



**Submission to the
Joint Standing Committee on Treaties**

Korea-Australia Free Trade Agreement

June 2014

Summary

- The Australian citrus industry is the largest fresh fruit export, valued at \$195 million in 2013, with the largest markets being Japan, Hong Kong, USA, China and Malaysia.
- To date Korea has not been a significant market for citrus exports due in part to the very high tariff barriers i.e. 50% on oranges and 144% on mandarins.
- There were 1,594 tonnes of Australian oranges exported to Korea in 2012 with a value of \$2.04 million.
- The Korea-Australia FTA will make a significant contribution to removing these prohibitive tariffs and enabling Australian citrus exporters to further develop the Korean market.
- Citrus Australia strongly supports the completion of all necessary parliamentary procedures so that the agreement can enter into force at the earliest possible opportunity.

Background: Citrus Australia

Citrus Australia is the national peak industry body for the Australian citrus growing industry. There are approximately 1,800 citrus growers based in every mainland state and the Northern Territory, but concentrated in the Murray Darling Basin regions of SA, VIC, and NSW; and in the Central Burnett region of QLD.

The Australian citrus industry is one of the largest fresh fruit industries in Australia, and certainly the largest fresh fruit exporter. In January to December 2013 the Australian citrus industry exported 164,785 tonnes valued at \$195 million. Citrus is also one of the largest fresh import categories in Australia, with annual volume of around 23,000 tonnes valued at \$33 million. The Australian citrus industry produces only around 1% of global citrus production and competes directly in export markets with lower cost southern hemisphere citrus exporting countries such as South Africa, Chile and Peru.

Citrus trade and cooperation with South Korea

The conclusion of the Korea-Australia Free Trade Agreement negotiations comes as welcome news to the Australian citrus industry. The Australian citrus industry has identified the South Korean market as one in which significant growth opportunities exist. Korea is the largest market for imported citrus in the world. It has well established logistics services, wholesale market systems and world class supermarket and department store chains. However, trade in Australian citrus to Korea has been irregular since access was first granted in 2000.

The relatively low trade volumes have primarily been due to downward pressure placed on demand by the existing tariff of 50 per cent on Australian oranges. Australian citrus enters the South Korean market at the tail-end of the USA export season. Under free trade agreement between the United States and South Korea, Californian citrus exporters enjoy a much lower tariff and supply the market with over 160, 000 tonnes. Understandably, Australian exporters have struggled to compete.

However, news that the tariff could be close to 25 per cent by the start of the 2015 season means that Australian exporters are already gearing up to increase supply into the South Korean market. The tariff, which will further reduce annually, will also make Australia more competitive against other southern hemisphere suppliers (Chile and South Africa) which currently do not have free trade agreements with South Korea. Combined with Australia's close proximity, shorter transit times and an ability to harvest at optimum maturity, Australian citrus exporters will be in a far stronger position in the near future.

Further to the tariff reductions, additional benefit will be derived through the general spirit of the agreement. The Australia-Korea FTA is the first of its kind to include a chapter on agricultural cooperation. Citrus Australia has already taken steps to increase the level of cooperation between the Australian and Korean citrus industries through recent visits to Jeju Island where large volumes of mandarins are produced. The joint cooperation will undoubtedly improve the relationship between the two industries which could have flow-on effects to government regulators. Ultimately, we would like to see improvements to the phytosanitary protocol and the FTA is a good first step in achieving that goal.

Conclusion

To date Korea has not been a significant market for Australian citrus due in part to the very high tariff barriers. The elimination of tariffs under the Korea-Australia FTA will make a significant contribution to Australian citrus industry's ability to compete in and further develop the South Korean market. Therefore Citrus Australia strongly supports the completion of all necessary parliamentary procedures so that the agreement can enter into force at the earliest possible opportunity.



Representatives from Citrus Australia, the Australian Government and Jeju Citrus Growers Association of the Republic of South Korea in Seogwipo, Jeju Island, November 2013.



Judith Damiani, Citrus Australia CEO, discusses opportunities for Australian citrus with a representative from TESCO (Seoul) in April 2014.

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