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Joint Standing Committee on Treaties
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This submission is made by the Australian Nut Industry Council – the federation of the seven Australian tree nut producing industries – Almonds, Chestnuts, Hazelnuts, Macadamias, Pecans, Pistachios and Walnuts. The submission is supported by each of the ANIC member industries.

Executive Summary

The Australian Nut Industry fully supports the Japan-Australia Economic Partnership Agreement. The elimination of tariffs on Australian nut exports will significantly increase the export opportunities for the expanding Australian nut industry.

It is of importance that this Treaty enters into force during 2014 to capitalise on the new season nut production from Australia early in 2015 and expand the potential for Australian nuts into this market.

Japan-Australia Economic Partnership Agreement (JAEPA)

The JAEPA provides for the elimination of Japanese tariffs on all Australian nut exports. The JAEPA will be of significant benefit to the Australian nut industries, particularly the export focused almond, macadamia, walnut and pecan industries.

Nut exports from Australia are expanding rapidly. Total nut exports in 2013/14 were 81,300 tonnes with a value of \$596 million. Tree nuts have been the largest Australian horticulture export for several years now.

In the last 15 years there has been a substantial increase in the hectares devoted to nut growing in Australia. These investments have been targeted at the export market. Growing tree nuts is smart agriculture that uses capital, land and water efficiently. Nut exports will continue to grow and are projected to reach \$1 billion annually by 2025.

The world demand for nuts is growing. In developed markets such as Japan, Australia, Europe and North America, the growing awareness of the health benefits of nuts is driving the increase in consumption. Solid science shows that people who eat nuts daily have a 50% reduced risk of cardiovascular disease and a 20% reduced risk of overall mortality. The 2013 Australian Dietary Guidelines recommend that Australian adults should include 30gms of nuts per day in their diet.

In developing markets such as China, India and Korea increasing affluence is allowing more consumers to enjoy the healthy taste sensation that nuts provides.

Japan is an important and growing market for nuts.



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Almonds

Japan is a large market for almonds consuming about 30,000 tonnes with a value of about \$A220 million. It has been expanding at 10-15% per annum for the last few years with the growing awareness of the nut heart health message.

Australia is now the second largest producer of almonds in the world, albeit well behind the USA. Australia is currently producing about 70,000 tonnes of the global crop of 1.1 million tonnes, of which about 900,000 tonnes is grown by the USA. In the 2013/14 financial year Australian export sales of almonds totalled \$468 million.

Japan is a market of interest for the Australian almond industry. As production continues to expand towards 90,000 tonnes as orchards mature, export market development is a key element of the industry strategic plan. The removal of the 2.4% tariff by JAEPA will deliver a competitive advantage over the USA and provide an impetus to focus on this market. It will enable the Australian industry to invest more in meeting the stringent Japanese quality specification.

Macadamia Nuts

Japan is the second largest market for Australian shelled macadamia nuts (behind China). Current exports are approximately 1,300MT with a value of \$A23.4 million.

The immediate removal of the 5% tariff will provide a significant boost to Australian exports. The 5% tariff elimination will reduce the price to Japanese consumers boosting total Japanese demand.

Whilst Australia has been the traditional supplier to the premium Japanese market, competition from emerging producers in southern Africa has been noted.

The rapid entry into force of the JAEPA would ensure a speedy commencement to the new advantageous trading relationship.

Walnuts

The expansion of Australian walnut growing is only now manifesting itself in the export statistics. In 2013/14 walnut exports will be about 4,300 tonnes with a value of about \$A18 million. These exports will double within two seasons; the orchards planted in the 2000's now reach maturity and exports will double. New plantings will keep exports rising over the next decade.

Most exports to date have been as in-shell. The Australian crop now is of sufficient size to justify a shelling plant which was commissioned earlier in 2014.

Japan only imports shelled walnuts, about 9,000 tonnes per annum currently, and is growing at about 5% per annum.

Japan does have a small domestic walnut production. ANIC accepts that the 5 year phase out of the Japanese walnut tariff is reasonable, albeit overstating the real extent that Australian production can threaten the industry sensitive to Japan.

The removal of the 10% tariff over 5 years will neatly fit with the expanding Australian production especially with the ability to export the value added shelled walnuts. As well as reducing the price to Japanese consumers, the tariff elimination



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will provide a competitive advantage for the emerging Australian walnut industry. This should provide a new trade opportunity.

Other nuts

Current Australian production of the other tree nuts (Pistachios, Pecans, Chestnuts and Hazelnuts) is destined for the domestic market. However, JAEPA provides a competitive market for Australia for these nuts and will further encourage an expansion of their production.

There has recently been a large, over 1,000 hectares, development of a hazelnut orchard in southern NSW. This will also target the export market, albeit in 5 to 7 years. It is being heralded as a demonstration hazelnut grove and as such, speaks volumes for the future of Australian hazelnuts by assisting our farmers identify a very real commercial venture with export opportunities. It is also becoming apparent that the opportunity to provide fresh nuts to the Northern Hemisphere exists for Australian nuts.

Conclusion

The Australian nut industry fully supports JAEPA and urges the Australian Parliament to conclude the necessary formalities as quickly as possible to allow the benefits to flow.

Yours sincerely,

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Chairman