

14th December 2021

The Hon Marise Payne  
Minister for Foreign Affairs  
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The Hon Dan Tehan  
Minister for Trade Tourism & Investment  
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The Hon David Littleproud  
Minister for Agriculture, Drought & Emergency Management  
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## **RE: IA-CEPA value for the Grain Industry**

Dear Ministers,

Grain Trade Australia (GTA) is writing to raise grain industry concerns relating to Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) and the trade of Australian feed grain into Indonesia. It is important these concerns are addressed directly between the Indonesian and Australian governments to improve the outcomes for the grain sectors both in Australia and Indonesia from the IA-CEPA.

GTA supports the IA-CEPA recognising the vast potential of the bilateral economic partnership. The grain industry has a mature relationship with its Indonesian counterparts, particularly in the wheat flour milling sector, and supports the extension of this long standing and mutually beneficial trading relationship for further growth in the feed grain sector. To this end, we respectfully suggest that this will be best achieved through the direct implementation of extension programs, as was understood during the development of the IA-CEPA. It is GTA's belief that this approach will potentially create greater value for the Australian grain industry and the Indonesian feed milling industry from IA-CEPA than is available through the Katalis initiative<sup>1</sup>.

### **1. About GTA**

Grain Trade Australia (GTA) is a national member association and is the focal point for the commercial grain industry within Australia.

GTA has over 270 organisations as members. They are the exporters of Australian grain and the operators of the Australian grain supply chain. Their businesses range from regional family businesses to large national and international trading/storage and handling companies who are involved in grain trading activities, grain storage, and processing grain for human consumption and stock feed milling. GTA Members are substantial employers, from the farm gate through to end point consumption, notably in rural and regional Australia. A full list of GTA Members can be found [here](#).

GTA's core focus is to "facilitate trade" in the Australian grain industry. Its products and services, including the Australia Grain Industry Code of Practice, provides a self-regulatory framework across the grain industry to facilitate and promote the trade of grain within the Australian grain value chain.

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<sup>1</sup> Under IA-CEPA Australia and Indonesia have established an organisation named **Katalis** to manage the Strategic business development partnership projects.

## 2. IA-CEPA establishing access for Australian Feed Grain

During the IA-CEPA negotiations the grain industry highlighted several market access issues for Australian feed grain into Indonesian markets including:

- Restrictions on imports of feed grains (including feed wheat, barley, corn) by Indonesia in an effort to support domestic corn producers.
- These restrictions impede Indonesia's stated goal of growth and development of value-added economic activity, through the growth and promotion of domestic manufacturing industries, including developing export markets for the value-added Indonesian products (such as poultry products and packaged foods).
- Australian feed grains, particularly feed wheat, barley and sorghum, offer a consistent source of feed grain for Indonesia's stockfeed manufacturing sector, thereby supporting Indonesia's goals of food security and transition and increase in its value-added sector. Such imports would be complementary to local corn production.

As you are aware under the IA-CEPA, Indonesia and Australia agreed to market access for Australian feed grains to the **Indonesian market with 500,000 tonnes of feed grain** (wheat, sorghum and barley) per year, increasing at five per cent per annum, to be managed through a zero **Tariff Rate Quota (TRQ)**. This being managed by Australia's Department of Agriculture Water and Environment (DAWE) and in Indonesia by the Ministry of Agriculture who forwards any request for TRQ to the Ministry of Trade.

## 3. IA- CEPA feedgrains – the reality

While well intended, the feed grain market access through the TRQ has to date been ineffective and has not been utilised. Since its launch in July 2020, there have been no permits issued or grain exported/imported under the IA-CEPA feed grain TRQ. It is anticipated this will continue in 2022.

We understand there may be times when market conditions (such as drought in Australia or low domestic Indonesian corn prices) may not be conducive, however we are primarily concerned about an apparent difficulty in accessing import permits under IA-CEPA, anecdotally due to lack of support within Indonesian Government agencies. In fact, we understand that the Indonesian Government agencies have provided import permits directly to state owned (or previous state owned) enterprises rather than through the IA-CEPA program. This is of concern as it would clearly be outside the stated objectives and commitments of the IA-CEPA and lends itself to limiting competition and efficiency (and consequently growth) in the Indonesian market. This is contrary to the IA-CEPA's stated objectives of unlocking mutual economic potential.

Unless addressed, this situation will continue to reflect on the feed grain tonnes traded under the IA-CEPA unless **a more determined approach is taken by the Australian government to engage and persuade Indonesia to support IA-CEPA** and the commercial trade of feed grain from Australia into Indonesia.

This is especially critically important for this season given the likelihood a large proportion of the Australian harvest has been adversely impacted by the current La Nina resulting in an abundance of feed grain.

GTA respectfully requests the Government address this apparent lack of support for the trade of feed grain under IA-CEPA as a matter of urgency and work directly with Indonesian counterparts to address this issue for the mutual benefit of Indonesia and Australia.

While noting the political sensitivities in relation to domestic market support provided to corn producers in Indonesia (and several other SE Asian countries), we believe that the issue needs to be addressed in the medium to longer term by the Australian Government. These policy actions result in market access restrictions and trade barriers that not only constrain growth opportunities and future

value for Australian growers, but also work to the detriment of the destination country, in this case Indonesia. This negative impact is felt in terms of:

- Higher costs for consumers,
- Constrained growth; and
- Restricting job growth in value-add industries such as poultry.

This raises challenges, including generating investment to meet future increases in demand driven by population and consumer income growth.

GTA believes it is in the longer-term interests of Australia and its trade partners to address this issue. GTA is willing to assist the Australian Government to develop strategies to address this issue with our trade partners by highlighting the beneficial impacts for both parties through expanded growth in value adding industries such as feed milling (animal and aqua). It is important to note that Australia's exports will not be seeking to displace domestic corn production in the importing country, but rather participate and assist in the growth in demand and value adding production. That is, we recognise successful and sustainable trade needs to be mutually beneficial.

#### 4. IA- CEPA Katalis Strategic Partnership Program

We also wish to raise concerns regarding the Strategic Partnership programs under IA-CEPA, specifically the Strategic Grains Partnership.

The grain industry expended considerable effort and provided significant input into the development of the Strategic Grains Partnership during the negotiation phase of IA-CEPA. This includes **developing specific programs that could be implemented** as part of the Strategic Grain Partnership. It was understood the Strategic Grains Partnership would also **be funded by government with around \$5-7m of direct funding** for industry over a 5-year period.

Further the concerns regarding this program include:

1. A **lack of transparency** with stakeholders during the design and setup phases of the Strategic Partnership programs, around the intention to setup and establish Katalis.
2. Katalis has engaged multiple consultants to try to determine, what has already been identified during earlier phase of the IA-CEPA process. It has seemingly **disregarded the foundation work done to identify industry needs and opportunities** for the strategic growth partnership to deliver the objectives of the Strategic Grain Partnership. This foundation work should have been included in the Terms of Reference for Katalis, i.e. **execute the already established plan.**

Nor has this work recognised the long standing and positive relationship that the Australian grain industry has with the Indonesian industry which has seen regular industry and Government dialogue occur over a number of years.

3. Katalis is understood to be **requiring financial co-contributions from stakeholders** for industry good projects such as capacity building projects such as technical services and leadership development (as opposed to commercial ventures or investments). This had not been disclosed to industry in earlier phases.
4. Our overall assessment is there is a high risk that funds intended by the Governments for investment in front-line customer facing programs **will be diverted and consumed by red-tape and bureaucratic processes.** This gives industry and other stakeholders little incentive or confidence to co-invest in any projects.

With regards to marketing and positioning of Australian grain within Indonesia, the Australian grain industry and its exporters are organised, mature and coordinated regarding the Indonesian flour milling market and its demand profile. Australian milling wheat has been traded into Indonesia for

many decades and it can be said there is a good commercial relationship in this market between Indonesia and Australia.

As a result, the **industry is well positioned to readily expand existing programs** to build the existing market and to reach into the feed market segment. Given the apparent issues with feed grain permits and the lack of success of IA-CEPA for feed grains a more **targeted approach** direct government to government approach is required to enable commercial activity to succeed. If trade in feed grain is enabled, then the existing grain industry marketing programs can be expanded including AGIC Asia Round Table and Conference events and the highly successful technical programs managed by the Australian Grain Export Innovation Centre (AEGIC) to deepen the long-standing relationship between Australian grain and Indonesian food and feed industries.

We trust you will consider the issues raised in this letter and we welcome the opportunity to engage and work directly with the Government on these issues.

I look forward to your response.

Yours faithfully,



**Pat O'Shannassy**  
**CEO**  
**Grain Trade Australia**

**Cc:** Kathryn Campbell, Secretary DFAT  
Andrew Metcalfe, Secretary DAWE