



Our Australian Rice Industry

Growing Rice to Feed the World



15 January 2007

Japan FTA Task Force
Department of Foreign Affairs & Trade
John McEwan Cr
BARTON ACT 0221

Dear Sir/Madam

Thank you for the invitation to make a submission on the Australia-Japan Free Trade Agreement (FTA) recently announced by the Australian and Japanese Prime Ministers. The Australia rice industry welcomes the agreement between the Australian and Japanese Governments to allow all products, including sensitive agricultural products, to be negotiated as part of these FTA negotiations. This is a significant step forward for the Japanese Government.

The Australian rice industry would like to take this opportunity to reinforce some of the crucial issues raised in our submission to the Australia-Japan Feasibility Study in 2005 as these still remain relevant today.

1. Free Access for Australian Rice - An Opportunity for Australia and Japan

The Australia-Japan FTA provides a unique opportunity to negotiate free and unfettered access for Australian rice into the extremely attractive and highly protected Japanese market. Japan is a high quality, high value market for the Australian rice. Australian rice growers have invested significantly in developing a rice variety "Opus" specifically for the Japanese market. Australia has also imported Koshihikari seed (from Japan) through quarantine and taken many years to expand seed availability to grow this variety in Australia.

Rice imports into Japan currently made through the OMA (Government) and SBS (private) tenders do not provide adequate opportunities for the Australian rice industry to fully exploit its advantages in product quality and productivity:

- Limitation on import volume prevents Australia from recovering the full value of its investment.
- Limited Government purchases are supplied to the Japanese food and beverage manufacturers, while the rest is diverted for international food aid or sold as stock feed. This prevents Japanese consumers from getting exposed to Australian rice.
- The structure of Government and SBS tenders prevents Australian suppliers from properly developing a brand for Australian rice.

The current import restrictions also come at a significant cost to the Japanese consumers and the Japanese Government:

- The rising stocks of imported rice and their sales to low value markets is resulting in significant financial burden to the Japanese Government (outlined in a report prepared by the USDA¹). For example, the Government makes approximately \$US400/MT loss when imported rice is

¹ 2006 USDA Foreign Agricultural Service, Japan Grain & Feed: MAFF Needs to Reduce Stocks of Imported Rice, Global Agriculture Information Network Voluntary Report No JA6060.

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sold as feed rice. In addition, storing the rice in cold storage facilities is exorbitant.

- Japanese consumers pay a very high price for locally produced rice, imposing significant costs to the economy and wellbeing of the population.

The Australian rice industry is built on exports of branded, value added rice and food products (rather than export of commodity paddy rice) produced, milled and packaged in regional NSW. The Australia-Japan FTA provides an opportunity to seek access to the Japanese consumer for the very high quality rice produced in regional Australia and capture considerable value for Australia.

This is also a significant opportunity for Japan – improved access for Australian rice will also increase consumer wellbeing in Japan through lower cost of food and reduce the Japanese Government's costs in storage and sale of imported rice.

2. Minimal Affect on Japanese Farmers

Production of rice in Australia is largely dependant on the availability of suitable soil and water. Rice production in Australia is 100% irrigated and can only take place in the Riverina region of NSW. Water constraints mean that Australia can only produce about 1.2 million tonnes of paddy rice each year. This production supplies our domestic market as well as exports to around 60 countries. The Australian rice industry has built strong brands for its rice in many markets and cannot walk away from these markets to divert a large volume to Japan. Hence, a more open import regime for Australian rice in Japan will not lead to Australia supplying all its rice exclusively to Japan.

Japan is among the top 10 rice producing countries in the world (www.irri.org) and producing 11.4 million tonnes of paddy rice annually. By comparison, the Australian rice exports to Japan under a free access regime will be small and will not adversely affect rice producers in Japan.

3. Non-Tariff Impediments

If free and unfettered access cannot be achieved for Australian rice, the FTA negotiations must address non-tariff trade impediments that make trade with Japan unfavourable. Essentially, these comprise of:

- Timing of SBS tenders is skewed in favour of northern hemisphere suppliers of new season's rice crop – only the May tender favours southern hemisphere. It should be noted that Japanese consumers traditionally pay a premium for new season's rice.
- Conversion of quarterly SBS tenders to weekly tenders, as currently undertaken with wheat trade into Japan.
- Acceptance of non-air conditioned shipping for Australian rice as this adds unnecessary landed cost for Australian rice.
- Addressing the SPS constraints to rice imports, in particular the blanket approach to extensive and onerous chemical tests – many of which are not used in Australia. If Australia can provide documentation and an auditable program of limited chemical use in rice production, this should suffice for an exemption from this onerous program.

In conclusion, the Australian rice industry welcomes the FTA negotiations with Japan. The Australian rice industry seeks free and unfettered access to the Japanese consumer by overcoming the highest import tariffs in the world. The

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industry believes that this would provide considerable value to Australia and Japan with minimal affects on Japanese farmers.

The Australian rice industry does not underestimate the challenge for Australia's negotiators in achieving these benefits for Australia and Japan in a very sensitive agricultural product. While the Japanese negotiators may seek to utilise the flexibilities outlined in the Feasibility Final Report², the concurrent benefits for Japanese consumers and the Japanese Government should be used overcome these sensitivities.

The Australian rice industry strongly urges Australian negotiators to maintain a strong stance and pursue free and unfettered access to the Japanese table rice (retail) sector for Australian rice.

The Australian rice industry takes this opportunity to offer our full assistance to the Australian Government in these negotiations.

Yours sincerely

DEBORAH KERR
POLICY MANAGER

² 2006, Joint Consultative Committee, Joint Study for Enhancing Economic Relations between Japan and Australia, including the Feasibility of Pros and Cons of a Free Trade Agreement, Final Report, Cl. 59.

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Dear Sir/Madam

Thank you for your letter of 20 December 2006 inviting submissions on the Australia-Japan FTA.

I am sure that we will wish to make a submission given that Japan is our industry's major export market. However, given the timing it has been difficult to consult with our members between 20/12 and 15/1 and thus, I have not been able to get this to you by the due date.

We have an AOF meeting on 7&8 February and I will put this on the agenda for discussion at this meeting. I will forward our views and comments following this.

I hope that this will be acceptable and we would certainly like to be kept informed of progress with the FTA negotiations.

Regards
Rosemary

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