



28th March 2024

Industry and Infrastructure Branch
Labour Market, Environment, Industry and Infrastructure Division
Treasury
Langton Cres
Parkes ACT 2600

Re: Nuisance Tariffs Proposal

The Australian Oilseeds Federation Inc. (AOF) is the peak industry body for the Australian oilseeds industry and was established in 1970 to represent the common interests of all Australian oilseed industry participants and to promote the development, expansion and improvement of Australian oilseed production, processing and trading.

The AOF is a strong advocate for global trade, free of incumberances such as tariffs and non-tariff barriers, while also being a strong advocate for the continued growth and development of the Australian oilseeds industry.

The proposed removal of import tariffs (currently 5%) on selected vegetable oils, if implemented, is likely to have an unintended detrimental impact on some small but growing sectors of the Australian oilseeds industry.

The sectors are:

1. Super High Oleic Safflower Oil
2. Omega 3 Canola Oil
3. High Oleic Canola Oil

1. Super High Oleic Safflower Oil

HS Code 15122100 (Sunflower seed, Safflower or Cotton Seed oil and fractions thereof, whether or not refined, but not chemically modified) class of goods includes a product referred to as '**Super High Oleic Safflower Oil**' (SHO Safflower).

SHO Safflower was developed by CSIRO with the Grains Research and Development Corporation (GRDC) providing significant grain grower (levy) and federal government funding. The resulting product has recently been commercialised and provides a new crop option for Australian farmers and more importantly, opportunities to access the growing bio-based, global renewable lubricant market.

This industry is still in its infancy and the Department of Industry, Science and Resources has recognised the opportunity and recently granted a \$3.3 million grant to the commercial entity developing the market for SHO Safflower. Australia is currently the only country in which this crop is grown, and while there is no immediate competitive import threat, as other countries develop SHO Safflower, the permanent removal



of the existing tariff has the potential to jeopardise the short to medium term investment and growth potential of this new crop.

The removal of the existing 5% tariff on HS Code 15122100 is likely to reduce the attraction of this crop to Australian farmers and impact the likelihood of investment in further processing to produce SHO oil.

2. Omega 3 Canola Oil:

HS Codes 15141900/15149900 (Rape, Colza or Mustard oil and fractions thereof, whether or not refined, but not chemically modified) includes what is referred to in Australia as 'Canola Oil'.

While Australia is a net exporter of canola seed and canola oil, a new and innovative sub-sector of the canola market is the product referred to as **Omega 3 Canola**.

Similar to SHO Safflower, Omega 3 Canola was developed by CSIRO with significant investment from the GRDC. The oil from this type of canola is high in long-chain omega 3 fats and is used as a sustainable and renewable source of these essential fats as a replacement for fish oil and meal in animal feed, particularly fish feed. The utilisation of Omega 3 Canola oil in place of Omega 3 oils from wild caught fish is considered an important aspect in the preservation and ongoing sustainability of global fish stocks.

This sub-sector of the industry is also very new, with commercialisation of the first crops to commence in 2024. The removal of the existing tariff on canola oil (HS Codes 15141900//15149900) is likely to have the unintended consequence of encouraging the importation of Omega 3 Canola oil at the expense of the development of this new industry in Australia preventing further domestic investment in this renewable and sustainable source of omega 3 oils.

3. High Oleic Canola Oil

HS Codes 15141900//15149900 (Rape, Colza or Mustard oil and fractions thereof, whether or not refined, but not chemically modified) also includes a small and growing sub-sector, referred to as '**High Oleic Canola**' (HOC) segment.

HOC is a type of canola bred to produce an oil designed to replace unhealthy oils such as tallow and palm oil in deep frying applications, such as commercial food manufacturers and fast food outlets. This type of canola has been grown in Australia for a number of years and encouraged significant investment by the oilseed industry in supply chain and processing conditions to ensure this oil is readily available for the Australian food industry. To date many well known food manufacturers and fast food outlets have been able to replace imported palm oil and local tallow with healthy, sustainable, locally sourced HOC.

The removal of the 5% tariff on HOC imports will serve as a disincentive for the domestic industry to continue to invest in this sector and potentially create a reliance for the food industry on yet more imported ingredients, with the related global supply chain risks.

In conclusion, the AOF supports the removal of trade barriers and opportunities to reduce compliance costs for industry. However, in the cases cited above in relation to the removal of tariffs

for broad classes of goods (HS Codes 15122100 and 15141900/15149900), the unintended consequences on the imbedded sub-classes of specialty oils is likely to have the impact that:

1. millions of dollars of government and farmer investment over the past decade will be lost;
2. future investment in these domestic sub-sectors will be diminished as the sector attraction will be reduced
3. the domestic food and animal feed sector will become increasingly reliant on vulnerable global supply chains to meet their specialty oils requirements.

The AOF recommends that the proposed reduction in the import tariffs in classes 15122100 and 15141900/15149900 be delayed by a decade to enable these new and emerging oilseed sectors to continue to attract investment and to grow and develop into larger, sustainable sectors of the oilseed industry, better able to withstand the competitive pressure of the global market that a nil import tariff environment will create.

Yours sincerely,

A handwritten signature in blue ink, which appears to read 'Nick Goddard', is positioned below the text 'Yours sincerely,'.

Nick Goddard
CEO- Australian Oilseeds Federation Inc.