

# SUBMISSION IN RESPONSE TO THE

AUSTRALIA-INDIA COMPREHENSIVE  
ECONOMIC COOPERATION  
AGREEMENT (AI-CECA)



PREPARED BY GRAIN GROWERS LTD  
NOVEMBER 2021

# EXECUTIVE SUMMARY

GrainGrowers is a leading voice for Australian grain farmers, representing their interests at a national and international level. Our vision is a more sustainable, and profitable grains industry for all Australian grain farmers. Working with the grains sector and broader agricultural community, GrainGrowers aims to set a progressive agenda to drive positive change for Australian grain farmers across the national and global landscape.

GrainGrowers is committed to the development and implementation of positive international trade and market access outcomes for the Australian grains industry and its customers. Liberalising markets and removing trade distortion in the global trade system is of crucial importance. Trade and Market Access are a key focus of GrainGrowers with the specific aim to drive the development and implementation of positive international trade and market access outcomes for the Australian grains industry and its customers.

Priorities for GrainGrowers in all trade negotiations are:

- Zero tariffs and removal of all quota barriers on all grains and all grain products;
- For agreements to include measures to minimize the risk of non-tariff barriers being invoked following removal of tariffs and quotas;
- That agreements are living, both in terms of build in review clauses and build in mechanisms to resolve Sanitary and Phytosanitary Measures (SPS) disputes;
- Agreements do not compromise Australia's own biosecurity processes; and
- Trade partners recognise the benefits of, and actively pursue, removal of domestic policy measures which distort agricultural production.

GrainGrowers is supportive of an enhanced trade environment that is mutually beneficial between Australia and India because:

- India has a large and growing population, with an increasingly foreign lifestyle and diet;
- India's domestic grain supply chain can be variable and in combination with growing population, imports are increasingly important for their food supply and security;
- There is a logistical advantage that can benefit both India and Australia, especially to southern India;
- India is the world's largest pulse market, and improved access can deliver increased profitability to Australian grain growers as well as sustainability outcomes because of the multiple benefits pulse crops provide such as disease breaks and improved soil fertility; and
- The greater the number of markets to which we can competitively sell Australian grain, the lower our industry's market risk.

The announcement made by Prime Minister Modi and Prime Minister Morrison in 2020, to affirm the commitment to strengthen India-Australia ties by re-engaging on a bilateral partnership Comprehensive Economic Cooperation Agreement (CECA) is strongly welcomed by GrainGrowers. It is critical that this agreement incorporates text on agricultural goods especially grains.

India is not traditionally a large grain market for Australia, accounting for an average less than 2% of annual exports by volume (2011-2014). This is primarily due to India's own capabilities for grain production along with tariffs and other restrictions on trade.

Currently, India has the second largest population in the world, with a growth rate expected to put it above China as the most populous country by around 2031. Along with population growth comes trends in consumption that present opportunities for the Australian grains industry. These opportunities aren't isolated to the export of grain, but also potential RD&E and logistics developments in India that would support the country's agenda for job growth, improved food security and capacity building of their grains sector. All these dynamics means that India is an important market of the Australian grain industry and economy.

This submission makes comments on the following:

- Australia's grain trade with India: historical view
- Mutual benefits: enhancing grain trade to India
- Exporting Australian grains to India: import condition and barriers
- AI-CECA: outcomes sought

India is an attractive market for Australian grain growers and the industry continues to look for opportunities to diversify to find new customers and manage risks in existing markets. In addition, the COVID-19 pandemic has seen the Indian consumers' price-sensitive mindset shift with a desire to adopt more high-valued food for improved health outcomes. The opportunity to improve market access to the Indian market comes at a critical time for the Australian grains sector. Improved access to the India market would aid these diversification efforts, whilst being beneficial to India's food security and job creation policies.

Should you require any further information in relation to this submission, please do not hesitate to contact Amelia Shaw at [amelia.shaw@graingrowers.com.au](mailto:amelia.shaw@graingrowers.com.au). GrainGrowers would appreciate being kept abreast of the review outcomes.

Your sincerely,



**David McKeon**  
**CEO, Grain Growers Limited**

# SUMMARY OF RECOMMENDATIONS

## Recommendation 1: Scope of Agreement

The Agreement should relate to the trade of

Priority	Commodity	HS Code
(1)	Chickpeas	071320
(2)	Lentils	071340
(3)	Wheat	100199
(4)	Field peas	071310
(5)	Mungbeans	071331
(6)	Barley	100390
(7)	Oats	100490
(8)	Canola / Rapeseed	120510 / 120590
(9)	Sorghum	100710
(10)	Rolled Oats	110412
(11)	Lupin	121490
(12)	Malt	110710 / 110720
(13)	Wheat Gluten	110900
(14)	Wheat starch	110811
(15)	Canola / Rapeseed Oil	151441 / 151419 / 151491 / 151499

## Recommendation 2: Inclusion of a Grains Annex

The Agreement should include text specific relating to a Grain Annex, being a systematic, strategic approach, which isn't an attempt to develop new standards or protocols, rather to draw on existing resources and agreements to increase certainty to grain trade and transparency which is the first step in mitigating technical access issues. Proposed inclusions are:

- 1) Promote a joint collaboration on Sanitary and Phytosanitary (SPS) Measures through the establishment of a committee and encourage good faith discussions that seek to quickly resolve SPS issues based on science and proactively address potential SPS trade barriers. Consideration on how both states can work jointly on International Plant Protection Convention (IPCC) of the UN FOA principles.
- 2) Seek agreement that India use the CODEX Alimentarius (WHO and UN FOA) as a default.
- 3) WTO TBT Agreement, with reference to principles of Non-Discrimination, Avoidance of Unnecessary Barriers of Trade, Harmonisation around international rules-based order principles, Notification requirements and Adjudication of Disputes
- 4) Encouragement of Global Initiative on Low Level Presence (GLI) principles to be brought into FTA to continue to promote harmonisation between both trading partners.
- 5) Electronic Certification Exchange
- 6) Capacity Development

## Recommendation 3: Tariff Reform

Desired outcome is for tariffs on Australian grains and grain products to not be included, if this cannot be achieved then Australian negotiators should be seeking tariff free quotas to manage the risks if India continue to function in an unpredictable fashion when it comes to the imposing and lifting of tariffs.

## Recommendation 4: Most Favoured Nation Clause

Considering the rapid expansion of bilateral and regional trade agreements and the ambitions of competitors to establish preferential access rights, an MFN clause, covering all grain products is an essential component of an agreement. This would preserve a level playing field on market access for Australian origin grain products

# SNAPSHOT OF AUSTRALIA GRAINS INDUSTRY

The grains sector is a powerhouse of regional Australia with 22,300 farm businesses growing on average 40 million tonnes of grains, oilseeds and pulses each year for domestic and global customers. The farm-gate value of Australian grain production is \$13 billion, contributing 20% of the value of Australian agriculture. We are a major contributor to the Australian economy, directly employing over 100,000 people.

The Australian agricultural sector is striving to reach \$100 billion by 2030, up from a current forecast value of \$73 billion, with the broader agribusiness supply chain striving to reach \$300 billion. A significant increase in the value of farm production in a decade is clearly a challenging task. However, the Australian grain industry has a history of transformational change, underpinned by research and development and innovative farm businesses.

Grains are produced in all Australian states and territories. Australia's total winter crop area is around 20.9 million hectares each year, with summer crop area around 0.5 million hectares. By land area, nearly 37% of winter crop is concentrated in Western Australia, followed by 27% in New South Wales.

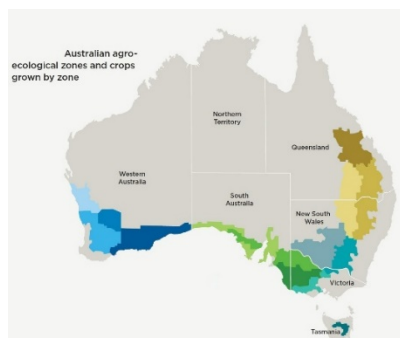


Figure 1 Australian grain production regions  
Source: Australian Export Grains Innovation

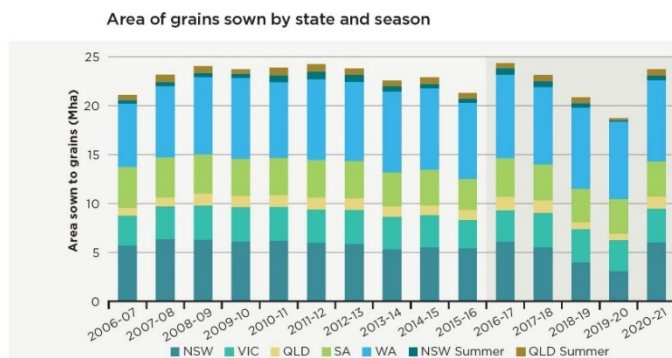


Figure 2 Crop area grown by state and season.  
Source: ABARES

The Australian grain industry is export focused with approximately 70% of total production sold to overseas customers in normal (non-drought) years. When looking at global trends the grains industry is seeing the rise in developing nation's populations and increasing incomes seeing growth in consumption for western food products such as breads along with demand for animal protein. Both these trends result in opportunities for Australian grains be they for providing food quality wheat or a feed source for animal production systems.

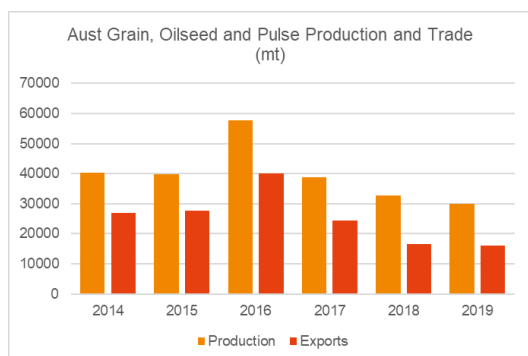


Figure 3: Australian grain production and trade  
Source: ABARES



# AUSTRALIA & INDIA: TRADE OVER THE YEARS

India is an attractive market for the Australian grains industry, valued over \$1.8billion (Figure 4) at its peak prior to prohibitive tariffs being imposed. In recent years, Australia has seen over \$550 million of trade come from India, underpinned by 1.1mt of Australian grains (Figure 5).

India will likely become a significant import market for global grains and oilseeds in the future, complementing the current pulse trade. India historically taken around 80% of Australian chickpea exports.

As noted in Figure 4, in 2017 the value of exports into India surged in 2017. This was underpinned by \$1.7billion chickpea market (Figure 6). At the time, Australia was supplying 71% of India's imported chickpea needs. However, in 2017 the Indian government-imposed tariffs on chickpeas which saw this market practically close overnight for Australian growers.

Given the exportation of chickpeas face significant barriers now, Australia's primary grain market is wheat. Wheat is a staple to India's food security. Australia is currently providing 41% of India's imported wheat, second to the Ukraine at 45%.

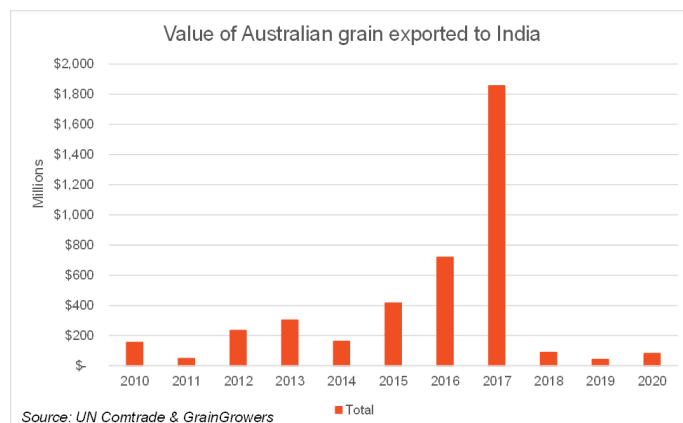


Figure 4 Value of Australian grain exported to India (2010 – 2020)

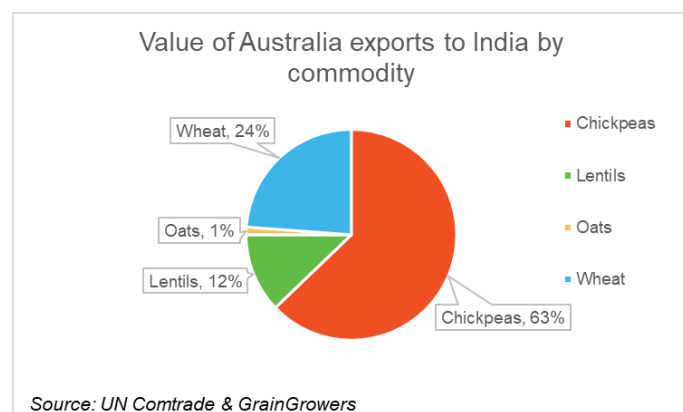


Figure 5 Australian grain commodities into the India (2006 - 2020)



Figure 6 Chickpea exports into India from Australia

# MUTUAL BENEFITS: ENHANCING TRADE TO INDIA

India is one of the world's largest agricultural producers and has historically been a net exporter of many agricultural products. However, population growth and the westernisation of diets is supporting rapid consumption growth. Over the medium term, increased meat consumption will lead to the expansion of the intensive livestock industry and exponential growth in grain demand. Future growth in Indian food demand will be driven by population growth and changing diets. The most significant driver of future Indian food demand will be the rise in per capita meat consumption.

There are several trends that suggest benefits to the Indian economy from increasing trade with Australia:

- Increasing wheat consumption per annum, despite a recent slump India's total wheat consumption is forecast to increase over the next three years to 93mmt;
- Increasing wheat used for feed is expected to be higher;
- The significant growing trend towards international products and western lifestyle such as burgers, pizza and breads that do not favour the performance of the vast majority of locally produced wheat;
- The increasing affluent middle class are seeking to expanded access to pulses and whole grain products due to the associated health benefits;
- The increasing affluent middle class has concerns about food safety;
- More foreign restaurants and brand franchises;
- The population growth is significant and is expected to be the most populated country beyond 2031;
- There is good demand for Desi chickpea variety, which dominates Australian chickpea production, because it is markedly higher fibre content than other varieties; and
- Wheat cultivation faces the threat of climate change, soil/irrigation resource degradation, and diversion of acreage to non-agricultural use.



# EXPORTING TO INDIA:

## CONDITIONS & BARRIERS

Liberalised markets, free from trade distortions are critical to the global trading system for both Australian grain farmers and the wider Australian economy. Lowering tariff barriers, minimising non-tariff measures, an ability to renew and review trade agreements and removing distorting domestic policy measures like subsidies, are important to ensuring a free and fair-trading export market for Australia.

### Tariffs

The Indian government's interventionist policy position is aimed at achieving food self-sufficiency, maintaining farmer incomes, and providing cheap food to least advantaged persons. Current policy settings include producer minimum support prices, producer input subsidies, public distribution system of food, and protectionist trade policies (including tariffs, quotas, import conditions). India's policy settings are extremely variable, reacting to local supply and prices. These reactive policies often exacerbate existing production cycles, leading to even greater price volatility for both producers, consumers, and global markets.

Import tariffs on grain and pulse products can range between 50% and 100% and in some cases competitors' products are preferred. The table below provides a summary of the tariffs on key grains:

Year	HS Code	Product	Number of tariff lines	Average ad valorem duties (per cent)	Maximum valorem duty (per cent)	Duty free tariff lines (per cent)
2020	1001	Wheat and meslin	5	77.5	100	0.0
2020	1003	Barley	2	0	0	100
2020	071310	Peas	3	50.0	50	0.0
2020	071320	Chick peas	3	53.3	60	0.0
2020	071340	Lentils	1	30.0	30	0.0
2020	071350	Faba beans	1	0.0	0	100.0
2020	1004	Oats	2	0.0	0	100.0
2020	1007	Sorghum	2	30.0	50	0.0
2020	1205	Canola	2	30.0	30	0.0
2020	120760	Safflower	2	30.0	30	0.0
2020	1507	Soybean oil	3	40.0	45	0.0
2020	1514	Canola oil	13	41.9	75	0.0
2019	1512	Safflower oil	10	100.0	100	0.0

Table 1: Tariffs on Australian Grain Imports to India

Source: WTO, TOA

Removal of these tariffs for Australian pulses in particular, offers Indian consumers the opportunity to increase consumption at a lower cost and Australian grain producers enhanced profitability.

## Non-Tariff Measures (NTMs)

The Australian Grains Industry in partnership with the Department of Agriculture, Water and Environment (DAWE) in 2017 undertook a study<sup>1</sup> that sought to identify non-tariff measures (NTMs). The report found that NTMs are increasing and are a priority trade policy issue for the grains industry. The market access challenges are ongoing and require government and industry to work together to address the current and future challenges. The report found that despite formal Free Trade Agreements between Australia and many of its trading partners, there are still many barriers preventing access to markets.

When specifically observing India, there is an extensive list of NTMs that make accessing this market cost prohibitive or practically impossible. Consistent with the position of others in the Australian grains industry, GrainGrowers' views are:

- **Unsubstantiated Sanitary and Phytosanitary (SPS) requirements:** inconsistencies exist in addition to the lack of transparency and scientific justification or rational. India often diverges from internationally accepted standards such as Codex Alimentarius Commission and the International Plant Protection Convention (IPPC). The result of this can be import certification requirements can be imposed which are not in accordance with international food safety measures.

For example, India's import conditions for grains and seeds including nil tolerances for 57 weed seeds for quarantine concern, nil tolerance for ergot in wheat, and the mandatory requirement for methyl bromide fumigation for quarantine pest relating to pulse. In addition the lack of MRLs for key chemicals registered for use in Australia is an ongoing challenge.

- **Price Control Measures including additional taxes and charges:** India's agricultural and food policies have three broad objectives: food security, food self-sufficiency and income support for farmers.

Indian Government has imposed several interventionist domestic agricultural and trade policies. These policies have hurt the Australian grain industry and growers. The Indian government seeks to support producers through budgetary spending corresponding to 8.6% of gross farm receipts. In contrast Australian growers have received 2% of gross farm receipts, in addition, unlike India, Australian farmers do not receive market price support (MPS). Over the past decade the MPS for India wheat has steadily increased and the most recent policy change has come in the form of COVID-19 economic support package whilst includes support credit, on-farm services infrastructure, and other general services.

- **Inconsistent testing and analysis:** there is a lack of clarity around the sampling and testing regimes that exists on imported goods.
- **Biotechnology and Low-Level Presence (LLP)** - importance of encouraging agricultural innovation and facilitating trade in products of agricultural biotechnology, while fulfilling legitimate objectives, including by promoting transparency and cooperation, and exchanging information related to the trade in products of agricultural biotechnology.

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<sup>1</sup><https://www.graingrowers.com.au/news/grains-non-tariff-measures-project-report>

# AI-CECA: OUTCOMES SOUGHT

GrainGrowers is aware of the complexity of the relationship and the domestic self-sufficiency policies and domestic politics relating to India's agricultural sector. It is also aware of the political and strategic considerations driving Australia and India's trade diplomacy. Achieving commercially valuable new grains market access into India will be difficult. Australia's trade agreements, however, must be vehicles for at least delivering outcomes related to in-built agendas, if not agreement-wide market access and rules improvements. If they do not, our trade agreements will decline in relevance and value as markets evolve.

The Australian grains sector's preference is always duty-free, quota-free market access, GrainGrowers considers the following outcomes are realistic and should be pursued by Australia's negotiators as part of this negotiation:

1) **Scope:** The Agreement should relate to the trade of

Priority	Commodity	HS Code
(1)	Chickpeas	071320
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2) **Grains Annex:** A systematic, strategic approach which isn't not an attempt to develop new standards or protocols rather draw on existing resources and agreements to increase certainty to grain trade and transparency which is the first step in mitigating technical access issues. Proposed inclusions are:

- a. Promote a joint collaboration on Sanitary and Phytosanitary (SPS) Measures through the establishment of a committee and encourage good faith discussions that seek to quickly resolve SPS issues based on science and proactively address potential SPS trade barriers. Consideration on how both states can work jointly on International Plant Protection Convention (IPPC) of the UN FOA principles:
  - i. Commitment to processes and reporting of SPS events;
  - ii. Safety and biosecurity but not quality considerations;
  - iii. Consistency of analytical testing methods- commitment to common approaches at export and import; and

- iv. Recognition of accreditation / certified analytical laboratories and methodologies.
- b. Seek agreement that India use the CODEX Alimentarius (WHO and UN FOA) as a default, for it provides international food standards guidelines and codes of practice which contribute to the safety, quality, and fairness of international food trade. This inclusion offers the opportunity of:
    - i. Consistent approach to establishing, reporting and altering Maximum Residue Limits (MRLs), other contaminant thresholds and foreign materials limits;
    - ii. Opportunities for, where practicable, harmonized standard/threshold limit setting noting differing climate, pest pressures, populations and use patterns; and
    - iii. Consistent sampling, testing and reporting approaches WTO TBT Agreement
  - c. WTO TBT Agreement: This Agreement references international standards, however key principles are:
    - i. Non-Discrimination  
Members must ensure that technical regulations and standards do not accord treatments less favourable to imported products compared to the ones granted to like products of national origin or creating in any other country, as established respectively in Art. 2.1 and Annex 3.D. This principle applies also to conformity assessment procedures, that have to "grant access for suppliers of like products originating in the territories of other members under conditions no less favourable than those accorded to suppliers of like products of national origin or originating in any other country in a comparable situation" (Art. 5.1 and 5.1.1).
    - ii. Avoidance of Unnecessary Barriers to Trade  
Article 2.2 obliges Members not to create unnecessary obstacles to international trade and, on this basis, to ensure that "technical restrictions are not more trade restrictive than necessary to fulfil a legitimate objective". The Article provides an inclusive list of legitimate objectives including national security requirements and the protection of animal or plant life or health.  
  
However Article 2.5 provides that where technical standards are for the purpose of one of the legitimate objectives listed in Article 2.2 and in accordance with relevant international standards they are presumed not to violate Article 2.2
    - iii. Harmonise around International Standards  
When international standards exist, members shall use them as a basis for their technical regulations, standards and conformity assessment procedures, unless their use seems inappropriate or ineffective in certain circumstances (for example, for climatic or technological reasons) for achieving the pursued objective (Art. 2.4, 5.4 and Annex 3.D).
    - iv. Notification Requirements  
The TBT Agreement also obliges WTO members to notify each other of proposed technical barriers to trade. To give States the opportunity to raise their concerns before the measures come into force, members must allow reasonable time for Members to make comments, discuss their comments and to have their comments considered. Members must notify each other in relation to proposed TBT provisions when the following three conditions are satisfied:
      - The measure must be a technical regulation or an evaluation of a conformity assessment procedure.
      - There must either be no relevant international standard or, if there is, the measure must not conform to it.
      - The technical regulation must have a considerable effect on international trade.
 These criteria are broader than any of the obligations regarding the content of technical regulations which ensures that any issues which will subsequently be litigated can be

identified at the earliest stage possible. However, in the case of “urgent problems of safety, health, environmental protection or national security” Article 2.10 provides an alternate procedure to expedite the process.

v. Adjudication of disputes

Under Article 14.1 disputes regarding the TBT Agreement are to be resolved by the Dispute Settlement Body in accordance with Articles XXII and XXIII of General Agreement on Tariffs and Trade (GATT). This requires parties to undergo the same consultation process as they would for issues arising under GATT and allows disputes involving issues arising under both the TBT Agreement and GATT to be resolved simultaneously. In spite of this very few cases concerning the TBT Agreement have been brought to the Panel. The following list is an overview of the mechanisms that promote the TBT’s mission:

A. All TBT members are required to establish “enquiry points” also known as “TBT Window” – offices that provide information about the country’s technical regulations, test procedures, and adherence to various international standards.

B. A technical assistance program helps developing countries meet international standards and helps them get involved in the establishment of such standards.

It is important to note that WTO TBT:

- Incorporates reference to international standards such as CODEX and IPPC; and
- Provides a dispute mechanism.

- d. Global Initiative on LLP (GLI): a government-led initiative to develop a harmonised approach or set of approaches to address LLP at the global level—as well as other national level meetings. Promotion of these principles through the FTA would be encouraged.
- e. Electronic Certification Exchange: COVID has provide an operating environment in which electronic certification exchange has been accepted by Indian officials. It is the desire that this continues, as it facilitates efficiencies both in time and costs.
- f. Capacity Development: This is essential to underpinning the Annex, and GrainGrowers understands many opportunities exists with the identified Partnership in this space. However, the opportunity to coordinate, develop relationships and nurture those will have significant tangible benefit to the strength of the long-term bond between both nations. Opportunities exists between growers, researchers, customs and biosecurity authorities, buyers and customers that ultimately should deliver improved practice methods based on sound scientific rigor and a sustainable trading relationship

The Annex identified the ambition of the concept and provide a place to begin negotiations. GrainGrowers understands each element will need to be addressed in detail to expand on items to be emphasised, added to, specified and shaped.

- 3) **Tariff reform**: desired outcome is for tariffs on Australian grains and grain products to not be present, if this cannot be achieved than Australian negotiators should be seeking tariff free quotas to manage the risks of India continue to function in an unpredictable fashion when it comes to the imposing and lifting of tariffs.
- 4) **Most favoured nation (MFN) clause**: Considering the rapid expansion of bilateral and regional trade agreements and the ambitions of competitors to establish preferential access rights, an MFN clause, covering all grain products is an essential component of an agreement. This would preserve a level playing field on market access for Australian origin grain products

# CONCLUSION

GrainGrowers welcomes the opportunity to provide a submission to the *Australia-India Comprehensive Economic Cooperation Agreement (AI-CECA)*. The grains industry has continued to provide significant contributions to the Australian economy and public good. We welcome continued engagement on these matters of developing and implementing positive international trade and market access outcomes for the Australian grains industry and its customers.

In conclusion, Free Trade Agreements are a necessary tool for developing and improving bilateral relations, driving economic growth, enhancing efficiency, and promoting greater fairness both all parties involved. We encourage the Australian Government to adequately resource an ambitious agenda to deliver enhanced trade and market access outcome for the Australian grains industry.

Should you require any further information in relation to this submission, please contact GrainGrowers' Policy Manager, Trade, Market Access & Rural Affairs, Amelia Shaw on [amelia.shaw@graingrowers.com.au](mailto:amelia.shaw@graingrowers.com.au) or on (02) 9286 2006.



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