



3 June 2015

Joint Select Committee on Trade and Investment Growth
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Dear Committee Members,

Thank-you for the opportunity to comment upon the experience of businesses in utilising Australia's Free Trade Agreements.

Apple & Pear Australia Limited (APAL) is the peak industry body representing the interests of commercial apple and pear growers 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 through the elimination of tariffs and quotas imposed on agricultural products as well as manufactured goods and services. 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.

Over recent decades the Australian apple and pear industry has focussed on supplying the domestic market. But in the last couple of years APAL and many growers have worked hard to shift the industry's culture to improve its export capability and to better understand export market opportunities (and risks). Growing fruit (varieties and quality) for premium export markets has been a core plank in APAL's world-renown extension program Future Orchards™ and this has been supported by extensive efforts to engage growers and packers with key importers and retailers. While export volumes remain small, APAL will continue to focus on building Brand Australia and developing relationships with retailers and consumers in key premium markets in the United Kingdom, Canada and selected Asian countries, especially Thailand, Indonesia, Singapore, Malaysia, Hong Kong, Vietnam, Taiwan and China.

The removal of tariffs through Free Trade Agreements with a number of these markets is welcomed, especially where our major Southern Hemisphere competitors like New Zealand and Chile already have more favourable trade agreements – and the associated zero tariffs – in place. This is a critical issue because our competitors enjoy considerably lower statutory minimum wage rates than those faced by Australian apple and pear businesses.

Nevertheless it is important that the Joint Select Committee on Trade and Investment Growth 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 by uncommercial or unworkable phytosanitary measures. Apples from mainland Australia (accounting for 90 per cent of production) cannot be exported to China, Taiwan or Japan: only apples from Tasmania are accepted into these markets. Shipments of apples from anywhere in Australia are prohibited into Korea, New Zealand and Vietnam (when trade was suspended January 2015). Pears cannot be exported to Korea, Taiwan or Japan. Indonesia places a quota on the volume of apple imports and their imported fruit quotas are being reduced. These restrictions are, of course, trade inhibitors and Free Trade Agreements are irrelevant where access is denied.

In response to your specific inquiry on the experience of business in utilising Australia's existing FTAs with New Zealand, Singapore, Thailand, the United States, Chile, the Association of South East Asian Nations and Malaysia, I offer the following comments:

China: China represents a very large market, currently importing around 40,000 tonnes of apples per annum from southern hemisphere (Chile and NZ) and northern hemisphere (US and France) producers. But Australian access to that market is only afforded to Tasmania. Apples from Tasmania currently pay a 10% tariff, compared with the biggest competitors Chile and New Zealand which currently enjoy a zero tariff. The tariff on Tasmanian apples will be reduced to zero over five years when the Australia-China FTA comes into force. Trade from Tasmania commenced in 2014 but quantities remain negligible. Pears from all Australian sources and mainland apples are prohibited. The Chinese import authority has recently announced they have commenced the information gathering stage of the import risk assessment for mainland Australian apples but this could take some time (the application for Australian nectarines, lodged in 2006 has yet to be completed). Joint initiatives between the Australian industry and Australian government will be required to speed up access for mainland apples.

Japan: APAL welcomes the inclusion of apples and pears in the Australia-Japan Free Trade Agreement. For apples the tariff rate of 17 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. Nevertheless, only apples from Tasmania have access to Japan and mainland apples do not.

Korea: Both apples and pears were specifically excluded from the Australia-Korea Free Trade Agreement. Tariff rates on imported pome fruit from Australia will remain at the base rate of 45 per cent. However Australia (including Tasmania) does not have access to the South Korean market. Korea has been considered a "tough" market because, like Japan, it has a well-developed domestic apple and (Asian) pear production base which is essentially closed to imports. Data suggests that neither New Zealand nor Chile (both major pome fruit producers) export to South Korea. It is understood that the USA has access but the phytosanitary protocols are relatively unfavourable toward apple exports to South Korea and as such, their trade is minimal.

Taiwan: mainland Australian apples and pears do not have access to the market in Taiwan as imports were suspended in 2006 due to concerns around fruit fly. Exports from Tasmania have been negligible over recent years, partly because there is no direct international shipping line, the high A\$ and small scale tonnages available from this growing region. The DoA's first priority in horticulture is to resolve technical issues of concern to Taiwan regarding fruit fly. Once resolved,

mainland apples are first in the queue and pears second in the queue for DoA efforts to secure access to the Taiwanese market.

Indonesia: Apples and pears from both the mainland and Tasmania have access to the Indonesian market. Tariffs are set at zero. However Indonesia has adopted a “self-sufficiency” policy and imports of apples from all global suppliers are subject to a quota (despite the fact that apples cannot be grown in Indonesia because they require temperate growing conditions).

Thailand: Apples and pears from both the mainland and Tasmania have access to the Thailand market. Tariffs are set at zero. The Australian apple and pear industry seeks an amendment to the protocol to allow the approval of on-shore cold treatment facilities including controlled atmosphere storage, shorter disinfestation cold treatments and acceptance of mixed containers.

Vietnam: Trade for a number of Australian horticultural products was suspended in January 2015 due to concerns around Mediterranean Fruit Fly. Prior to that apples and pears from both the mainland and Tasmania had access to the growing Vietnamese market (with tariffs set at 7 per cent). It appears that the market has now moved to full protocol status and the Australian Government is now required to renegotiate access for horticulture. It is unlikely that the Australian apple and pear industry will regain access to this small but beneficial and growing market for some time.

Malaysia: Apples and pears from both the mainland and Tasmania have access to the Malaysian market. Tariffs are set at zero.

To improve the process for phytosanitary access into markets like China and a speedy resolution to phytosanitary and sanitary protocols, APAL believes the Joint Select Committee on Trade and Investment Growth should recommend that Government:

- Increase the 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;
- Appoint dedicated horticultural Trade Attache’s 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;
- Ensure greater communication between the Ministries of Agriculture and Trade so that departmental staff are working together;
- Recruit high quality horticultural negotiators with commercial acumen to achieve better outcomes for Australian horticulture;
- Increase 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 DoA to work concurrently on free trade and multilateral trade agreements as well as phytosanitary access issues;
- Engage 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;
- Achieve 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 and the import risk assessment has commenced but considerable headway will not be achieved until access for nectarines is granted. Meanwhile China has free access to the Australian market for its apples and apple juice concentrate.

Whist 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 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. 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. Building Brand Australia will take considerable investment by industry as well as governments, State and Federal.

In conclusion, the apple and pear industry in Australia is dominated by small and medium sized family businesses centred on eight major growing districts in regional Australia. As is the case for other horticultural commodities, many small rural communities depend upon the vitality and profitability of the apple and pear industry. The industry's Strategic Export Plan, which APAL is currently finalising, will shore up long term sustainability for the sector by targeting specific actions and tactics to grow our export penetration. Free Trade Agreements help, but much more needs to be done in securing market access and building an Australian brand. The industry looks forward to working collaboratively with Government to achieve this.

Yours sincerely

John Dollisson
CEO