



24 April 2009

Martin Landauer
Korean Free Trade Agreement
DFAT
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John McEwen Crescent
BARTON ACT 0221

Dear Martin

Further to our email correspondence, please find below some details regarding soybeans and the current tariff regime. We would appreciate the FTA secretariat taking this into consideration in their discussions and development of the agreement.

The Australian Oilseeds Federation (AOF) is the peak industry body for the Australian oilseeds value chain that covers consumers of food, feed and industrial products. AOF members are responsible for production, marketing, shipping and processing of oilseeds and oilseeds products. The AOF promotes the development of the industry and supports the growth of the industry through providing services to the industry, facilitating linkages between industry participants and encouraging the industry to work together for the betterment of all. For more information visit: <http://www.australianoilseeds.com/>

Australia is a small producer and exporter of soybeans globally. While the total volume of soybeans consumed globally is in excess of 200 million tonnes, only around 6% of this is for food consumption, with the remainder crushed for oil and meal.

The Australian soybean is only a competitive exporter in the food grade component of the market and this forms the major focus for our industry.

The Australian soybean industry believes it has the potential to expand the value of the industry threefold over the next few years and has put in place a range of strategies to achieve this. The crop that is currently in the ground is expected to produce the highest level of production in over a decade.

The industry has invested in a new breeding program that is focused on producing high quality food grade beans. The new culinary varieties are just starting to be released from this program and are expected to help underpin Australia's export trade.

Australian soybeans are highly valued in Asian export markets due to our food safety record, non-GM status, identity preservation handling and marketing system, quality and the ability to supply out of season.

The industry has recently developed a new quality assured, identity preserved brand that will help position Australian quality beans competitively in key markets.

Australia's major competitors in Korea are Canada and the US who both produce large volumes of oilseeds. The US has recently concluded a free trade agreement with Korea which has included the removal of tariffs and more favourable quotas for food soybeans.

The Korean oilseed industry relies on imports for crushing and food applications. Korea utilises around 300,000 tonnes of food quality soybeans annually, which is about 25 per cent of the total soybean market. In recent years, Korea has increased its preference for non GM soybeans for food use. This favours destinations like Australia which does not grow any GM soybeans. This has seen suppliers like Brazil and, to a lesser extent, China increase their presence in the Korean market. Australia would have a strong quality advantage compared to these destinations.

Currently, Korea has tariffs in place for both crushing and edible soybeans. For edible soybeans the quota is 487% for any beans outside the Government quota. The current state trading entity (STE) is reported to apply a mark-up of around 80%.

We would request that the Australian free trade agreement proposes removal of the 487% over-quota tariff rate for soybeans. If this is not achievable, it may be possible to establish a zero tariff-rate quota (TRQ) for identity-preserved soybeans for food use which operates outside the current state trading entity. In the case of the US agreement, it is our understanding that such a quota has been agreed that will be operated by an association of food-grade soybean processors and will give US suppliers direct market access to Korean soybean processors.

The Australian soybean industry would directly benefit from improved access to Korea's market for food-quality soybean market.

The current tariff and quota arrangements place Australian beans at a considerable disadvantage and limits the ability for trade to occur outside of the government purchasing system. The removal of the tariff would provide the opportunity for the Australian soybean industry to expand its exports of value added products.

We would appreciate your consideration of soybeans in discussions relating to agriculture in the free trade agreement.

Yours sincerely



Rosemary Richards
Executive Director