

Australia-India Comprehensive Economic Cooperation Agreement
Free Trade Agreements Division
Department of Foreign Affairs and Trade
RG Casey Building
John McEwen Crescent
Barton ACT 0221

By Email: indiafta@dfat.gov.au

6 August 2024

Australia-India Comprehensive Economic Cooperation Agreement

Dear Negotiators,

The Western Australian (WA) oat processors' industry welcomes the opportunity to make this submission to the Department of Foreign Affairs and Trade on the Australia-India Comprehensive Economic Cooperation Agreement.

The four major WA oat processors are working together collaboratively to improve trade and market access. Quaker Oats Australia, Essantis, Blue Lake Milling and Avena Mills are the commercial manufacturers in WA and are all supportive of expanding processed oats into India. This submission is a combination of all the manufacturers which is a unique, and positive initiative.

On 29 December 2022, Australia India-Economic Cooperation and Trade Agreement (AI-ECTA) entered into force. The AI-ECTA bound the tariff on oat seed (1004.10.00) and other oats excl seed (1004.90.00) at 0%. Processed oats were excluded from the AI- ECTA and the current tariffs are listed below. The Australia India Comprehensive Economic Cooperation Agreement is currently under negotiation and the WA oat processors advocates to DFAT for the removal of the remaining tariffs on processed oats.

For processed oats the tariffs remain a challenge:

- 1104.12.00 – Rolled or flaked grains of oats = currently 30% tariff
- 1104.22.00 – Hulled, pearled, sliced or kibbled oats = 15% tariff currently, was previously 30% tariff
- 1103.19.00 – Groats and meal of other cereals = 30% tariff currently

Source: Tariff ICT Market Access Map

The WA oat processors' submission is important to the industry because WA is a significant player in the Australian oats industry. WA contributes 50% (approximately 600,000 tonnes) of the national oat production. Figure 1 demonstrates the upward trend in oat production in WA.

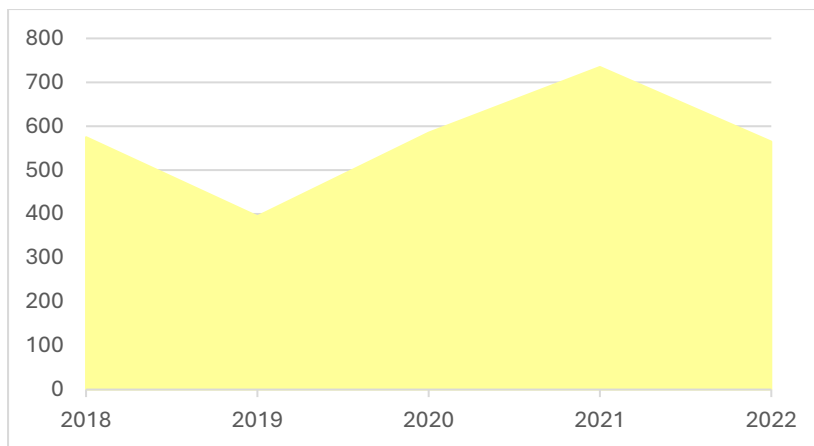


Figure 1. WA oat production, 2018 – 2022 ('000 tonnes), Source: GIWA, 2023

Most raw oats within WA are used for manufactured into either rolled/flaked oats; or hulled/kibbled oats. When raw oats are dehulled, this reduces the products weight by 30%. If the dehulled oats are then kiln dried, the oat products are lighter again.

WA has the largest milling capability nationally at just over 300,000 tonnes or 60% of the total national capacity (AEGIC, 2024). WA will continue to be the major manufacturer due to the ongoing oat processing capacity expansion over the past 10 years. In 2023, Essantis invested in a \$10 million expansion of its Wagin facility after receiving a \$3 million boost from the State Government. The Wagin expansion will enable the mill to process up to 175,000 tonnes of WA oats per year. This project is due to be completed by the end of 2024. In 2018, Blue Lake Milling built a new 60,000 tonne oat processing facility in Perth. The facility is a testament to the commitment to meet increasing demand and to service a growing export demand for oat products. In 2014, Quaker Oats built a new multimillion-dollar oat milling facility in Perth that doubled its processing capacity. The new mill investment was approximately \$30 million, which injected greater confidence into the local oat industry.

The WA processing growth significantly contributes to the local economy in both construction investment and employment. Using an illustration of the annual capacity of oat processing in WA being expanded by an additional 100,000 tonnes, the output multiplier impacts of that enhanced capacity are shown to range in value to the state's economy from \$111 million to \$222 million (AEGIC, 2024). The range in additional employment generated by the increase in oat processing is between 175 to 349 additional jobs (AEGIC, 2024). Plus, the lift in wages and salaries across the state's economy will range from \$18 million to \$35 million; and the additional value-added across the economy will range from \$36 million to \$71 million (AEGIC, 2024).

WA dominates raw and processed oat exports and since 2018 has accounted for over 80% of Australian exports (AEGIC, 2024). Nearly all processed oats are exported from WA. Total WA oat exports are worth approximately \$225 million based on the past five years and has increased significantly since 2021. China is the major oat market and WA is keen to diversify to growing markets such as India (Appendix 1). The Indian market has tripled in value since 2019 for WA oat products. If there is increased access to the Indian oat market, this will improve the sustainability of the WA oat industry in the long term.

India can also benefit from improved market access from Australia. WA can assist India by supplying premium, safe, and reliable (kiln dried hulled oat = KDHO) quality oats directly rather than WA exporting raw oats to Sri Lanka and UAE. These two markets process the oats and then supply the Indian oat market with 0% tariffs. Trading directly with WA improves India's food security, lowers risks, and increases the sustainable supply chains and price competitiveness. Supplying semi-processed oats to India is a win-win situation. WA has the KDHO processing capacity and India can further process the oats into rolled or flaked products. The cost of dehulling oats and kilning oats is also expensive and challenging to set-up so India can benefit from buying semi-processed oats directly from WA and refining the oats to the finished product. India and WA can also mutually benefit from dealing with semi-processed oats as this avoids the issues with raw oat imports into India that require consignments free from quarantine weed seeds and the current Indian mandatory methyl bromide fumigation protocol.

The WA oat processors are keen to contribute to the Indian market which is the largest democratic country in the world with 1.4 billion people. With a youthful population, diversified economy and continued forecast growth, India presents a significant opportunity to changing diets. As families get smaller, disposable incomes increase, and more women enter the workforce, lifestyles and eating habits are changing.

Oats are a relatively new product to most Indians, but the range of whole or partial oat-based products available in India is extensive and includes, but is not limited to, plain oats, flavoured oats, porridge, granola, muesli, snack bars and biscuits. The breakfast cereal market (consisting of hot cereals and ready-to-eat cold cereals) is growing rapidly and was worth ₹34950m (AUD\$658m) in 2021. It is estimated that the market grew further to ₹40100m (AUD\$755m) in 2022-23 (Euromonitor, 2023).

WA oat processors requests DFAT strongly consider the removal of tariffs on processed oats into India. If these trade barriers are removed, this would have major benefits to the WA oat industry. Should you wish to discuss our submission further, please do not hesitate to contact Mark Narustrang, Chair Processed Oats Partnership WA on 0437 517 050, or via email mark@pivotalpoint.net.au.

Note: ABS Oat exports data is variable and inconsistent. This submission has used industry data which is more accurate.

Yours sincerely,



Stephen Boyd

Manager

Quaker Oats Australia



Andrew May

Co-CEO

Essantis



Taso Kourou

CEO

Blue Lake Milling



Lee Ganley

Manager

Avena Mills

Appendix 1. Australia oat and oat product exports, 2019 – 2023 (tonnes)

Australia Oat Exports												
Mt	Nov-Oct								YTD (Nov-Jun)			
	18-19	19-20	20-21	21-22	22-23	5 yr avg	5 yr CAGR	% of total	23-24	22-23	Chge	MT Chge
Total	12,810	97,277	395,451	556,915	533,802	215,818	110.8%	100.0%	217,776	383,259	-43.2%	-165,483
China	18	66,194	250,939	258,390	312,737	115,713	602.0%	53.6%	162,307	202,454	-19.8%	-40,147
India	3,398	14,505	36,653	45,293	49,372	20,679	70.8%	9.6%	20,440	28,857	-29.2%	-8,417
Japan	3,286	2,904	10,021	34,971	18,355	11,028	41.1%	5.1%	6,689	16,199	-58.7%	-9,510
Malaysia	92	8,077	30,699	23,420	22,968	12,482	202.0%	5.8%	7,999	13,606	-41.2%	-5,607
Mexico	-	-	-	132,665	85,900	26,554		12.3%	-	85,900	-100.0%	-85,900
Philippines	4,408	3,865	6,350	6,868	4,730	5,227	1.4%	2.4%	2,432	2,549	-4.6%	-116
South Africa	127	-	20,303	0	13	4,106	-37.1%	1.9%	2	13	-84.0%	-11
South Korea	-	17	1,936	9,942	1,809	2,383		1.1%	118	1,809	-93.5%	-1,691
Sri Lanka	-	78	7,486	8,090	17,131	3,131		1.5%	4,443	12,312	-63.9%	-7,869
United Arab Emirates	2	240	29,089	34,940	17,396	12,854	513.6%	6.0%	12,246	17,396	-29.6%	-5,150

Australia Oat Product Exports												
Mt										YTD (Jan-Jun)		
	2019	2020	2021	2022	2023	5 yr avg	5 yr CAGR	% Avg Chg	% of total	2024	2023	Chge
Total	116,910	137,032	157,170	172,751	156,723	148,117	6.0%	50.4%	100.0%	59,709	76,039	-21.5%
China	31,010	43,450	44,874	43,686	32,066	39,017	0.7%	1625.7%	26.3%	3,735	20,843	-82.1%
Fiji	425	378	245	390	327	353	-5.1%	-6.0%	0.2%	238	137	73.4%
India	10,749	7,680	18,085	19,561	29,747	17,164	22.6%	-11.0%	11.6%	10,399	12,066	-13.8%
Indonesia	4,272	6,285	6,290	7,201	8,748	6,559	15.4%	-5.5%	4.4%	3,530	4,276	-17.5%
Japan	11,329	13,850	14,115	23,587	13,609	15,298	3.7%	40.3%	10.3%	7,744	7,122	8.7%
Malaysia	16,582	19,348	22,219	20,352	14,358	18,572	-2.8%	-1.7%	12.5%	7,075	5,663	24.9%
New Zealand	6,306	6,602	6,402	6,709	7,613	6,726	3.8%	0.9%	4.5%	3,451	3,284	5.1%
Nigeria	21	46	295	1,963	3,381	1,141	176.3%	0.0%	0.8%	2,625	1,406	86.7%
Philippines	11,251	12,180	11,271	14,388	14,605	12,739	5.4%	24.7%	8.6%	6,794	5,377	26.4%
Singapore	242	260	209	422	446	316	13.0%	28.3%	0.2%	151	196	-23.1%
South Africa	553	674	338	2	306	374	-11.2%	-66.6%	0.3%	-	306	-100.0%
Taiwan	19,881	19,670	25,611	23,822	22,260	22,249	2.3%	19.2%	15.0%	10,138	10,548	-3.9%
Thailand	1,033	1,084	1,803	2,438	2,251	1,722	16.9%	90.5%	1.2%	1,483	1,074	38.1%
United States	-	-	39	947	1,060	409		1082.8%	0.3%	-	1,060	-100.0%
Vietnam	2,331	5,032	4,674	6,043	5,196	4,655	17.4%	675.4%	3.1%	2,141	2,352	-9.0%

Source: Industry, 2024