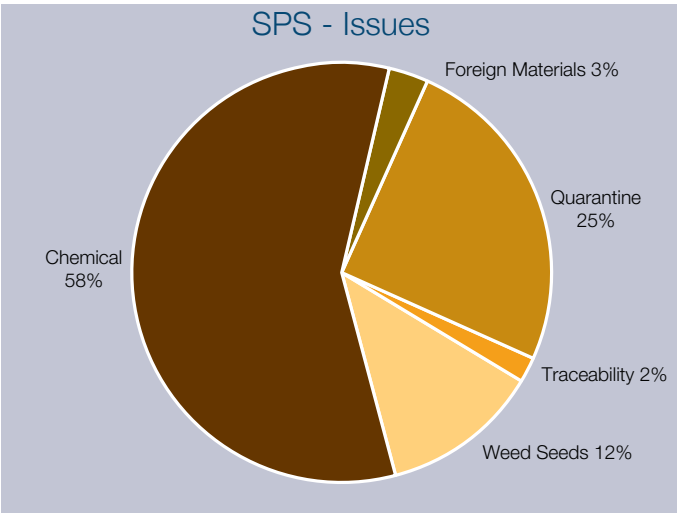
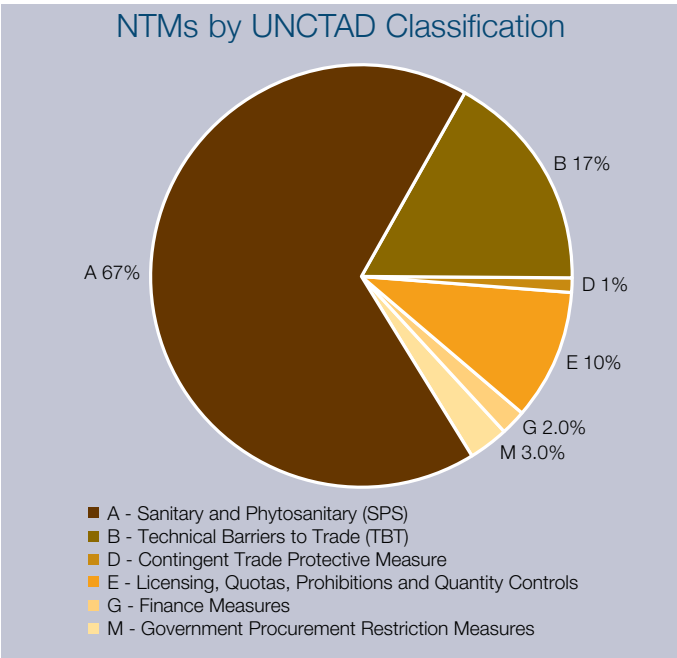
NTMs for Australian grain exports continue to be dominated by Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBT).

Around two thirds of all the NTM barriers faced by Australian grain exports are SPS issues. Over half of the SPS measures are Maximum Residue Limit (MRL) issues, and about a quarter are Quarantine related issues, followed by weed seed restrictions. Chemical residues and MRLs will continue as an extremely important focus of management for grain market access as consumer and government focus on food safety grows and testing technology improves.

Quarantine measures lacking adequate scientific support and constraints around weed seeds in consignments continue as key impediments into markets that should be providing greater opportunity to a range of Australian grains. Continued research and inter-governmental negotiation will be required to manage the risks associated with quarantine related issues.

TBT measures make up 17 percent of total current barriers, while Licensing, Quotas, Prohibitions and Quantity Controls make up around 10% of total barriers. These barriers are frustrating to some of the smaller volume grains, e.g., pulses where these domestic protection measures are used to limit trade. New access barriers continue as an important target under TBTs where issues can remain unresolved for many years and can be dependent on the resource availability and engagement of other Governments to progress.

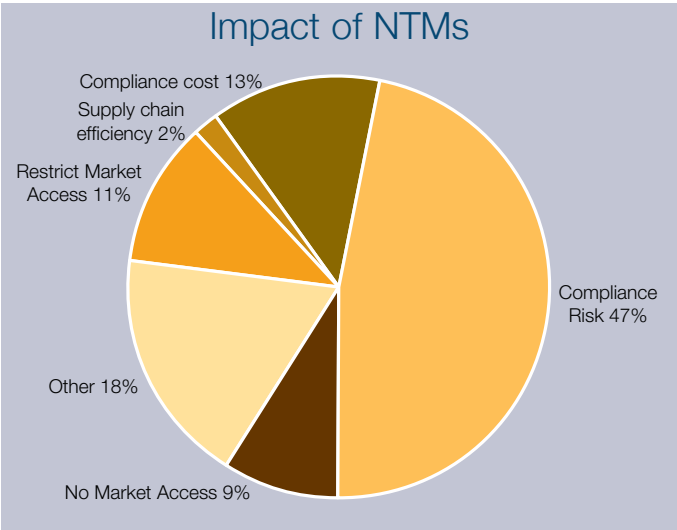
The grains industry has also seen several NTMs emerge which restrict access as markets seek to protect their domestic grain sectors. This is particularly the case for feedgrains into southeast Asia where practices aimed at protecting domestic corn sectors are limiting Australia's feed grain access and penalising the feed milling sectors in those markets. While good progress has been emerging for market access for cereals in Central and South American markets over the last year



NTMs by Impact

NTMs restrict and distort trade, impacting producers, consumers as well as exporters. NTMs can limit or even prevent market access and increase the costs and risks of trade. This can also impact on innovation and investment in product improvements and development, inhibiting growth in both the origin and destination countries.

A large percentage (47 percent) of the impact of NTMs on grain exporters are categorised as Compliance Risk. This reflects the fact that a high proportion of the impacting NTMs are either MRL or quarantine or weed seed related. Exporters can be dealing with high levels of uncertainty, inconsistency, and lack of transparency and harmonisation in terms of compliance requirements, sampling, testing and assessment processes and methods with regard to commercial parameters as well as SPS requirements, hence creating compliance risk and in many instances incurring additional compliance costs. The level of risk is a significant factor in an exporter's tolerance and commercial ability to trade and transact, where costs may be reflected in lower prices to producers and higher prices to consumers. Compliance cost also has a significant impact on exporters and the supply chain. Supply chain operators and exporters need to continually invest in mechanisms to ensure that they meet importing country requirements. No access and restricted market access also have a significant impact on the value of grain exported from Australia, as well as impact on industry innovation and investment in origin and destination economies.



Future Activity on NTMs

The grain industry has long recognised the impact of NTMs on the sector and has developed strategies and worked with Government on a range of activities to reduce the trade impediments caused by these measures. The implementation of FTAs with a number of important trade partners over the last decade have created opportunities for the grain industry, however the number and range of NTMs being faced by industry has increased as countries use NTMs, as well as tariff measures to protect domestic industries and impede imports. The FTAs often include chapters to address and manage the impact of NTMs but have yet to really demonstrate their effectiveness as a means to maintain the intended trade outcomes. This is regarded as a major challenge to trade negotiators to limit the impact of NTMs to ensure that beneficial outcomes are realised by all countries participating in FTAs.

Future activities on NTMs need to be a cross collaborative effort between industry and Government, working not only on bilateral issues, but also focus on multi-lateral approaches to improve trade and build confidence of value chain participants to reduce risk, avoid costs, increase predictability and certainty.



Conclusion

While some progress has been made since the original NTM report in 2017 and update in 2019, the 2021 review of current NTMs impacting the Australian grain industry shows that NTMs, particularly SPS and TBT issues, continue to have a significant impact on Australian grain exports, negatively impacting Australian growers, exporters and also consumers in importing countries. While this situation is critical for Australia's industry, the NTM report does recognise that some NTMs can have legitimate purposes such as when applied with science and risk-based approaches to bio-security, food safety or environmental concerns.

NTMs can vary in their risk, impact, and severity. The much publicised, trade protective measures applied on Australian barley by China is a clear example of this and highlighted the importance of having technical market access broadly across

multiple markets to ensure trade can continue if distorted in alternative markets. The imposition of this measure has entailed substantial effort by both industry and government to remove the barrier in order to restore trade.

Nevertheless, there remains a clear need and direction for continued effort by industry and government in order to reduce trade barriers. MRLs and chemical residues continue to dominate the NTMs by absolute number and are an obvious target for continued effort to reduce risk and improve trade opportunities. Other resources should continue to be directed towards the removal of unjustified quarantine barriers as these continue to create very high compliance risk on exporters and in turn reduce the investment in production opportunities in Australia.

Industry and Government have a mutual incentive in working to ensure policy and regulatory settings encourage investment in products, innovation and supply chain efficiencies and reliability. A pro-active approach will be beneficial to improve understanding of the issues, their importance, and building collaborative support and capability to address them.

This will deliver value for industry, reduce the impact on producers and consumers in both origin and destination countries, and mean more resilient and stronger industries to support economic growth and food security.

