

23 August 2019

Japan EPA Coordinator
Free Trade Agreement Division
Department of Foreign Affairs and Trade
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Via Email: JapanEPA@dfat.gov.au

Re: Japan-Australia Economic Partnership Agreement (JAEPA) Post-Implementation Review

Grain Trade Australia (GTA) appreciates the opportunity to provide this submission to the JAEPA Post-Implementation Review. Japan remains one of Australia's most important grain and oilseed markets and the Japan-Australia Economic Partnership Agreement (JAEPA) has been very important in providing improved access for Australian grains.

While GTA does not export directly to Japan, many of our members do. As such, this submission provides some industrywide comments in relation to the impact of the JAEPA. Individual members may provide direct submissions related to more operational issues.

JAEPA has delivered a net benefit to the Australian grains industry, and therefore to the Australian community. The agreement has delivered improved access to the Japanese market for Australian grains and provided Australia with improved competitiveness vis-a-vis other suppliers to this market, in particular, the USA. These benefits have been further enhanced through the subsequent TPP-11 agreement.

Despite the improved access arrangements, Australian exports have been constrained in the past two seasons by the drought conditions in Australia, which has seen grain production reach its lowest levels since the drought affected the 2007–08 crop (and for the eastern states the lowest since 1994–95). This has had flow on effects to available export volumes.

About GTA

Grain Trade Australia (GTA) is the focal point for the commercial grains industry within Australia. It facilitates trade and works to provide an efficient, equitable and open trading environment by providing leadership, advocacy and commercial services to the Australian grain value chain. GTA members are responsible for over 95% of all grain storage and freight movements made each year in Australia. Over 95% of the grain contracts executed in Australia each year refer to GTA grain standards and/or trade rules. GTA members are drawn from all sectors of the grain value chain from production to domestic end users and exporters. GTA members are involved in grain trading activities, grain storage, grain for human consumption and stock feed milling.

JAEPA – Implications for the Australian grains industry

Grains such as wheat, barley, and sorghum, and their milling products, are one of Australia's most significant agricultural exports to Japan, valued at \$646 million in 2017 and with wheat alone worth \$317 million. Japan has long been an important and high value customer of Australian wheat, in particular, for Australian noodle wheat.

Japan has also traditionally been an important customer for Australian canola and barley, as well as other grains such as sorghum and pulses.

It is a highly competitive market, in particularly for wheat and barley, given the mature and discerning nature of the market. This makes preferential access through agreements such as JAEPA very important in helping Australia maintain its position.

Japan's grain trade is highly regulated, and includes WTO quotas, duties and other mark-ups, as well as complicated tendering arrangements. Outside the quota system, wheat (for food) and wheat (for feed) face prohibitive tariffs resulting in very little wheat entering outside the quotas.

JAEPA has provided the following opportunities for the Australian grains industry:

- access to a more efficient "simultaneous buy and sell" process for some wheat varieties (Australian Hard and Australian Premium White). This was further enhanced through TPP-11 with a third category of SBS being introduced e.g. Category I - Bulk Shipment, Category II (Container Shipment), and Category III (New Quota, Bulk and Container)
- ability to export wheat and barley (for feed) duty-free outside of the existing complicated quota system, giving the opportunity for increased exports and streamlined export processes. While the Australian industry has widely utilized this arrangement (e.g. 125,000 tonnes of feed wheat exported directly to private Japanese buyers in 2017), under TPP-11 this will be extended to all TPP-11 members
- elimination of tariffs on wheat gluten and milled corn products by 2024
- elimination of tariffs for some canola and other vegetable oils by 2024

These benefits have been further enhanced through the TPP-11 agreement which provides improvements through a combination of reduced mark-ups and additional quota access on milling grade wheats and malt barley.

The Australian grains industry has benefited from the improved conditions as part of the JAEPA and as assisted Australia to maintain its competitiveness. However, there are opportunities and further improvement for the industry through negotiation of more flexible SBS arrangements and improved quota allocations, as well as focus on non-tariff measures such as MRLs and regulation around plant breeding innovation/new technologies.

GTA works closely with the Department of Agriculture in relation to non-tariff measures, and currently is actively engaged in an APEC based project to bring together government regulators and industry to collaboratively discuss non-tariff measures. We believe there are opportunities to enhance regulatory cooperation and facilitate trade through both bilateral and regional initiatives.

GTA strongly supports the Government's efforts in negotiating and improving free trade agreements. These are particularly important in premium markets such as Japan and where there are restrictive access arrangements in place. GTA looks forward to continuation of the JAEPA arrangements and encourages the Government to continue to push for improved access.

Yours sincerely,



Pat O'Shannassy
CEO