



European Union Free Trade Agreement: *Submission the Department of Foreign Affairs and Trade Scoping Study*

February 2016



Australia-European Union Free Trade Agreement
Europe Division
Department of Foreign Affairs and Trade
RG Casey Building
John McEwen Crescent
Barton ACT 0221

By Email: a-eufta@dfat.gov.au

26 February 2016,

Re: Australia-European Union FTA Scoping Study

GrainGrowers is an independent and technically resourced, grain farmer representative organisation with 17,500 members across Australia. GrainGrowers' goal is a more efficient, sustainable and profitable grain production sector that benefits all Australian grain farmers and the wider grains industry. GrainGrowers has three divisions which work cooperatively to achieve improved grain industry outcomes: 1) On-farm Information Services, 2) Industry capacity building, and 3) Policy and Advocacy.

Trade & Market Access is a key focus within Policy and Advocacy and GrainGrowers has 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.

GrainGrowers welcomes the opportunity to provide a submission to DFAT's scoping of a potential Australia-European Union FTA. The European Union (EU) currently represents a niche market for most Australian grains. There are a number of reasons for this:

- The EU is a very significant grain producer, especially of Australia's key grain exports of wheat and barley. Collectively, the EU countries are the largest wheat producer in the world (157.7 million tonnes, 2015/16 *f'cast*) and the largest barley producer in the world (60.8 million tonnes, 2015/16 *f'cast*) exporter in the world. Table 1 illustrates the relative grain market positions of Australia and the EU internationally;
- The Black Sea grain production area enjoys a significant proximity freight advantage over Australian grain as a supplier to the EU. North America also has a freight advantage into the EU;
- EU grain producers benefit from significant subsidies in production which undermine Australia's competitive position in the market even further. EU grain producers operate in a productive market where the producer support equivalent is still more than 18% while Australia's is less than 2.3%(OECD, 2014); and

- Under WTO commitments, the EU still has a range of applicable tariffs and quotas on grains.

However, despite these market dynamics, the EU is a very important market for Australian canola, accounting for an average of 57% of our export markets in the 5 years to June 2015, and worth \$900 million per annum (see Table 2).

Table 1: Grain Production and Trade: Australia and European Union ('million tonnes, 2015/16 forecast)

	Wheat	Barley	Sorghum	Canola	Oats
World Production	726.2	144.7	68.7	66.0	22.8
Total World Trade	150.8	24.3	11.2	12.0	2.2
Australia					
Production	24	8.3	2.1	3.1	1.4
<i>% of World Production</i>	3.3%	5.7%	3.1%	4.7%	6.1%
Exports	17.8	6.1	1.7	2.3	0.3
<i>% of World Exports</i>	11.8%	25.1%	15.2%	19.2%	13.6%
EU					
Production	157.7	60.8	0.7	21.5	7.8
<i>% of World Production</i>	22%	42%	1.0%	32.6%	34.2%
Exports	31.6	11.5	0	0.3	0.2
<i>% of World Exports</i>	21.0%	47.3%	0.0%	2.5%	7.5%
Imports	5.6	0.3	0.1	2.9	0

Data source: International Grains Council, 2015

Table 2: Value of Australian Canola Exports: EU v Non-EU (\$'000)

	FY2011	FY2012	FY2013	FY2014	FY2015	<i>5 year Average</i>
EU Market	799,820	1,163,907	1,102,882	875,513	550,397	898,504
Non-EU	160,695	379,932	1,217,616	1,234,533	882,232	775,002
Total	960,515	1,543,839	2,320,498	2,110,047	1,432,628	1,673,506
EU % of Australian canola exports	83%	75%	48%	41%	38%	57%

Data Source: DFAT publication 'Composition of Trade Australia 2014-15'

In considering the EU Canola trade, it is worth noting:

- Australia is the second largest canola exporter in the world (2.5 million tonnes pa), though is a distant 2nd to Canada (around 9 Million tonnes pa), and only marginally ahead of the Ukraine (2 million tonnes pa);
- Australian canola has enjoyed a \$AUD50 per tonne price premium into the EU in recent years due to the Australian industry's capacity to deliver Non-Genetically Modified (GM) Canola (compared to the Canadian industry which produces around 90% GM Canola).
- EU's position on GM Canola is changing however, and it is worth bearing in mind that the EU has recently ratified a country opt-out provision. The opt out provision will enable countries to prohibit GM products, where they have been approved by the EU.
- The Australian industry has invested in meeting the EU RED (Renewable Energy Directive) reporting requirements, reflecting its value of the EU trade.
- Canada, the largest canola supplier to the EU has completed, though not ratified, negotiations of their Comprehensive Economic and Trade Agreement with the EU.

GrainGrowers priorities for all trade negotiations are:

- tariff elimination and removal of all quota barriers on all grains and all grain products;
- that agreements include measures to minimise the risk of additional technical requirements being invoked following tariff removal;
- that agreements are living, both in terms of built in review clauses (MFN type status) and built in mechanisms to resolve SPS issues; and
- that agreements never compromise Australia's own biosecurity.

In the case of a potential negotiation with the EU, GrainGrowers would require the ambition of greater access than that achieved by Canada for all grain and grain products, in order to support pursuance of an Australian-EU FTA. As and when your investigations proceed we would be pleased to provide more specific advice regarding additional measures that would enhance efficiency of the Australian-EU grain trade. For example, with respect to the Australian-EU Canola trade, EU recognition of the application of Australian legislation to limit land clearing would contribute to national satisfaction of EU RED reporting requirements, thus reducing the costs on individual operators.

Thank you for the opportunity to contribute to your investigations. GrainGrowers supports actions that remove trade distortions including tariffs, quotas, and other technical market access barriers. We recognise however that while ever domestic support of agricultural production in the EU remains in place, no bilateral removal of trade barriers will deliver a free trade pathway.

We look forward to providing input to your inquiries as they proceed and I am happy to expand on this submission.

Yours faithfully,

A handwritten signature in black ink that reads "Cheryl Kalisch Gordon". The signature is written in a cursive style with a large initial 'C'.

Dr Cheryl Kalisch Gordon

Manager, Trade & Market Access

cheryl.kalischgordon@graingrowers.com.au