

ECONOMICS AND INDUSTRY STANDING COMMITTEE

**INQUIRY INTO WESTERN AUSTRALIA'S ECONOMIC
RELATIONSHIP WITH THE REPUBLIC OF INDIA**



**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 18 MARCH 2020**

SESSION TWO

Members

**Ms J.J. Shaw (Chair)
Dr D.J. Honey
Mr Y. Mubarakai
Mr S.J. Price
Mr D.T. Redman**

Hearing commenced at 10.40 am**Mr RICHARD SIMONAITIS****Chief Executive Officer, Australian Export Grains Innovation Centre, examined:****Mr NIEGEL GRAZIA****Deputy Director General, Industry and Economic Development, Department of Primary Industries and Regional Development, examined:****Mr LIAM O'CONNELL****Executive Director, Department of Primary Industries and Regional Development, examined:****Ms I-LYN LOO****Primary Industries Trade Manager, Department of Primary Industries and Regional Development, examined:**

The CHAIR: On behalf of the committee, I would like to thank you for agreeing to appear today to provide evidence in relation to our inquiry into Western Australia's economic relationship with the Republic of India. My name is Jessica Shaw, and I am Chair of the Economics and Industry Standing Committee. I would like to introduce the other members of the committee: to my right, Yaz Mubarakai, member for Jandakot; to my left, Deputy Chair, Terry Redman, member for Warren–Blackwood; Stephen Price, member for Forrestfield; and David Honey, member for Cottesloe. I advise that the proceedings of the committee's hearing will be broadcast live within Parliament House and via the internet. This broadcast may include documentation provided by you to assist the committee in its investigations. It is important you understand that any deliberate misleading of this committee may be regarded as a contempt of Parliament. Your evidence is protected by parliamentary privilege; however, this privilege does not apply to anything you might say outside of today's proceedings.

Before we begin with our questions, do you have any questions about your attendance here today?

The WITNESSES: No.

The CHAIR: Would you like to make opening statements?

Mr GRAZIA: I do have a brief opening statement and then a summary of, I guess, DPIRD's position in relation to trade with India and the agrifood sector. I will deliver that now.

India is WA's twenty-fifth largest agrifood export market, valued at \$56.4 million in 2018–19. WA's key exports to India in 2018–19 were wool at \$38.2 million; oats and processed oats at \$10.6 million and \$10.1 million respectively; essential oil concentrate, \$1.6 million; sandalwood, \$0.8 million; and skins and hides, \$0.6 million.

India remains protective of its domestic market, with high tariffs and restrictions on imported food and agriculture products. Tariffs are imposed to manage domestic price fluctuations and prevent imports from becoming cost-competitive with locally produced goods. Measures are often imposed without notice, significantly disrupting trade.

DPIRD is supportive of efforts by the WA government to understand the Western Australian economic relationship with India and opportunities to improve the trade and investment relationship. Agribusiness has been identified as one of the three lead sectors in "An India Economic

Strategy to 2035”, along with resources and tourism. The agrifood sector must play a part in the WA economic relationship with India.

DPIRD, as lead WA government agency for agrifood trade and market access, will continue to advocate for improved market access and increased certainty for WA exporters to improve the current trading conditions. DPIRD welcomes the appointment of a second federal government ag counsellor in India to help achieve this. DPIRD recommends that export market development, including technical capacity-building activities for the grains industry, continues through the Australian Export Grains Innovation Centre.

In terms of the opportunity for premium food and beverage, including apples, avocados and wine, our trade relationship with India is in its early stages. DPIRD, in conjunction with the JTSI WA government office in Mumbai and Austrade, will continue to monitor and assist industry to capitalise on opportunities. Any trade development activities would be enhanced with further market insights and intelligence on the food and beverage market in India.

It is worth noting that Perth will be hosting AgriFutures’ evokeAG. in 2021, with more than 1 000 delegates coming together to discuss future possibilities for agrifood technology and investment. DPIRD will be working closely with the Mumbai office and Austrade regarding India’s participation in that event.

The CHAIR: Thank you very much, and thank you for coming along this morning. I would just like to understand a little bit more about the protectionist and tariffs issue. It is something that we have had a bit of evidence on. Tackling bilateral trade is obviously an initiative that is predominantly led by the federal government, so I am keen to understand how you work with the federal agencies to put forward Western Australia’s positions, particularly the agricultural commodities that we see are most prospective for WA. And then, what can you or the state government do to address some of these protectionist issues, recognising that bilateral trade is very much more of a federally driven issue? We have got an hour. I have probably opened a whole can of worms, right?

Mr O’CONNELL: I can start with that. I think, in the first instance, you are absolutely correct: it is a federal issue. I see us as key connectors between industry here in WA, engaging with the various industry associations here on quite a regular basis, which we now do, and connecting with the Australian Export Grains Innovation Centre as well. Then, communicating effectively through the various federal and state forums the WA ag and food priorities. I suppose to that end we have built significant and good working relationships with our ag counsellors in India, as evidenced by two recent inbound visits that DPIRD hosted and coordinated with the federal department of ag. That was in both 2018 and 2019, and I am glad to say that they have led to positive outcomes for our ag and food industry in WA.

The CHAIR: What outcomes were those? Could you elaborate a little?

Mr O’CONNELL: I would probably just mention particularly improved market access for malting barley, working again with AEGIC. Particularly in terms of the market pull side of things within the market, we identified and worked closely with AEGIC and our grains industry here in WA and with the federal government to reduce some of the fumigation issues that were reducing some of the access requirements. That has now been recognised on the Indian side, which is really positive. There are still some technical issues that we are working through with industry, but it is a significant improvement and, given some of our other market-access challenges recently—most notably with China and market access—it is great to have that opportunity.

I would probably just also add that rolled oats is a significant export from WA. We again in 2018 worked with the federal department of ag to improve market access, and that has reduced cost for WA businesses, particularly in rolled oats exporting to India.

Mr GRAZIA: It is probably just worth noting, Chair, Liam's references then to fumigation. In February 2020, the Indian government formally notified the World Trade Organization of new import conditions for Australian malting barley that will allow phosphine fumigation at a rate within Australia's permitted usage rate. Those conditions still need to go through a WTO consultation period, but it is an example of the bilateral relations leading to a very pragmatic consideration of our fumigation techniques here in Western Australia and—Richard may like to comment on this—also an opportunity to display Australia's technical competency and world-leading practices in both fumigation and sealing of storage, and transport of product.

Mr SIMONAITIS: From Western Australia's point of view—the export dependency of our state—we have a lot of risk in that. While AEGIC was created as a national organisation, half of our investment has come in from the Western Australian department because they recognise that risk. Increasingly, what we find is that while our major role is to provide technical support, to gather market intelligence and to provide market education and training, the nature of that activity becomes a platform for the government-to-government piece to actually work. So, in this example around barley in India, we were up there conducting discrete choice analysis—a survey method to understand the customers' buying or procurement preferences—and through the connection with DFAT, Austrade and the ag counsellors up there, it gives them an opportunity to go into, in this case, 10 Indian companies, malting and brewing companies, invite their counterpart from the Indian government and actually hear an Indian company saying, "We love Australian barley. With your support, we will better understand how to use it. We have just got this little barrier here around fumigation protocols." When their government hears it from their own companies, those barriers tend to disappear.

[10.50 am]

We are having the same experience in China now with the posting up there saying, "Guys, can you come up? We need an opportunity to speak to our government equivalents on the other side, and you give us that." I think, for us, the commitment to that investment is really invaluable, given WA's exposure to that export market. Strategically, we need market tension between India and China and the rest of Asia. We have a concentration risk in China now with most of our export commodities, definitely in grains, so any opportunity to create a bit of competitive tension puts upward pressure on price over time.

Mr D.T. REDMAN: Just following on from that, in terms of our engagement on the agrifood front with India, I know at a couple of other trade offices we had an agrifood specialist. Do we have one in India? I do not recall there being one.

Mr SIMONAITIS: No, just the federal ag counsellor.

Ms LOO: If I could add, yes, the WA government does have an office in Mumbai.

Mr D.T. REDMAN: Yes, we do, but not an agrifood specialist. There was an appointment made in Indonesia and China, I think, at one stage —

Ms LOO: There was.

Mr D.T. REDMAN: — where we had an agrifood specialist. I do not think we have one of those in India.

Ms LOO: Not specially.

Mr D.T. REDMAN: So, you have got a very protected market. I know some of our engagement with Indonesia, for example, was about improving productivity; it was not so much the export-focused issues. Sometimes that can be the platform for opening, as you just highlighted, some of those opportunities. What is our engagement on the productivity side to market services and so on to improve productivity in India, and how well are we protected with respect to our IP? As you well know, there are PBR rights—I think that is the right acronym—and so on that sit over some of our genetics.

Mr SIMONAITIS: The protection on the genetics is this end. In the market, it is more a case of demonstrating the functional attributes of our supply chain and our management protocols to the market, because that is where Australia's strength comes from. For example, with something like malting barley, the absence of chemical residues is a really big factor because it is a wet process. Not having field mould and aflatoxins and fusarium and those sorts of things, which would proliferate in the steeping process of a malt house, is really important and those are things which are intrinsic to the production environment, but then there are things like malt yield and diastatic power—the enzymes that are feeding the reaction. We have advantages over Canadian origin in some of those areas. So, it is a case of demonstrating the functional value or the value in use of our product over another origin.

Mr D.T. REDMAN: You are talking there about our product being used for their value-added work. Do we do any work in the productivity behind the farm gate in India, and fertiliser productivity?

Mr SIMONAITIS: We do not operate pre-farm gate. Our work is all at first and second stage processing.

Mr D.T. REDMAN: In the supply chain? Yes, okay.

Mr SIMONAITIS: Yes.

Mr GRAZIA: To the best of my knowledge, DPIRD does not have an in-country program of that nature.

The CHAIR: One of the things that has been put to us that we do particularly well in Western Australia is around agricultural technologies. What is your view on the prospectivity of agricultural technologies into India, aside from commodities, and what is your role in promoting that space and encouraging those pathways?

Mr GRAZIA: Just before I throw to Liam, we do need to look at India in the context of the various trade relationships and destinations that we have across the board. Viewed in context, India may not be the first country that comes to mind in terms of where Western Australian businesses might focus their efforts, either in terms of product to market or opportunities in technologies and supply chain capability. As has been mentioned, China is an incredibly important market for Western Australia—we are seeing some disruptions in that at the moment—but there are nearer-to-home markets that represent great upside for Western Australia at the moment. So, I think it is important to answer these questions in the context of where India sits in our opportunity set, and having regard for not only the significant tariff barriers to entry in terms of product, but also the non-tariff barriers that are also significant in relation to some of the conditions we have to meet. I just wanted to preface that my observation of our trade relationships with India is that, as I said in the opening remarks, it feels like they are somewhat in the early stages—or even nascent. Liam might want to add to that, but I just think it is important to see that.

Mr O'CONNELL: Yes, I think that context is really important.

The CHAIR: Let us elaborate on that point, because that is a fairly significant statement that you have just made, that really India is not—why? What work have you done to rank other jurisdictions?

Why is it that India is lower on your list of priorities? I mean, I can understand that there are barriers, but I am presuming you do not use “the force” to work out who your ranking exports market should be. Why is it that India is lower?

Mr O'CONNELL: So, I think we are separating very much the current from the medium to longer term opportunity. I think we acknowledge the opportunity as the largest, most populous state in the world within 10 years and economically third in the world, in the Pacific region, and WA is ideally located to take advantage of that. However, just to put some context data on that in terms of some current analysis: we do about \$8.5 billion of exports currently out of Western Australia in ag and food. We are export dependant, as in about 80 per cent of our production. By contrast, let us say China takes about \$2.3 billion of exports currently, which has doubled in the last five or six years. India takes about \$55 million. Size and scale I think is really important. We have as a department, working with JTSI and the WA government offices and the federal government and AEGIC, really looked at how we could both support that market position, which is really important, and also proactively diversifying. We have been very active in terms of strategies over the last 12 months, particularly in a range of inbound and outbound activities.

Another point I would make in terms of context, before I touch on your technology point, is the large majority of our WA ag and food businesses are small and medium size. Yes, we have a focus on staples—some may call them commodities—but we are in that context where the majority of our businesses are small and medium size. To tackle a market as complex, as large and also potentially as risky as India is sometimes for some of those small and medium-size businesses a real challenge, particularly when we have had instances of, let us say, more niche products such as pulses where tariffs have been raised, without a lot of consultation, to 60, 66 per cent very rapidly. That creates, I think, a level of uncertainty and risk that a lot of our small to medium-size food businesses, particularly in WA, probably find challenging.

There is also the context that all of Australia's agrifood exports would not feed less than one per cent of Asia's demand. We are not ever going to be the food bowl of Asia; we are very much the delicatessen. Therefore, we are also driven by what industry requests of us.

Just to finally add: in terms of technology, we have been very proactive in terms of identifying opportunities to support ag and food technology across the supply chain—productivity on farm, from soil all the way to the consumer. We have secured, as Niegel said, a global ag tech investment conference. This is one of a range of ag tech investment conferences. They have run London, San Francisco, Melbourne, the last two years was run by AgriFutures, the national regional development corporation. We have secured that for Perth for next year. Roughly 22 countries participate and it has about 1 500 attendees this year, and we think that is a great opportunity. One of the major reasons, I should say, that we have secured that for WA is that they see Perth, and we have sold Perth, as the gateway to the broader Indo-Pacific region. We are very keen to engage and we have already started engaging with our partners here in the diaspora and overseas around how we could maybe leverage that to bring some key industry players into Perth for that discussion.

[11.00 am]

The CHAIR: I suppose I am a little shocked, really, at the lack of ambition for India, because one of the things that has been put to us in—and it is in the Varghese report that agriculture is just one of the top five sectors that we should be absolutely focusing on and putting all our efforts into. That is such a counterview from the vast majority of the other evidence that has been put to us. I do want to explore it a little more. I do take your point on the proportion of trade to China versus India, for example. One of the things that has been put to us, though, is that that is part of the problem and that our economy's exposure to having such an incredible amount of trade going to China—one of

the things we have been encouraged to do and one of the drivers for establishing this inquiry was that it is actually a huge problem that we are so heavily dependent. Is there something specific about agriculture that means we are more insulated from the risk that others have put to us about putting all our eggs in the Chinese basket that would drive us not to focus so much on the relationship with India?

Mr GRAZIA: I would like to make a couple of points and I will throw it open. There are some peculiarities to education in Western Australia that are worth reflecting on. One is that we are commodity trade dominated, particularly in the grains sector. We are also export dominated. There is no question about the department's preference to see the industry diversify its market exposure. They are commercial decisions and we do what we can in terms of influence the commonwealth government dealings and what we can do as a state in terms of relationships for market access. We are absolutely in that space. Commercial entities then make a decision about price over risk and we are seeing that play out presently in the number of commodity trades.

The other priority of the government is around economic diversification and value-add. Unlike many of the other Australian states or New Zealand, Western Australia is proportionately underrepresented in the value-add space and we are dominated by SMEs. So, you have seen in the last couple of years us develop some increased dialogue with industry, some industry investment and capability programs that are around economic diversification and value-add and looking for opportunities for SMEs to scale. We are really at the early stage of that. When you consider that 80 per cent of our agrifood value is in the—I think I have got this right, help me Liam—export trade space and not in the value-add space, we have a lot of work to do domestically.

The department absolutely appreciates the importance of diversification. The department absolutely does its bit around trade and market access and international relations in that regard. We have a massive job to do, however, inside our domestic set of circumstances around getting more value, more value-add. Niche and novel is perhaps the pathway to scale. We know we are good at commodity trade despite challenges of climate, despite challenges of soil productivity, despite increased challenges around social licence and consumer expectations. There is a great story to tell there. There is a great set of technologies and capabilities to share with the world around what we have been able to do—for example, increasing yield and profit despite significant decline in rainfall. It is about priorities. Please do not misunderstand or misread what I have said that we are somehow disinterested in India. No. It is an incredibly important market. It is an incredibly important future relationship. It is important to see it in the context, though, of the issues and opportunities that we are seeking to manage day to day.

The CHAIR: Let us pick up a point, and I think it is a very important one that you have just raised and it is about scale and it is about appropriate points in supply chains, because it has also been put to us that India is a huge market comprised of massive submarkets and one of the things that particularly in Western Australia we need to learn to do better is working together and hunt as a pack to target an entry point. That may mean that businesses that are traditionally very used to competing against one another now need to start working together in order to achieve scale and insert themselves into Indian markets.

You have talked about the need to get our domestic house in order. What are you then doing to do that and if value-add in other states is where they have had success, what are you doing to promote Western Australian SMEs to get into that part of the supply chain? If they cannot achieve scale themselves but others have, what work are you doing to almost export WA to the eastern states where scale is presumably more achievable and pathways to the Indian market may be more mature?

Mr GRAZIA: I will ask Liam to provide some comments in relation to some of the new initiatives that the department has been piloting and what we are doing in relation to the SME sector and the value-add component. I will also ask Richard to make some comments about what we are doing in innovation in the grain space, because we need to keep doing what we do well and make sure that that is protected because from a value perspective, that is where the game is presently. I will make a general remark though about the terms of trade challenges for Western Australia. We do have significant challenges in respect to some of our costs structures in Western Australia, our exposure to the impact of our mining sector. That is counterbalanced, if you like, by our innovation, by our farming systems, by our efficiency, by our scale. We are also one of the few countries operating in these markets that effectively has zero subsidy supporting it, so we are having to be really efficient and on the ball with what we can expect to be profitable in, and that has driven us into the commodity side of the business.

But I will ask Liam just to summarise what we have been doing in terms of new product and initiative development at DPIRD and how we are trying to engage the industry and then some really interesting work that Richard is aware of around making sure we are innovative in the product development space.

Mr O'CONNELL: Just at the macro level, DPIRD has been very active and I have been the member on the Diversify WA economic development framework and similarly on the Asian Engagement Strategy right from the outset. Primary industries has been included as one of the six priority sectors, as you know, and I think India is top three or four in terms of priority markets. So, we have very much as part of a whole-of-government approach participated in that and again reinforced that India is a really important opportunity for WA.

In terms of the agribusiness food and trade area, which I will talk to specifically, we have piloted a number of initiatives to do exactly what you are pretty much talking about, which is to hunt in packs and scale because of our SME focus. We are also looking at supporting our small and medium-sized businesses to invest and incentivising them to invest and grow and scale up. I will talk to you about an example there. We have also been very active in market diversification.

We have taken a very targeted approach, bringing in businesses—I think I can give the name—of large Asian businesses outside China such as CP Foods that came in, putting them in touch with over 50 WA agribusinesses with a very targeted set of buyer and seller criteria, narrowing that down to about 10 businesses that they wanted to engage in quite close commercial opportunities with. We have worked with our WA government offices, particularly in Singapore, on that to really look at South-East Asia as an opportunity given it is our second-largest market outside northeast Asia. That has resulted in very positive commercial outcomes for a number of WA SMEs in terms of exports and increased growth and revenue recently. Similarly, we have participated in Gulfood recently as part of a whole-of-government initiative. We have an agreement in place to participate in 2021 Gulfood and the World Expo. We understand that there will be about 18 to 20 million people attending that World Expo. We would be looking at a very strong WA presence, including ag and food, at that. We understand a large percentage —

[11.10 am]

Mr D.T. REDMAN: When is that happening?

Mr O'CONNELL: It is February next year.

The CHAIR: Hopefully.

Mr O'CONNELL: Hopefully the world will not be changing too much further. Similarly, we understand there would be a very large Indian contingent at that from a buyer perspective, and we are already

speaking to our Mumbai office about how we can engage our WA agrifood SMEs selectively with those buyers, as you said, to ensure good positive outcomes.

On the investment side, I mentioned the vocational ag and the technology side earlier. We have also put in place a value-add co-investment program. We have run that through an RforR program as a pilot recently. We had over 100 WA agrifood SME businesses from every region of the state apply to it. We have selected I think 16 in the first cohort. We invested \$2.5 million in grants with those businesses, and they co-invested a further \$12 million, which has led to about 120 additional jobs in that pilot. But the interesting thing is that nearly all those businesses are now looking at export, and looking at export options open to Asia as opposed to east coast.

We are doing a range of other pilots and initiatives as well. We are quite active and have been for the last 12 months in that space. In terms of your broader hunting in packs, we are also trialling—which would be of interest to India, particularly with oats—bringing a number of the SMEs together, asking them to identify their opportunities from an industry development perspective, and then government supporting that, whether it is in export, or research and development, or productivity. Oats has been identified as one of those priority sectors, and we have had similar discussions similarly in wine and one or two horticulture products as well. So, we are looking at the SMEs coming together from a WA perspective because exactly of what you said—lack of scale to collaborate to compete overseas.

Mr D.T. REDMAN: Can we get a copy of the businesses that you have been able to invest in and in which you have co-investment?

Mr O'CONNELL: In the value-add?

Mr D.T. REDMAN: A list, yes.

Mr O'CONNELL: Sure. I think that will be publicly available, when they are announced.

Mr SIMONAITIS: I just wanted to take a small step back to the previous point around why are we not doing more, and some of that is to do with the structural maturity of the market there. It is a very agrarian society and the government there has a very tricky balancing act of having poor consumers who need access to cheap food and poor farmers who need access to price. So, this protectionism comes in and out. To Niegel's point around commodity exporters needing to balance risk with opportunity, a couple of times in the last five years, if you are a pulse trader out of eastern Australia, when a protectionist action came on very quickly and the cargo was on the water, you have seen prices drop from \$1 200 a tonne to \$600 a tonne in the space of a week, with the grower pricing and trading companies sitting on significant positions, and Indian companies walking away from contracts. So, it is still a risky transactional environment while this protectionist nature is unpredictable. It is a case of just having to play the long game, because that market will mature. As population increases and wealth increases, it will get to a point where their aspirations around self-sufficiency may come into question. China was there three years ago. They are not anymore. They are now saying let us have a belt and road program instead because we know we cannot feed this population without destroying our environment.

India may well confront that same situation in the future. So, just right now, the westernising of diets and the wealth distribution and those sorts of things are not quite in the same stage of maturity as we see across China and South-East Asia. It is about playing the long game and keeping the soft engagement good, and as that market matures over time and we do that well, the transactional opportunities will come along.

On innovation, Liam mentioned oats. We have had investment from DPIRD and GDRC into oats innovation for three years now. Oats is probably the best opportunity for high value-add into the

Indian market. They are familiar with the product to a degree. They are comfortable with the concept of having a warm breakfast. They eat a lot of starchy staples. It is a good construct. We have worked out that if we want to increase oat consumption, we have to differentiate it away from being just a breakfast thing, so how do we develop lunch products and dinner products. Our food science team in oats has developed a rice substitute made from oats which cooks in the same amount of time, and is much healthier, more fibre, more protein and good fats. We did a soft launch of that three weeks ago at the research updates here in Perth, and we now have engagement from three of the biggest manufacturing companies in Australia to look at the process and have a conversation about commercialisation, so two in the east coast, and one here.

The CHAIR: Fantastic.

Mr SIMONAITIS: There is also some engagement from one of the biggest food manufacturers in the Philippines, which will be a bit hard to accommodate at this point in time, obviously, but that is the sort of thing that we can do when we are clear about where the opportunity is, and we have good quality targeted R&D going after a niche opportunity to value-add at a commodity scale.

The CHAIR: Thank you.

Mr Y. MUBARAKAI: Liam, Niegel, Richard, and I-Lyn, thank you so much for your submission and the success story about barley being a complete eye-opener—it is almost like a third eye in the midst of all this to hear that in a very short time you have been able to achieve here a great opportunity for Western Australian and Australian farmers to benefit from a new market. Where I would like to touch on, Liam, is more about are we looking at India as an emerging market from a traditional perspective in terms of how we have exercised trade engagements with other parts of the world that we have consistently traditionally maintained? Should we look at India in a completely different perspective, a different paradigm altogether, because there are a few trends that I strongly believe the agribusiness in Western Australia could really benefit from, the approach being that India cannot be looked at with the similar paradigms and perspectives of how we have engaged in finding export markets and investment. Liam you touched on your involvement with some of the strategies, and Niegel touched on the strategy as well being developed in its infant stages. In your comments, you said that you are getting advice—if I heard that incorrectly, please correct me—from the Indian diaspora on building the strategies of frameworks and engaging with India as an emerging market.

Mr O'CONNELL: I think Michael Carter has presented to you, but we connect closely with Michael, for example, and the India chamber here in WA regularly. That is probably in reference to that specific point, and also, obviously, with the WA government office and the ag counsellor, as well Austrade. We are in active conversation with them in looking at opportunities. I should mention two other opportunities that may be of interest to the group. One is avocados. We have one of the largest avocado production areas in Australia now. I think it is about 30 per cent of the national. A lot of it is in the ground, so it has not yielded fruit yet. We have been looking at market opportunities for avocados. We have secured Japan recently, in conversation with our federal government colleagues. India is another market where we are looking at that opportunity, again in close contact with our federal government. It is I understand a national priority now, because again we have been communicating the importance from the WA perspective about what that priority is.

[11.20 am]

Mr Y. MUBARAKAI: I have some follow-up questions. From the state's perspective and DPIRD's perspective, have we identified which state or area or which government body in India would be valuable in a sustained inbound investment? The reason I reflect on that point is that for the last

decade and a half, it has clearly been identified that the population growth and the demographic in India is changing in terms of its lifestyle, and that its hugely vegetarian dietary requirement is the perfect recipe for the level to which Western Australia could benefit in terms of its supply chain and value-adding. The point I am trying to make here is that for a decade and a half, India has used South America and gone from government to government to try to build on a lot of the export market for its inbound consumption. It is clearly known that in India, the farmers and the scale on which they farm, as Richard clearly pointed out, is segmented in smaller blocks. In terms of the ability to get assistance to be advanced in the field of agribusiness, that is not at a quality that we have in Western Australia with our technology and knowledge.

Is DPIRD in the process of identifying, maybe federally, at the Republic of India level, and seriously engaging with government-to-government conversations about the requirements for inbound investment, JVs, and value-adding with Western Australian farmers, from SMEs to larger bodies, because they could clearly benefit from, I guess, emerging markets and the interest or eagerness for products like barley and lupin, which has high-value protein. With these new products, we could really tap into a whole new market in India. But talking business to business, I feel that maybe we are missing out nationally. I would just like to know your feedback on that.

Mr O'CONNELL: I think it is a very fair comment. I think the context points that were made earlier are probably important in terms of resources and where we are looking to allocate those resources. We are very closely working with Austrade, looking at the India market. They have identified between 30 million to 50 million premium food consumers, largely urbanised, and a young demographic that is changing. They have identified an e-commerce digital opportunity. We are working with Austrade to ensure that our WA SMEs in the food space are aware of that and with the Alibaba¹ dedicated Australian food site that has now been established, so that we are connecting in with that. We are looking at also working with Austrade about how we can more broadly in the current environment support digital readiness for a lot of our small and medium-sized businesses. We are noticing general trends in the current environment of much more digital online, and we believe this might be an opportunity to work with Austrade with our WA small and medium-sized businesses to look at those opportunities in the Indian market. That is on the trade side. On the investment side, I think it is still early days. I think we need to look at it more holistically and more strategically, with JTSI, our partners, WA government offices, trade WA and our Austrade partners, particularly in informing a strategy around exactly what you say around the investment side of ag and food, but particularly trade and services and technology as well.

Mr GRAZIA: Thanks, Liam. Through the chair, I think it is worth acknowledging the connections that have been and continue to be established through the R&D sector, and particularly the activity of our university sector in Western Australia with India, because I think this is an important vehicle for bilateral relations in quite a productive endeavour. I have a few notes here that I would like to share with you. The University of Western Australia's Institute of Agriculture has memoranda of understanding with three Indian universities and the International Crop Research Institute for the Semi-Arid Tropics, ICRISAT. UWA and ICRISAT have partnered on several successful development projects such as high yield drought-resilient chickpeas, the resequencing of pigeonpea genes, and UWA and Punjab Agricultural University have made successful advances on developing disease resistance in *Brassica* oilseed crops. Murdoch University has an MOU with the Lala Lajpat Rai University in Haryana focusing on research in agricultural storage, the post-harvest agricultural supply chain and agricultural waste management. I think that that is a sector that does warrant some attention in terms of continuing to build on those bilateral relations. DPIRD at this stage, I

¹ Mr O'Connell meant to say 'Amazon'.

think it is fair to say, is relying very much on its advocacy through the commonwealth government, and then on an issues-based approach dealing with inbound trade missions and inbound exchanges, and then advocacy around trade and market access. The point you make about taking a strategic longer-term view of the relationship is something that we could put some more energy into. I think that is fair.

Mr Y. MUBARAKAI: With regard to building that strategy internally within DPIRD, I guess the question I am reluctant to ask but will now, because I am stuck for words —

The CHAIR: And you are short on time.

Mr Y. MUBARAKAI: Yes. You have clearly identified, Niegel, that in universities there are all these pilot projects. I would be interested to know whether you have identified the stakeholders, particularly those active stakeholders that have a peer-to-peer relationship with India? Have you identified the team of individuals that you are relying on for advice in order for you to clearly understand the line of sight from a chart board to getting the intel in conversation to build a more, I guess, narrow strategic framework?

Mr GRAZIA: Within our directorates, there is very clear understanding of key stakeholder relationships. I think that is a fair observation that that does not exist in one place in a strategic context. Is that fair, or do you disagree?

Mr SIMONAITIS: No, I think that is fair.

Ms LOO: We rely a lot on our in-market resources. It could be from a wide variety of sources where we have our WA government offices. Even though we do not have a dedicated agrifood business manager, there is a person there who looks after agrifood business activities. We rely on the department of agriculture. We have ag counsellors. We rely on Austrade as well. There is a wide variety of resources. It is very important for our understanding of the culture and the way business is done. If I could add on to what Niegel and Liam were saying, it is emerging. It is an early relationship that we have with India. I think that is why this committee is so important. The more we talk about it and the more we bring it to the forefront of people's minds, and the more I guess people will start thinking about it as an emerging market. When you talk about hunting in packs, Ms Shaw, that is not unique to India. It is cutting across all the different markets. That is also linked to what industry wants. What industry is saying to us is that India does not feature in their awareness in general. So, the more we talk about, the more it will feature in their awareness.

Mr Y. MUBARAKAI: I-Lyn, that is why I am trying to allude to the same point. You have clearly identified at a macro level that you have these various departments, but I am trying to bring it down to the third tier of those stakeholders identifying —

The CHAIR: Perhaps they can take that on notice, because we do need to —

Mr Y. MUBARAKAI: Okay.

The CHAIR: If you would not mind taking that on notice, we would appreciate that.

Dr D.J. HONEY: What I was thinking in the discussion then was, is it really with agricultural exports that you let them happen? It seems as though India is doggedly determined to be self-sufficient in food production and clearly there is the potential for them to dramatically improve the efficiency of their farming. So, maybe, our opportunity is very much in the technology area both in the farm technology—I am aware of a little bit of that—and you have just gone through that, but the other one is the equipment technology, because certainly, as you know, our broadacre farmers and equipment suppliers have done an enormous amount of work and it seems that India, like China, really do not have developed broadacre agriculture. As I said, yes, we recognise the food

opportunity there, and let it happen. You mentioned before, Liam, to maintain the relationship so that when they get to the point at which they realise they need food imports, they happen, but otherwise we really drive the technology side hard because that is something that we have got the expertise right now and they have the need right now.

[11.30 am]

Mr GRAZIA: Yes, I think we might be short of time and perhaps we can follow up with where we do see opportunities around agricultural technologies and services. We can talk about trade in food and beverages, but in terms of that opportunity to really engage in technology, support, supply, exchange, there are activities that we are aware of around grains storage technology and equipment, ag tech. I will not list them here now, but there are examples of Western Australian companies who are active in the ag tech space who are engaging with Austrade, New Delhi. Agricultural services—I think it is fair to acknowledge that from DPIRD's perspective, AgWest International, an entity of DPIRD, used to engage in international exchange that no longer exists. It has not been around for some time. So, we do not have a lot of resources within the agency that are dedicated to pursuing opportunities for ag service. However, there is an active ag consulting service in Western Australia who is looking for opportunities so maybe that is something we could focus on. If it is acceptable to the chair, I would like to come back to the committee with a summary on this area.

Mr SIMONAITIS: I think it is also important to understand some of the contexts in something like wheat, where India is an occasional exporter, the only other large producer of white wheat in the world, other than Australia, so we can facilitate improvement in their production systems and create a competitor for ourselves. There is a strategic balance to be found there, or not, but it may be a case of having to weigh up the opportunities and the relative merits of that. I do not think that work is being done anywhere that we can find it.

Mr S.J. PRICE: I think context is really important and it is probably something we have not paid enough attention to when looking at this inquiry and particularly in the sector that you deal with. So, in context, is it simply a matter that India is a bit of a challenge at the moment and compared to what the other opportunities are, there is more to be gained from focusing on those other opportunities and just nurturing the relationship to that point where the opportunities arise?

Mr GRAZIA: I think to a point, we need to be careful about the generalisation of any market, because you might find a situation where for various reasons, you are reliant on current customers—the door shuts. We saw that in the countervailing action in relation to barley. It might well be there is an opportunity that is ripe and can be explored and taken advantage in those situations that then leads to long term and sustainable trade opportunity. I think it is fair to say that if we take our large commodity growers, our grains, our bulk products area—Richard made the point much more succinctly than I did about the risk–reward equation. We are talking about India, but that is true of a number of other markets as well. The industry will chase price relative to risk. The industry will also have an eye to where it is losing competitive advantage or its competitive advantage is being threatened by other global producers like the Ukraine, and part of Richard's job is to raise awareness in the industry about how we diversify our product and our opportunities.

I have heard Richard talk about looking at things like breads and cakes and what attributes do we need in our grains to access those growing markets particularly in South-East Asia as I recall. This is a very dynamic space and the importance of playing the long game and being strategic about it should not be lost. At one level what the member says is absolutely right. It seems strange to say the early stage of the relationship with India, because it is a longstanding relationship, but in terms of the nature of the market, the political issues that the governments in India have to manage at a

community level, the nature of their farming systems, the issues around dealing with local politics, they are all things to be respected and managed in the context of the relationship.

Mr SIMONAITIS: Just one thing I would add to that is given the different stage of maturity of that market compared to the ones we currently transact in, we are really well placed, because we have heard what happens, and what will happen in the future in India is predictable now. So, we have seen it happen in China. We have seen it happen in Indonesia. So, one simple example of that is there is a whole new market segment in Indonesia now for wheat called home use, which is educated young people coming back from having studied in the US or Australia, perhaps, Canada, maybe, who, unlike their parents who did not have an oven, are living in an apartment now and they have an oven and they have seen all these fantastic premixes and cake mixes and things, so they now bake for their friends, for their family, for religious festivals and sell them online, perhaps. That is now five per cent of a market share in Indonesia. So, five per cent of the wheat market in India is three or four million tonnes. And Australia is well placed with our manufacturing capacity to lead in to those markets with value-add product.

We have got lots of companies here doing that stuff, maybe not with an eye to India just yet. Those opportunities will come along. And even just in oats, there is massive opportunities in infant products, in geriatric products, in beverages. India drinks a lot of its calories, as a hot country, much like Indonesia does. So, there is all sorts of opportunities there. We can see that as that transition rate of the lower end of middle class moving into the mid with more discretionary income, it is all very predictable and we are well placed to participate in it. It is just a matter of being there until it gets there.

Mr D.T. REDMAN: What has been the recent history of India in terms of using biosecurity barriers for trade protection? A lot of those ducks and drakes, as you well know, get played. What is the experience with India?

Mr SIMONAITIS: The two main ones are the methyl bromide fumigation, which is tricky—it is hard to get in Australia, it is not a very friendly product to use—and the weed seed management. So, quite often we see weed seed requirements that are more aligned to seed for sowing than grain to be manufactured. So, there is a lot of work to be done there to get harmonisation right between our export standards here and the import standards over there. Chemicals—not too bad.

Mr D.T. REDMAN: By extension, their sensitisation to GMO and do they fall in line with what is accepted as the world—what do they call it—adventitious presence standard?

Mr SIMONAITIS: I-Lyn, have you got notes, sorry? I did not actually study up on that.

Ms LOO: No, sorry.

The CHAIR: Terry has a special interest in GMOs.

Mr D.T. REDMAN: No, I am just highlighting the importance of technology in the sector and the fact that there is a whole heap of Luddites around the place that kind of —

Mr SIMONAITIS: I can get back to you.

Ms LOO: We can connect with our in-market resources and find out.

Mr D.T. REDMAN: That would be fantastic.

Mr O'CONNELL: Chair, just one other context point that might be useful for the group: if you look at the data and you look at the China free trade agreement that was signed and the tariffs started to come off in 2015–16, you are seeing exponential growth in our WA agrifood exports. Niegel and Richard's point about risk and return, we now signed obviously the Indonesia comprehensive free trade agreement. We have had Japan, Korea, we are in talks with the European Union. Industry are aware of that and they are looking at the risk and return as well and it is just something that industry is very aware of. We have now good access to about 70 to 80 per cent of our markets.

The CHAIR: In that context then, the Australia–India Comprehensive Economic Cooperation Agreement currently excludes agricultural products.

Ms LOO: Negotiations on that have stalled. But you are right; it does exclude agricultural products.

The CHAIR: So obviously that is a really important part. So, what is your role, if any, in that space? I suppose you are working with your federal colleagues?

Mr O'CONNELL: Yes, representing industry, listening to industry so that we understand where they are coming from and in those opportunities that we have between federal and state government to government, as opposed to industry to federal government, we have those conversations.

The CHAIR: Excellent. Thank you. I will proceed to close today's hearing, and thank you for your evidence before the committee today. A transcript of this hearing will be forwarded to you for correction of minor errors. Any such corrections must be made and the transcript returned within 10 working days of the date of the email attached to the transcript. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be added via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence. Thank you so much for coming in today. We really do appreciate it.

Hearing concluded at 11.42 am
