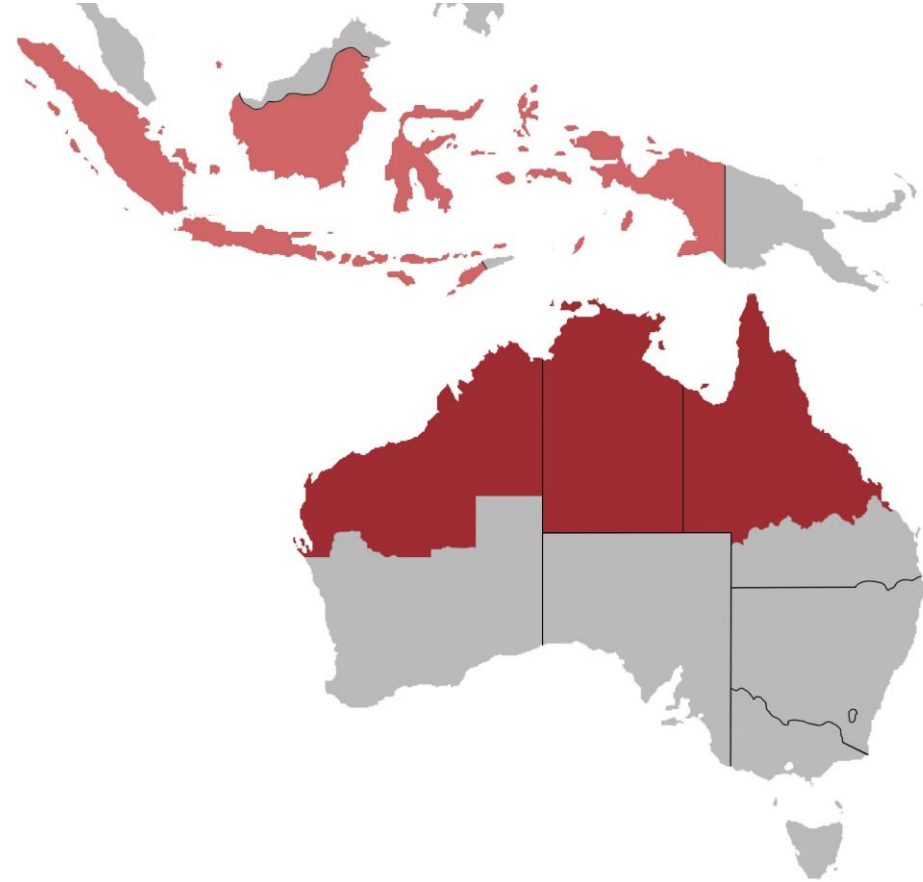










# Old Friends, New Possibilities

Indonesian Investment in  
Northern Australian  
Agriculture



Ashley Vines

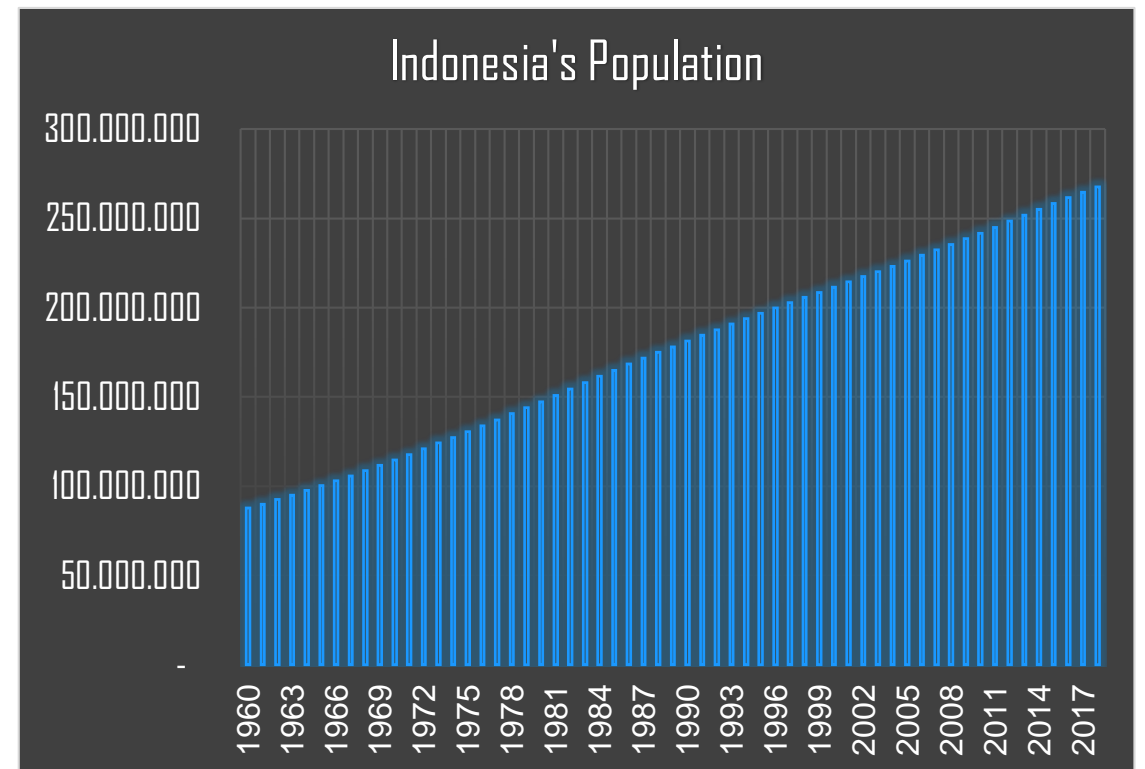
# IA-CEPA improves opportunities for agriculture

Product		Treatment at entry into force	Longer term outcome
	Live male cattle	Duty free (from 5% tariff) access for 575,000 cattle in year one	4% annual growth in volume reaching 700,000 by year 6. A review for subsequent increases
	Frozen beef	Tariff cut to 2.5% (from 5%) and access for unlimited volume	Elimination of tariff after 5 years
	Sheep meat	Tariff cut to 2.5% (from 5%) and guaranteed access for unlimited volume	Elimination of tariff after 5 years
	Feed grains	Duty free access for 500,000 tonnes in year one	5% annual growth in volume thereafter
	Sugar	Locked in 2017 "early outcome" of reduction of tariff to 5%	Ongoing
	Dairy	Elimination or reduction of tariffs across a number of dairy lines	Removal of all remaining tariffs on dairy lines
	Citrus	<i>Mandarins</i> – tariff cut to 10% (from 25%) for 7,500 tonnes per year	Tariff reduced to 0% over 20 years. Duty free access for unlimited volume thereafter.
		<i>Oranges</i> – duty free access for 10,000 tonnes in year one.	5% annual growth in volume thereafter
		<i>Lemons</i> – duty free access for 5,000 tonnes in year one	2.5% annual growth in volume thereafter
	Vegetables	<i>Potatoes</i> – tariff cut to 10% (from 25%) for 10,000 tonnes per year for five years	After five years, 5% tariff for 12,500 tonnes per year 2.5% annual growth in volume thereafter
		<i>Carrots</i> – tariff cut to 10% (from 25%) for 5,000 tonnes per year	Tariff progressively reduced to 0% over 15 years. Unlimited volume permitted at 0 tariff after that



- If Indonesian businesses and/or state owned enterprises invest in Australian agriculture, and export produce back to Indonesia, they are subject to the same tariff and non-tariff measures in place for Australian exporters. The removal of these trade barriers creates a greater level of certainty for potential Indonesian investors.

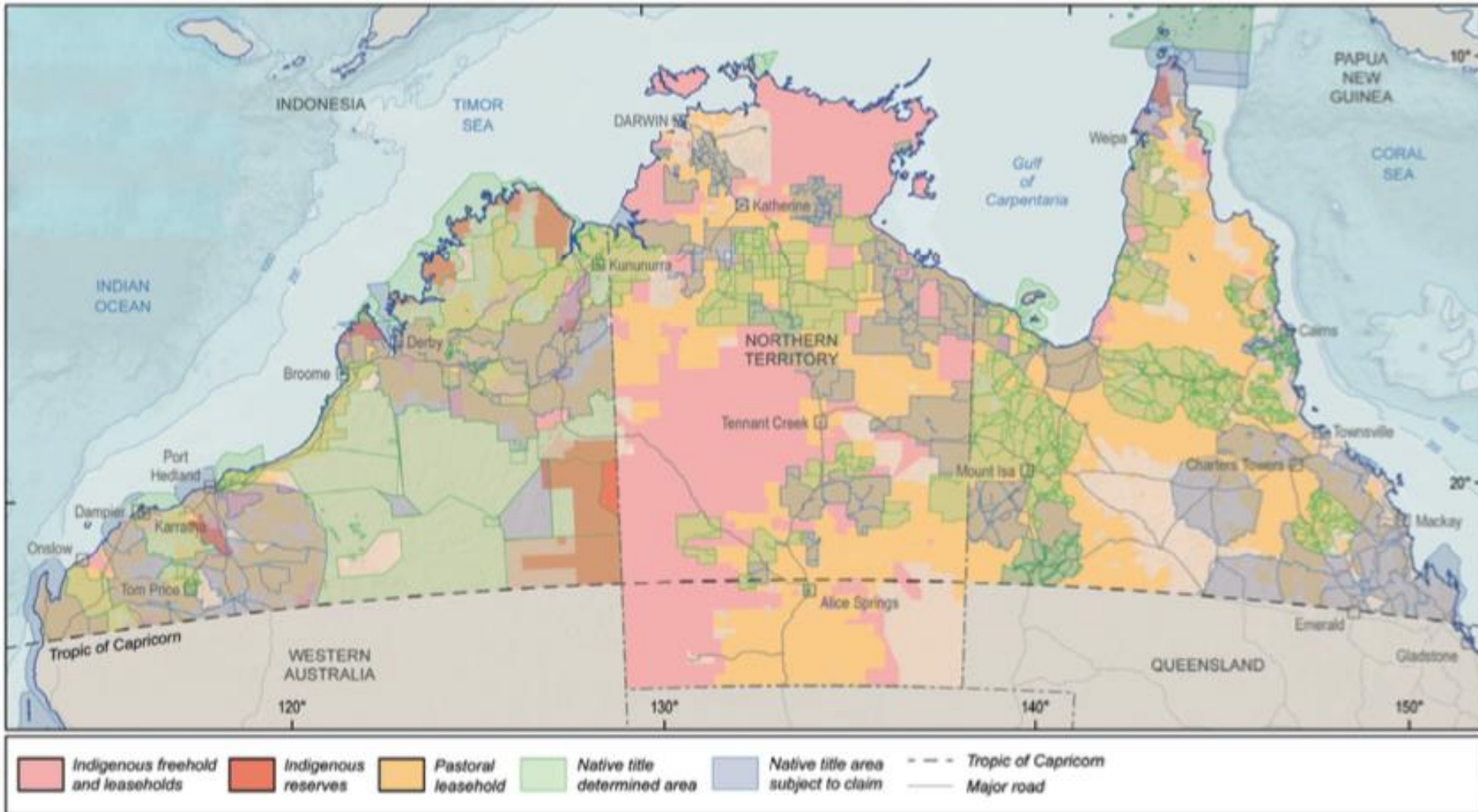
# Indonesia's investment capacity is continually increasing



Data Source: IMF (2020); World Bank (2020)

# Northern Australia: a need for more investment in agriculture and supply chains

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# Indonesia's food consumption aligned with emerging agricultural industries in Northern Australia

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## Indonesian Demand

Top 15 Indonesian Imports Agricultural Products 2014-2018 (\$USD Millions)					
Description	2014	2015	2016	2017	2018
Wheat	2387	2083	2408	2648	2571
Soybean meal	2201	1819	1580	1648	2050
Sugars & Sweeteners	1490	1430	2293	2271	2038
Cotton	1401	1088	1087	1325	1442
Other Intermediate Products	818	840	815	736	1260
Dairy Products	1517	1048	968	1168	1209
Fresh Fruit	727	611	783	1101	1202
Soybeans	1177	1034	959	1151	1103
Rice	388	352	532	144	1037
Food Preps. & Misc. Bev	718	680	646	693	805
Beef & Beef Products	444	251	569	586	725
Tobacco	570	412	477	619	696
Live Animals	682	549	614	546	607
Fresh Vegetables	493	460	571	687	590
Cocoa Beans	341	170	185	487	529
Other Products	3572	3129	2891	3129	3441
Total	18926	15956	17378	18939	21305

Data Source: USDA

## Northern Australian Potential Supply

- Live Cattle (and boxed beef)
- **Horticulture:** Avocadoes, Coconuts (Makapuna/Kopyer), Fresh Fruit (such as Citrus and table grapes) and Nuts.
- **Soybeans,** Peanuts, Cotton and other broadacre crops
- Aquaculture
- Raw Sugar
- Vegetables

# Foreign investment is growing industries in the region

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- Vietnamese and Chinese investment prominent throughout Northern Australia.
- Drawing upon Australian research and development and making investments which are of mutual benefit.



# Results

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**Key Finding 1.** There is alignment across a number of agricultural developments in Northern Australia with key Indonesian import demands.

**Key Finding 2.** There is a need for greater levels of investment from businesses and governments into R&D, infrastructure and supply chains, to grow commercial agricultural industries in Northern Australia.

**Key Finding 3.** Foreign investment is important for the growth of emerging agricultural industries in Northern Australia.

**Key Finding 4.** There are various factors potentially impacting Indonesian investment in the North, deeming such investment in emerging agricultural industries 'high risk'.

**Key Finding 5:** If Indonesian investors are prepared to undertake high-risk, long-term investments to realise their nations consumption needs into the future, Northern Australia presents opportunities.

# Growing Indonesia's presence and role in global value chains: why would Indonesia invest in Northern Australia?

- Open borders and international trade are inextricably linked with food and nutritional security. COVID has put a serious strain on agricultural supply chains, and has exposed countries' reliance on international markets and single sources of supply.
- Proximity is a competitive advantage.
- Many countries are challenged with how to meet consumer demands prompting them to make strategic investments which do not necessarily align with short-term profitability.
- Diversification of agricultural production is increasingly becoming important.



# Investing in Northern Australia should be viewed as a long-term opportunity

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- IA-CEPA lays the foundation for mutually beneficial trade and investment relations in the long-term.
- Foreign Investment Review Board. Applications need to be in Australia's 'National Interest'.
- Katherine and Douglas-Daly region presents most likely opportunities in the near future.

