

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

Department of Agriculture and Water Resources

Question Number: 175

Division/Agency: Trade and Market Access Division

Topic: Japan-Australia Economic Partnership Agreement (JAEPA) – tariffs

Proof Hansard Page: 31-32 (25.05.2017)

Senator BACK asked:

Senator BACK: In terms of your predictions, we know that at the moment rice to Japan is not included in any of the provisions under the free trade agreement. Is that correct?

Ms GLEESON: That is correct.

Senator BACK: But we also know that the average age of Japanese farmers, including rice farmers, I think, is now 68 or 69 years of age and that the size of their farms and their land title systems are such that they are not able to amalgamate farms to get the economies of scale. So the day is going to come reasonably soon, I would have thought, where they are not going to be self-sufficient in rice. Is it the case that we have most favoured nation status with Japan as part of our free trade agreement in the sense that, if and when they are looking at rice imports, Australia will be well positioned to meet that demand?

Mr QUINLIVAN: We will just see if we have any people from our Trade and Market Access Division here.

Senator BACK: I will ask that question later on or I will put it on notice.

Mr QUINLIVAN: They will certainly know the answer to that question.

Answer:

The tariff for rice is excluded from any tariff commitments under the Japan-Australia Economic Partnership Agreement (JAEPA). Japan has not reduced tariffs on rice for any other country so Australian industry is not disadvantaged relative to our competitors. Australian rice producers retain access to a WTO minimum access quota arrangement of 770,000 tonnes/annum to Japan, which is available to all countries free of duty. Exports of rice outside this arrangement attract a most favoured nation tariff of 341 yen/kg.

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Budget Estimates May 2017

Department of Agriculture and Water Resources

Question Number: 176

Division/Agency: Trade and Market Access Division

Topic: Schedule of tariffs

Proof Hansard Page: 72-73 (25.05.2017)

Senator CARR asked:

Senator CARR: Yes, the technical side of it. In terms of market access arrangements, particularly in regard to behind border restrictions, who is responsible for dealing with that issue?

Ms van Meurs: Again, it depends on what you are talking about when you are talking about behind border issues. If it is to do with a technical issue such as a country requiring that we are free of a particular disease in Australia, then it is the Department of Agriculture and Water Resources. If it is about a specific technical side, how much weight you need in a particular orange juice, then depending on the issue it might well be the Department of Industry or the Department of Foreign Affairs and Trade. Again, it depends on the non-tariff measure.

Senator CARR: Is there a schedule I can find somewhere that explains this?

Ms van Meurs: We could provide that on notice.

Senator CARR: Would you?

Ms van Meurs: Yes.

Answer:

The Department of Agriculture and Water Resources (the department) works closely with the Department of Foreign Affairs and Trade (DFAT) and industry groups to identify and address (where possible) import conditions that impact on the ability of our exporters of agricultural commodities to maximise the opportunities provided by access to markets.

The responsibility for this work depends on the import condition of concern. For example, a technical issue such as differences between our export testing methodologies and the importing country import testing methodologies would be an issue primarily for this department and the industry to address.

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DFAT has primary carriage of managing Australia's international presence. DFAT liaises with other government departments to ensure the effective coordination of Australia's interests in Free Trade Agreement (FTA) negotiations.

Commercial agricultural matters are often best addressed by industry. For example, the meat industry is currently discussing suitable packaging options for sheep carcasses for export to Mexico.

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Department of Agriculture and Water Resources

Question Number: 177

Division/Agency: Trade and Market Access Division

Topic: Overseas Counsellors

Proof Hansard Page: 73-74 (25.05.2017)

Senator KIM CARR asked

Senator KIM CARR: Can I get a list of those and where those counsellors are based?

Ms van Meurs: Yes. Those counsellors quite often work with obviously Canberra but they are located in those countries. They will work with the Department of Foreign Affairs and Trade and Austrade. Depending on what that particular delegation wants to see and do, it might be a combination of the different departments in those countries helping them either to market their product, to find new importers, helping to try and deal with a particular issue. It depends on why they are going. Our counsellors often are helping the agricultural industries in those circumstances.

Answer:

Minister-Counsellor (Agriculture) **Beijing**

Counsellor (Agriculture-Technical) **Beijing**

Counsellor (Agriculture-Policy) **Beijing**

Minister-Counsellor (Agriculture) **Bangkok**

Counsellor (Agriculture) **Hanoi**

Counsellor (Agriculture) **Jakarta**

Counsellor (Agriculture) **Jakarta**

Counsellor (Agriculture) **Kuala Lumpur**

Counsellor (Agriculture) **Seoul**

Counsellor (Agriculture) **Tokyo**

Consul-Agriculture **New Delhi**

Minister-Counsellor (Agriculture) **Rome**

Question Number: 177 (continued)

Minister-Counsellor (Agriculture) **Brussels**

Counsellor (Agriculture) **Riyadh**

Counsellor (Agriculture) **Dubai**

Minister-Counsellor (Agriculture) **Washington**

In addition, the department has locally engaged officers in Taipei, Paris and Moscow.

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Budget Estimates May 2017

Department of Agriculture and Water Resources

Question Number: 178

Division/Agency: Trade and Market Access Division

Topic: Korea FTA - tariffs

Proof Hansard Page: 74 (25.05.2017)

Senator BACK asked:

Senator BACK: I would like to get some advice from you in terms of each of the Korea, Japan and China free trade agreements where you can show evidence of increased trade in the agricultural space as a result of each. Can we start with Korea, which entered into force in December 2014. What, if any, change/improvements in agricultural commodity exports have we seen as a result of that?

Ms van Meurs: I have some examples here. The free trade agreement entered into force on 12 December 2014. The worth of the agricultural exports to Korea at that time was \$2.6 billion. In 2016, under KAFTA, Australian exports have reached \$3 billion. Australian exporters have now benefited from four tariff cuts under KAFTA, with a fourth on 1 January 2017. Some examples are that Australian beef exports to Korea have increased by nine per cent in 2016 compared with 2015, reaching \$1.4 billion. The value of Australian potatoes for chipping exported to Korea has almost doubled in 2016 to just over \$14 million, compared with \$7.1 million in 2015.

Some other examples are dairy. The calendar year 2015 was \$465 million. In calendar 2016 this has increased to \$781 million, which is a 68 per cent increase. As to tariff reductions prior to the entry into force—as of 1 January 2017 this has gone from 10 per cent to 7.5 per cent. Milk powder—

Senator BACK: Will it reduce further under the agreement?

Ms van Meurs: Yes, it will. I do not have those with me, but I can take them on notice. That will continue to decline over I think it is a 10-year period. Milk powder for the 2015 calendar year was \$115 million. In calendar year 2016 it is \$201 million—an increase of 75 per cent. Again, that reduction in the tariff is from 10 to 7.5 per cent in the last tariff reduction, which is 1 January 2017.

Senator BACK: Is that an annual tariff reduction?

Ms van Meurs: It is. I will have to take that on notice just to be specific on that one, but it is annual.

Question Number: 178 (continued)

Answer:

The Department of Agriculture and Water Resources has separately provided a factual correction to the chair of the committee clarifying that the statement made by Ms van Meurs on milk powder related to outcomes under ChAFTA and not KAFTA.

The tariff on milk powder under ChAFTA is currently 8 per cent, having fallen from 10 per cent prior to the entry into force of ChAFTA on 20 December 2015. The tariff on milk powder will be completely eliminated by 1 January 2026. The reduction in the tariff is staggered with annual reductions.

Under KAFTA, Australia did not receive an outcome for milk powder. The Most Favoured Nation (MFN) tariff on milk powder imported into Korea is 176 per cent. Australia did however receive an outcome for a number of other dairy products including liquid milk, butter, grated or powdered cheese, cheddar cheese and infant formula.

Item	Commodity	Exports A\$ million (2016)	Outcome
Dairy	Liquid milk	5.3	Tariff of 26 per cent eliminated over by 2033. Current tariff is 28.8 per cent
	Butter	3.4	Tariff of 89 per cent eliminated by 2028. Current tariff is zero per cent for in quota (120 tonnes), exports out of quota attract a tariff of 65.3 per cent. Each year (until 2028) the duty free quota (volume) will increase and the out of quota tariff will decrease.
	Grated or powdered cheese	1.3	Tariffs of 36% eliminated by 2033. Current tariff is zero per cent for in quota (5,059 tonnes), exports out of quota attract a tariff of 28.8 per cent. Each year (until 2033) the duty free quota (volume) will increase and the out of quota tariff will decrease.
	Cheddar cheese	11.6	Tariffs of 36% eliminated by 2026. Current tariff is zero per cent for in quota (5,059 tonnes), exports out of quota attract a tariff of 24.9 per cent. Each year (until 2033) the duty free quota (volume) will increase and the out of quota tariff will decrease.
	Infant formula	8.6	Tariffs of 36% eliminated by 2026. Current tariff is zero per cent for in quota (514 tonnes), exports out of quota attract a tariff of 24.9 per cent. Each year (until 2026) the duty free quota (volume) will increase and the out of quota tariff will decrease.

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Budget Estimates May 2017

Department of Agriculture and Water Resources

Question Number: 179

Division/Agency: Trade and Market Access Division

Topic: Cherry exports - Tasmania

Proof Hansard Page: 75 (25.05.2017)

Senator BACK asked:

Senator BACK: Can you tell me from what states? I understand Tasmania is fairly prominent in that increase, is it? Are you able to give me those figures?

Ms van Meurs: On my memory, Tasmania is the only state that can export cherries to China.

Senator BACK: So, all of that is Tasmanian?

Ms van Meurs: Yes. I would have to take that on notice, but from memory, yes. Citrus was \$53 million in 2015 exports, and in 2016 it has gone to \$72.3 million, an increase of 36 per cent. Wine is—

Senator BACK: And the tariff on that?

Ms van Meurs: The tariff on that one—I will have to just look at that as I go through some of the others.

Answer:

Australia has had market access to China for cherries from Tasmania and mainland Australia since early 2013. Cherries have been exported from New South Wales, South Australia, Victoria and Tasmania. Since 2015, cherry exports to China have almost doubled to be worth \$14.6 million in 2016.

The tariff on cherries prior to the China-Australia Free Trade Agreement's (ChAFTA) entry into force was 10 per cent. The tariff is now 4 per cent and will be completely eliminated on 1 January 2019.

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Budget Estimates May 2017

Department of Agriculture and Water Resources

Question Number: 180

Division/Agency: Trade and Market Access Division

Topic: Technical market access achievements

Proof Hansard Page: 76 (25.05.2017)

Senator BACK asked:

Senator BACK: I will not ask you about the TPP, except to say that there are still 11 countries, I understand, very keen to pursue it. I do not think we should give up on the prospect of the United States coming back in. What I will ask you, finally if I may, is if you could give the committee some advice on how technical market access is negotiated and what, if anything, have we achieved in government with technical market access?

Ms van MEURS: Technical market access is a key. We are the lead agency to negotiate protocols with different countries. We have, I think as I said before, a number of counsellors throughout the world who help us with that negotiation. Some of the key areas where we have market access and tried to improve market access include—I am sorry, I will just find the details.

Senator BACK: Would it be easier if you took it on notice and provided me with the information?

Ms van MEURS: Yes, I can take it on notice.

Answer:

The Department of Agriculture and Water Resources, with its network of overseas counsellors, plays an important role in facilitating trade in agricultural goods, including by negotiating with other countries technical market access requirements to enable or improve access to markets.

The department negotiates technical market access for prioritised requests. Priorities are determined through consultation with industry, states and territories and are regularly reviewed. The department's activities include developing technical submissions about our production systems, proposing conditions for trade, drafting government certificates to accompany export consignments and hosting audits and other site visits if necessary.

Key market access achievements are listed on the department's website: <http://www.agriculture.gov.au/market-access-trade/agricultural-trade-matters/achievements#2017> . Since 2016, the department has gained or restored access to over 45 key markets and improved access or maintained access to a further 50 markets.

Question Number: 180 (continued)

Recent achievements include that the department has:

- Opened new markets for split broad beans to Iran (May 2017), breeder cattle to Cambodia (March 2017), breeder sheep and goats to Canada (January 2017), processed meat containing imported pork to Japan (January 2017), bovine blood and blood products to China (January 2017), nectarines to China (May 2016), melons and watermelons to Japan (May 2016), blood oranges to Korea (April 2016) and a range of poultry products to Thailand and Indonesia (January 2016).
- Re-established feeder and breeder cattle trade with Japan (August 2016) after trade was stopped in May 2016, and for hatching eggs and day old chicks to Thailand (January 2016) after negotiation of new health conditions.
- Improved access for sheep and goat genetic material to Brazil (March 2017), bovine semen to Argentina (September 2016), chickpeas to Pakistan (April 2017), wheat to Iran (January 2017), vacuum packed beef to the United Arab Emirates (May 2017), beef to Chile (December 2016) and wild game meat to Singapore (November 2016).

In March 2017, Deputy Prime Minister and Minister for Agriculture and Water Resources Barnaby Joyce and China's Foreign Minister Wang Yi signed a joint statement agreeing to important chilled meat market access outcomes for Australia as well as advancing Australia's access negotiations for tripe, initiating trade in donkey meat and edible skins and promoting the finalisation of a protocol for the export of Australian slaughter sheep and goats to China.

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Budget Estimates May 2017

Department of Agriculture and Water Resources

Question Number: 181

Division/Agency: Trade and Market Access Division

Topic: Asparagus/beans market access

Proof Hansard Page: 76 (25.05.2017)

Senator STERLE asked:

Ms van Meurs: I would have to take that on notice. I am not sure which vegetables you are talking about and which market access.

Senator STERLE: Let us have a crack. How are we going with asparagus?

Ms van Meurs: I would have to take that on notice. I would not have that detail on me.

Senator STERLE: What about beans?

Ms van Meurs: Again, I would have to take that on notice. Only other than I know that Horticulture Industry Australia, which is the peak industry body, is looking at China and particularly around vegetables and what they might be able to do to increase that market access into China. They are looking at and working with people like AUSVEG to be able to get more access into China.

Answer:

Australia has market access for asparagus and mung beans into China. Export volumes of both asparagus and mung beans to China are low.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

Department of Agriculture and Water Resources

Question Number: 182

Division/Agency: Trade and Market Access Division

Topic: Vegetable exports to China

Proof Hansard Page: 76-77 (25.05.2017)

Senator STERLE asked:

Senator STERLE: The last time I looked we were not having much luck with vegetables into China, so I was asking whether anything has moved on since our last round?

Senator RUSTON: It might be worth noting that last week the horticultural industry had its annual peak conference in Adelaide. There were two and a half thousand people there and one of the subjects that was greatly discussed was the amount of progress that had been made in terms of being able to get market access for a number of different vegetable types, but most particularly about the change in the way they were doing business to be able to access the market. I think there is a quite good news story there, so I will get you some more information.

Senator STERLE: Thank you. Minister, you will come back to us because the information in the latest table that I have—nothing has gone in yet, although we have asparagus and lettuce with a phyto cert, a certain percentage, and nil by 2019. But you are saying—

Senator RUSTON: Are you talking specifically about a market or more generally in terms of exports?

Senator STERLE: To China.

Senator RUSTON: I am sorry. I thought you were talking more generally about export. My apologies.

Senator STERLE: No, I was talking about China.

Senator RUSTON: Now we are talking more generally about exports. Vegetables have not been a really big export area for us, but it is certainly seen as a great opportunity.

Senator STERLE: I agree and we are all excited. I have been to China three times and there are wonderful opportunities for us.

Senator RUSTON: I will get you some information.

Question Number: 182 (continued)

Answer:

Australia and China work together closely on technical market access for vegetables and horticulture through an agreed list of priority products put forward by each side (currently known as the 4 by 4 agreement).

The department's current efforts are focused on horticulture exports to China where we are currently seeking to extend our access to other summerfruit varieties (peaches, plums and apricots), following the signing of the nectarines protocol in June 2016. In addition, the department is working with China to extend the improved conditions agreed as part of the nectarine protocol to existing protocols for table grapes, citrus and cherries, in order to further improve conditions for these exports.

Both vegetable and horticulture applications submitted will be carefully considered along with other products in the priority pool when future priorities are negotiated with China. Australia has market access for asparagus and mung beans into China. Export volumes of both asparagus and mung beans to China are low.