

Australian Macadamia Society Limited

ABN 19 010 689 415

Suite 1,113 Dawson Street LISMORE NSW 2480 • Phone 02 6622 4933 • Fax 02 6622 4932
Email: admin@macadamias.org • Web: www.australian-macadamias.org



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

RE: Trade Agreement between Australia and Korea

The Australian Macadamia Society (AMS) is the peak industry body for the Australian macadamia industry. Membership includes the entire value chain of the industry from input suppliers through to exporters and marketers. The AMS represents over 80% of production and around 90% of exports and wholesale sales. Australia is the world's major producer of macadamia nuts, the only Australian native food crop that has seen significant commercial development for local and export markets. The industry itself is worth over \$400 million to local communities.

The AMS, and the commercial interests it represents, strongly support the Free Trade Agreement with Korea and congratulate the government for the successful negotiation of the important treaty.

Australian macadamias are enjoyed by millions of consumers across Asia but to date macadamias have had a low profile in Korea. The AMS identified Korea as a priority new market in the Macadamia Strategic Investment Plan 2009 – 2014. The market development campaign, launched in 2013, is seeking to raise awareness of macadamias and encourage product trial. It has reached 20.5 million consumers already with an investment of 1.3 billion KRW and has comprised in program TV placement, advertorials in major women's publications, a power blogger outreach program and the development of a strong social media profile.

AMS media research in the Korean market has shown:

- For Korean macadamia consumers 'quality' and 'price, are the most important purchasing criteria. As the highest quality product this presents an opportunity for Australian grown macadamias and a reduction in price (through the tariff) will make our product more attractive to consumers.
- Only 1/3 consumers have ever heard of macadamias – far less than other nuts. A more attractive price to trade buyers will drive the development of new products and increase the visibility and awareness of macadamias.
- Koreans consider brand more important when purchasing macadamias than any other nut so building awareness of our Australian brand is an important part of the campaign we have in field.

Source: Korea macadamia survey. Euro RSCG and Acorn Marketing & Research Consultants Limited, March 2011

The AMS has also been working with the Korea Customs and Trade Development Institution to better understand the commercial opportunities in the market and to build commercial interest in the Australian – Korean macadamia trade. This work has shown:

- There is strong growth potential in Korea. Macadamia imports have grown by 76% in the last 3 years exceeding total tree nut growth of 64%.
- Australia has retained a very strong share of imports at more than 90%. (93.6% 2013).

Source: Korea Customs and Trade Development Institution

The implementation of the FTA will lead to a reduction of macadamia tariff from 30% to 0 over 5 years. This will have a profoundly positive effect on macadamia exports to Korea. An example of the trade communication the AMS has undertaken as part of the campaign to develop the Korean market is attached.

Based on this comprehensive and bilateral investigation of the Korean macadamia market, the AMS believes that this market has the potential to grow to a similar size and value as the Japanese macadamia market. This is a market of over 2,000 tonnes of premium kernel worth, at today's prices, around \$40 million.

The ratification and finalisation of the Australia Korea Free Trade Agreement has the full support of the AMS and the Australian macadamia industry.

The AMS would be happy to provide further detail and analysis should the Committee be interested.

Yours sincerely

Jolyon Burnett
Chief Executive Officer