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Committee Secretary
Joint Standing Committee on Treaties (JSCOT)
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Sir/Madam,

Thank-you for the opportunity to comment on the Free Trade Agreement between Australia and Japan.

Apple & Pear Australia Limited (APAL) is the peak industry body representing the interests of commercial apple and pear growers in Australia in matters of national importance including regulation and legislation, marketing, research and development.

APAL welcomes the Abbott Government's initiatives in driving Free Trade Agreements with our major trading partners. FTAs play an important role in supporting global trade liberalisation.

APAL believes that the principle underlying FTAs is to seek to eliminate all tariffs and quotas imposed by countries on agricultural products. Free markets should be the ultimate arbiter of commodity trade flows. That said, APAL strongly supports each country's right (as is afforded under the WTO) to establish an appropriate level of protection against exotic pests and diseases but this must be based on a rigorous and transparent import risk assessment process based on science.

APAL welcomes the inclusion of apples and pears in the Australia-Japan Free Trade Agreement. For apples the tariff rate of 17.5 per cent will be eliminated over 10 years. For pears the tariff rate of 4.8 per cent will be eliminated over five years. Whilst this is not as quick as we would have liked to see we acknowledge the long term benefit this could provide our industry, if we were granted access for our mainland growers.

It is important that the Joint Standing Committee on Treaties recognise that Free Trade Agreements represent only one side of a trading relationship. Free Trade Agreements are worth little if market access is denied or compromised and if phytosanitary measures are uncommercial.

For example, only apples grown and packed in Tasmania are able to be exported to Japan. Apples grown or packed on the Australian mainland and pears produced anywhere in Australia are prohibited from export to Japan. This is because Tasmania is free of both Queensland Fruit Fly and Mediterranean Fruit Fly.

This precludes a large proportion of the Australian apple crop as Tasmania produces only 9 percent of total Australian production. This in itself raises problems because scale is important to importers and Japanese retailers who seek commitments of steady sizeable volumes which may be beyond the capacity of individual growers in a small production region.

As I outlined in APAL's submission (13 June 2014) to the JSCOT inquiry into the Australia Korea FTA, considerably more could be done to help gain access for Australian horticultural commodities, especially from mainland Australia, for markets like Japan, China, Korea and Taiwan. We also believe that access and commercially workable protocols to support access, should be pursued whilst Australia simultaneously seeks tariff reductions.

For example, to improve market access and to achieve a speedy resolution to the development of phytosanitary and sanitary protocols, APAL seeks:

- Increased frequency of bilateral negotiations and the employment of transparent milestone commitments to help drive effort and activity. Allowing industry (from both countries) to more actively participate in bilateral trade events may also help ease trade tensions and provide for a better exchange of information;
- The appointment of dedicated horticultural Trade Attaches to follow up with, and maintain pressure on, foreign officials to progress access and protocol deliberations between formal trade negotiation events. This will ensure horticulture sectors are not 'lost' amongst the broader agriculture industry's agenda;
- Consistent with the above point, greater communication between the Ministries of Agriculture and Trade so that departmental staff are working together;
- The recruitment of high quality horticultural negotiators with commercial acumen to achieve better outcomes for Australian horticulture;
- Increased resources for the Market Access Division to enable the Department of Agriculture to negotiate several commodities with one country simultaneously, rather than one product at a time, and enable DAFF to work concurrently on free trade and multilateral trade agreements as well as phytosanitary access issues;
- Engaging with industry collaboratively before embarking on negotiations to develop the strategy to be employed – identifying the best treatment options (and fall-back positions) and the data and other reference points that can be put to the foreign government to advance trade and access for industry. Working collaboratively with industry during these negotiations would also assist in speedier resolutions regarding the commercial veracity of proposed protocol solutions. This would enable industry in market activities to work in conjunction with the negotiations as was successfully done by the MLA in the Korean FTA.;
- Achieving greater acceptance of the authorised officer system by foreign officials.

APAL also believes that engagement between industry and government on market access priorities for Australian horticultural products can be improved.

A system to prioritise market access for horticulture is currently required partly because the Department of Agriculture simply lacks the resources to attend to the requests from the many different commodities within the horticulture sector. The limited Departmental resources are stretched between addressing new market access and improvements to the

protocols governing trade whilst at the same time trying to maintain access to existing markets (when importing countries propose to adopt new access or trading rules). APAL believes that a significant boost to the number and quality of resources within the Department could effectively address these issues as outlined above.

Nevertheless, constraints also exist because some importing countries lack expertise and the resources to undertake the necessary import risk analyses associated with addressing Australia's and other nation's requests. This often results in on-going and seemingly never-ending technical discussions around biosecurity assessments and the merits of alternate phytosanitary measures. APAL suggests that the Government consider providing training and know-how in biosecurity and protocol development to a number of Asian countries as a means of developing better pull from the markets concerned.

For example, a request for access for stone-fruit and apples into China was first lodged in 2006. However resolution of the import risk assessment for nectarines from Australia remains unresolved. Apples from mainland Australia are currently next in the queue but little can be done until access for nectarines is granted. Meanwhile China has free access to the Australian market for its apples and apple juice concentrate.

Whilst Free Trade Agreements can improve the competitiveness of Australian apples and pears, especially where other supplying nations already have FTAs in place, reducing export compliance costs is also important. The shift to a user pays system for export compliance has deterred many Australian sheds from registering their premises. The \$8,500 registration fee for protocol markets is excessive and a major deterrent to exports, particularly as some growers only export 1-2 containers per year. Demand and product quality can shift throughout the season making it difficult for growers to know whether to commit to export registration at the start of the season. The high cost is a disincentive to export which is counter-productive to industry goals.

APAL welcomes the Government's recent announcement that \$15 million has been allocated to assist small businesses in the agriculture sector to access export markets by providing rebates on export fees and charges. APAL believes this will provide necessary relief to smaller growers and encourage greater participation in export- essential for the ongoing success of our industry.

In regard to phytosanitary export requirements, it appears that our Government imposes much tougher standards upon Australian exporters than is imposed by some of our competitors. For example, Australia requires that exporters apply a universal standard that consignments are free from pests, soil, weed seeds and extraneous material. This minimum standard applies to all export destinations including those countries that do not possess individual phytosanitary importation requirements.

In contrast, New Zealand, provides for tolerance limits for pests and soils in plant exports in cases where the importing country does not apply specific phytosanitary measures. This means that New Zealand growers do not bear the burden of additional compliance costs that are imposed upon Australian grower / exporters. The lower standard (compared with Australia) does not appear to have damaged the reputation of New Zealand as a source of high quality and safe produce.



APAL also believes that Australia needs to shift its image from a low-cost supplier of cheap bulk commodities to a higher-cost source of premium quality, safe, environmentally friendly food. This will take considerable investment by industry as well as governments, State and Federal. In this regard the Australian Tourism Campaign's focus on food and wine is great and if this can move to a broader food tourism it will greatly assist this food image shift.

It is reassuring that the message heard from Asian importers and Asian analysts is that Australia is recognised as being clean, green and safe. But this message is equally attributed to a number of our competitors, especially New Zealand and to a lesser extent Chile. It is imperative that an effective Australian brand is developed quickly and implemented across the globe in a co-ordinated well-resourced approach. The 100% Pure New Zealand branding that crosses both tourism and food is an excellent model to emulate. But unlike New Zealand Australia is burdened by the uncoordinated activities of State and local Governments which are seemingly intent on running their own State and regional brands. This adds confusion in overseas markets and detracts from building the national image of "clean, green, safe". APAL welcomes the work Austrade is doing on branding Australian produce focussed around clean, green and safe.

Yours sincerely

John Dollisson
Chief Executive Officer