



20 April 2018

Committee Secretary
Joint Standing Committee on Treaties
Via email: jsct@aph.gov.au

Dear Committee Secretary,

The National Farmers' Federation (NFF) welcomes the opportunity to make a submission to the Joint Standing Committee on Treaties inquiry examining the *Free Trade Agreement between Australia and the Republic of Peru* (Peru FTA). The Peru FTA offers key market access opportunities for Australia's agriculture exports by creating additional demand for Australian farm exports in Peru, a fast-growing market with a sizeable population of 31.5 million.

The NFF is the peak national body representing farmers and, more broadly, agriculture across Australia. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF. The NFF is committed to advancing Australian agriculture by developing and advocating for policies that support the profitability and productivity of Australian farmers. Developing stable export market opportunities for Australian agricultural produce and reducing distortions in global markets are key priorities for the NFF.

In 2016-2017, the Australian farm sector was valued at a record \$60 billion. This growth has been spurred on by the Government's commitment to negotiating valuable FTAs including the China-Australia Free Trade Agreement (ChAFTA), Japan Australian Economic Partnership Agreement (JAEPA), the Korean-Australia Free Trade Agreement (KAFTA) and now the Peru FTA. About three quarters of what Australian farmers produce is exported. Exploring further trade opportunities, like the Peru FTA, contributes to the continued growth of the Australian agricultural sector, helping it to reach a production value target of \$100 billion by 2030.

Export opportunities for Australian food and fibre

During the past 10 years, Peru was the fastest growing economy in Latin America with the same gross domestic product as Vietnam (about \$150 billion) and the same consumer base as Malaysia (30 million). At present, Australian farm products face tariffs between 9%-29% under Peru's existing tariff schedule through the World Trade Organisation. Consequently, Australian farmers are currently locked out of this valuable market.

Under the Peru FTA, enhanced market access would be available from day one for sugar, dairy, rice, sorghum, sheep meat, seafood and wine. The FTA also includes staggered benefits for

grains. In 2016, Peru imported \$6 billion of agricultural goods; however, only \$6.7 million of this came from Australia, due partly to preferential access for our competitors including the United States, Canada and the European Union. In addition to levelling this playing field, the Peru FTA also offers better market access for Australian food and fibre than will be available once TPP-11 enters into force.

The NFF would also highlight that three other substantial benefits will flow from the Peru FTA. First, the agreement will remove other trade barriers, including price bands for certain commodities, which is frequently left out of FTA negotiations. Second, it sets a heartening precedent for the 'sensitive' sector sugar that hasn't benefited significantly from existing FTAs. Finally, the NFF considers the Peru FTA to be an important stepping stone towards a larger trade deal with the Pacific Alliance which includes Mexico, Peru and Chile.

Trade by commodities

- Sugar: on entry into force of the agreement, Australia will have duty free access of 30,000 tonnes of sugar into Peru, growing to 60,000 tonnes in five years and 90,000 tonnes in 18 years – this is more than any other sugar exporting country has achieved in the last twenty years.
- Beef cuts: tariffs (up to 17 per cent) will be eliminated within five years – this ensures Australian beef farmers will have duty free access to the Peruvian market at the same time as US farmers.
- Dairy: on entry into force of the agreement, Australia will have duty free access of 7,000 tonnes of dairy products into Peru, growing to 10,000 tonnes in five years.
- Rice: on entry into force of the agreement, Australia will have duty free access of 9,000 tonnes of products into Peru, growing to 14,000 tonnes in five years.
- Sorghum: on entry into force of the agreement, Australia will have duty free access of 15,000 tonnes of products into Peru, growing to 20,000 tonnes in five years.
- Sheep meat: tariffs on all sheep meat (up to 9 per cent) will be eliminated on entry into force of the agreement.
- Seafood: Peru will eliminate all tariffs (up to 9 per cent) on entry into force.
- Almonds: immediate elimination of duties on all tariff lines (up to 9 per cent).
- Wine: immediate elimination of duties across lines of commercial interest to Australia with the remainder being phased out over 5 years (up to 9 per cent).
- Wheat: tariffs on all wheat (up to 9 per cent) will be eliminated on entry into force of the agreement.

Recommendation

The NFF, as the peak industry body representing Australian farmers and agribusiness, seeks the Joint Standing Committee on Treaties to endorse without delay binding treaty action for the Peru-FTA.

For further information on this submission please contact:



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