

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.

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 grains industry, through the Grains Industry Market Access Forum, funded this update of the project in May 2019.

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Grains NTM Project

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.

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 grain 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 and quota restrictions across a range of export markets, resulting in the expansion of export market opportunities.

Thus, the focus has shifted to 'non-tariff measures' (NTMs) - a general term that describes government regulatory tools and policy measures, other than tariffs, that have the potential to affect the international trade in goods. While NTMs/regulations can serve legitimate biosecurity and/or food safety requirements, they can also be harmful to trade. NTMs can increase the difficulty, risk and cost of doing business and restrict market access for Australian grains.

This report summarises the array of NTMs currently affecting Australian grain exports. The grains industry actively monitors non-tariff measures in order to effectively prioritise and communicate the impact of these to Government and other stakeholders in order to improve trade policy outcomes.

The Grains NTM Project objectives

This report updates the comprehensive survey of NTMs which was undertaken in 2017 to identify and prioritise NTMs for the grains industry. It has been updated through population of the Grains Industry Market Access Database utilising inputs from the Grains NTM Project 2018, NWPGP work program, Grains NTM Working Group and survey of grain exporters in May 2019.

The methodology used to collect NTM data in this report has been updated relative to the inaugural 2018 report. As a result this report establishes a new baseline for industry and government.

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.

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.

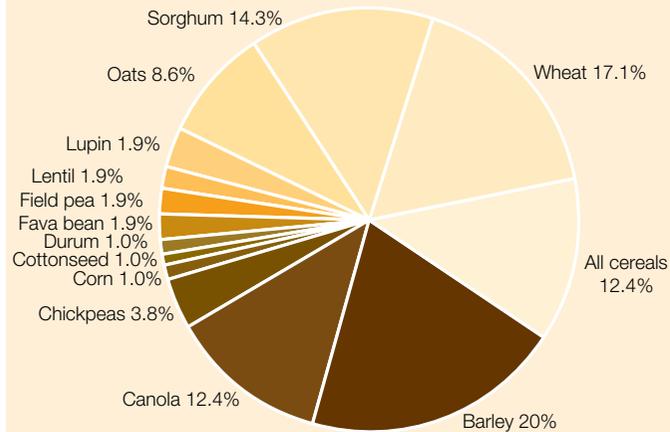
UNCTAD International Classification of Non-Tariff Measures (2015)	
Technical Measures	A. Sanitary and Phytosanitary (SPS) B. Technical Barriers to Trade (TBT) C. Pre-Shipment and other
Non-Technical Measures	D. Contingent Trade Protective Measures E. Licensing, Quotas, Prohibitions and Quantity Controls 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.

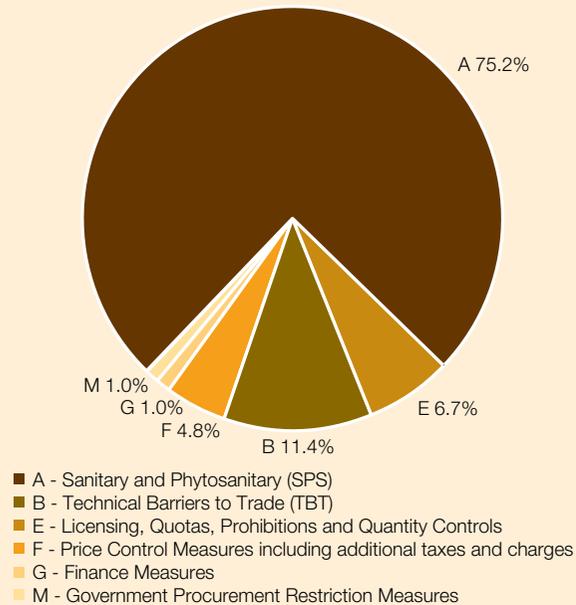


Results

Grain NTMs by commodity



Grain NTMs by UNCTAD classification



NTMs Overview

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.

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.

It is also noted that 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 classification

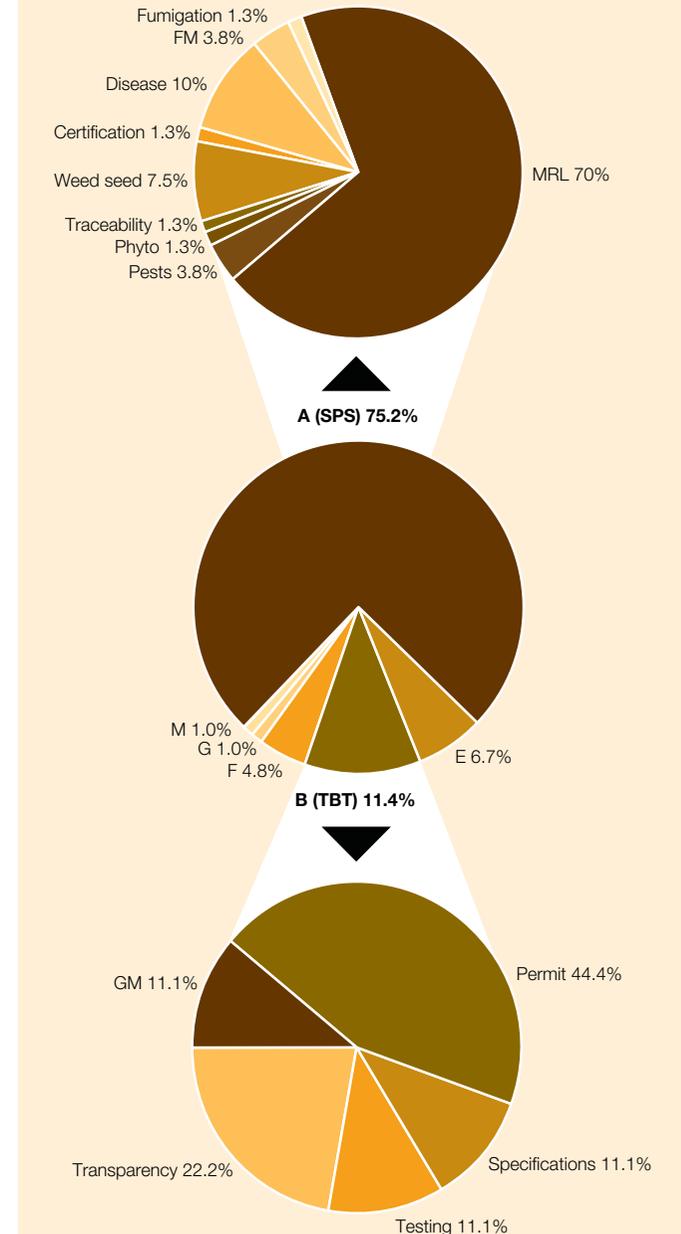
For grains, NTMs are largely concentrated around (A) Sanitary and Phyto-sanitary (SPS) measures and (B) Technical Barriers to Trade (TBT). SPS measures include biosecurity and quarantine-related activities and are aimed at protecting human, plant and animal health from pest and disease-related risk, while TBT measures relate to technical regulations, standards and conformity assessments.

Within the SPS category, Maximum Residue Limits (MRLs) are a key barrier affecting the grains industry. 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. The industry is facing divergent and different MRLs in a number of markets.

SPS measures that focus on quality and/or are not based on sound science are an emerging issue for grain trade.

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



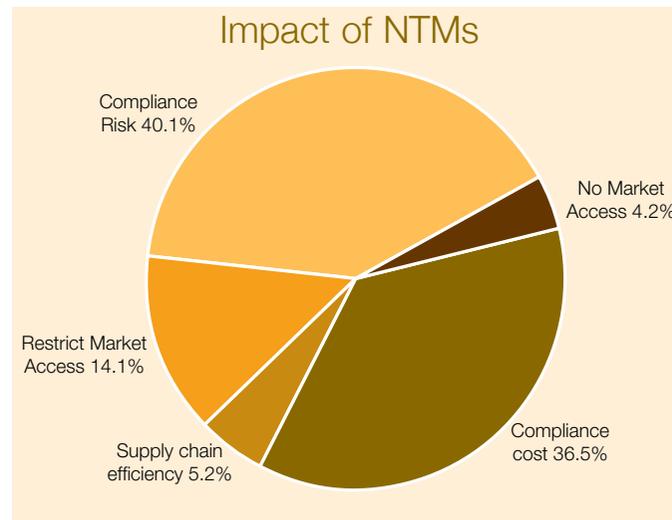
The grains industry has also seen a number of NTMs emerge which restrict access as markets seek to protect their domestic grain sectors. This is particularly the case for feedgrains into south east Asia where practices aimed at protecting domestic corn sectors are limiting Australia's feed grain access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

Other challenges for industry relate to regulations around biotechnology, plant breeding innovation products and sustainability.

NTMs by impact

NTMs can be highly trade restrictive and harmful for the industry. The most common impact of NTMs are increased compliance costs and/or heightened compliance risks, but restricted or no market access can have the greatest significance. In the case where NTMs result in increased compliance costs or risks, these barriers may still have the impact of restricting market access as exporters lose the confidence to trade into a certain market. However, all NTMs faced by the grains industry serve to limit returns and opportunities for Australian exporters and farmers.

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 invest 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 is working together to implement proactive and enhanced approaches to managing trade and market access activities.

Next steps for the Grains NTM Project

The Grains NTM Project is managed by the industry's NTM Working Group comprising GTA, GIMAF, NWPGP and GGL. The NTM Working Group reports to the GTA Trade and Market Access Committee and the GIMAF Forum. The Working Group will ensure that the report is maintained and updated regularly, along with ongoing industry prioritisation of NTMs, development of strategic responses and communication with Government. The Market Access

Database will be utilised to record and manage market access issues.



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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