



National Farmers' Federation

**Submission to the
Senate Foreign Affairs, Defence and Trade
References Committee inquiry into the Trade
Agreement between Australia and Korea.**



Foreign Affairs, Defence and Trade Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

13 June 2014

Dear Committee Secretary

The National Farmers' Federation (NFF) welcomes the opportunity to provide a submission to the Senate Foreign Affairs, Defence and Trade References Committee inquiry into the Trade Agreement between Australia and Korea.

The NFF strongly supports the trade agreement with Korea as announced by the Prime Minister in December 2013. The NFF view is that the agreement will provide millions of dollars in export value to Australian farmers, including those in the red meat, grains, dairy, sugar, pork and horticulture sectors. The agreement recognises agriculture as one of the nation's export strengths and will open opportunities for the sector in Korea.

Given protectionist sentiment around agricultural goods is rife in many overseas countries, the NFF congratulates the Prime Minister and Minister for Trade and Investment on the swift forging of an agreement with Korea. Further to this the NFF wishes to acknowledge the work carried out by Australia's trade negotiators and officials (in both Canberra and Seoul), the Australian Ambassador in Seoul in relation to the negotiations. The NFF with commodity members have had a very cooperative engagement with Australian Government officials in the stages of the agreement's negotiations, before and following each negotiating engagement and subsequent to the release of the agreements text and schedules. This collaborative attitude has been successful and the NFF along with our member organisations look forward to building on the "Team Australia" approach.

The NFF has long advocated for trade agreements to be all-inclusive, factoring in all of our important agricultural commodities and this deal goes a long way towards this outcome. The NFF recognises that trade agreements are a negotiation and it is difficult to reach agreement on all issues particularly across the entire agriculture sector. Notwithstanding this, the agreement represents a strong step towards securing Australia's important trading future with Korea and in improving international market access for Australian agricultural goods. That said, the NFF will continue to urge the Government to persist with their good work by building on gains made on the Korean deal in other negotiations

Korea is Asia's fourth largest economy and Australia's third largest export market, with a \$30 billion AUD two way trade underway. The agreement gives Australian farmers and exporters significantly improved market access in goods eliminating high tariffs on a

wide range of products, including beef, wheat, sugar, dairy, wine, horticulture and seafood. For example:

Beef: Korea will eliminate its 40 per cent tariff on beef and 18 per cent tariff on bovine offal progressively over 15 years. This reduction will specifically help to level the playing field for Australian beef exporters, particularly relative to the United States.

Sugar: Korea will abolish its 3 per cent tariff on raw sugar on entry into force.

Wheat: Korea will eliminate its 1.8 per cent tariff on wheat and 8 per cent tariff on wheat gluten on entry into force.

Dairy: High tariffs of 36 per cent on cheese and 89 per cent on butter will be eliminated between 13 and 20 years. Australian dairy exporters will also benefit from growing duty free quotas for cheese, butter and infant formula.

Lamb/goat/pork: Korea will eliminate its 22.5 per cent tariff on all sheep and goat meat over 10 years. Tariffs on key pork exports of 22.5 to 25 per cent will be eliminated in five to 15 years.

Wine: Korea will eliminate its 15 per cent tariff on Australian wine immediately on entry into force of the Agreement.

Horticulture: Many products, including priorities such as cherries, almonds and dried grapes, will enter Korea duty free on entry into force. These currently face tariffs of 8 to 24 per cent. Tariffs on other priorities such as macadamia nuts, fruit juices, mangoes, asparagus and lentils, ranging from 27 to 54 per cent, will be phased out over 3 to 10 years.

Malt and malting barley: Korea will provide a growing duty-free quota for malt and malting barley and eliminate high out-of-quota tariffs of 269 and 513 per cent over 15 years.

Seafood: Key products, such as southern bluefin tuna (current tariff 10 per cent) and rock lobsters (20 per cent) will enter duty free after three years.

This is a good agreement for Australian farmers and for Australian agribusiness. However, to ensure Australian agriculture does not fall behind our competitors in the Korean market, it is vital that the agreement is implemented before the end of 2014. If implementation occurs this year (even if late in 2014) Australian agriculture in particular dairy and red meat sectors will begin to take advantage of the tariff reduction timeline, and will move to 2nd year reductions as from the 1st of January 2015. If, however, implementation does not occur until 2015, Australia will fall another year behind in terms of commercial disadvantage to competitor countries such as the European Union and the United States.

It is vital that this opportunity for early implementation is not lost and the NFF, as the peak industry body representing Australian farmers and agribusiness, seeks the Senate Foreign Affairs, Defence and Trade Committee's support for binding treaty action for the Korea-Australia Free Trade Agreement.

For further information on this submission please contact:

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