

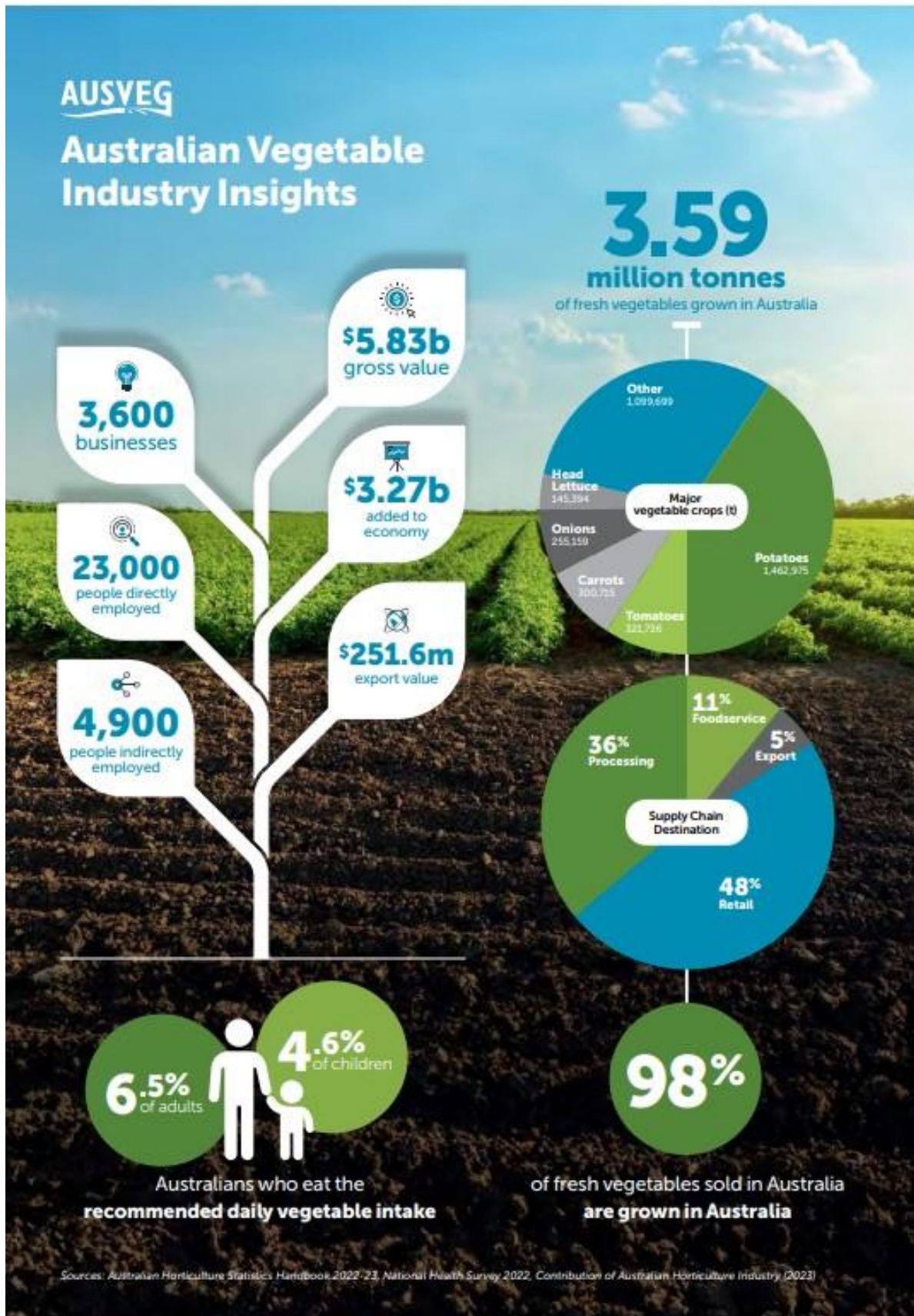


# INQUIRY INTO THE UNDERSTANDING AND UTILISATION OF BENEFITS UNDER FREE TRADE AGREEMENTS

12<sup>st</sup> July 2024



## Vegetable Industry Insights



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## About AUSVEG

AUSVEG is the prescribed Peak Industry Body representing the interests of the Australian vegetable, potato, and onion industry. AUSVEG is a not-for-profit, member-based organisation that is run by growers, for growers.

AUSVEG represents over 3,600 vegetable producers that account for 3.6 million tonnes of vegetable production, and an annual farmgate value of \$5.8 billion.

AUSVEG is a nationally federated body with the following members: AUSVEG VIC, AUSVEG SA, Queensland Fruit and Vegetable Growers, vegetablesWA, NSW Farmers, NT Farmers, WA Potatoes, and TasFarmers.

The purpose of AUSVEG is to advocate on behalf of industry at local, state, and federal levels with the core purpose of enhancing the economic, social, and commercial environment for growers so that the industry can continue to produce outstanding vegetables, potatoes, and onions for Australian and international consumers.

AUSVEG also delivers services for growers around Australia in the areas of extension, communication, environmental sustainability, biosecurity, export development and market access, working closely with growers to ensure their needs are reflected in this work.

In partnership with the International Fresh Produce Association A-NZ, AUSVEG hosts Hort Connections, Australia's largest horticulture conference and trade show which attracts more than 4,000 delegates annually. This event brings growers, supply chain, government and industry members together to increase awareness and uptake of the latest industry innovations, research and development outcomes, and to facilitate vital industry networking opportunities.

For more information about the details in this document, please contact:

Lucy Gregg, AUSVEG General Manager – Public Affairs & Communications

## Background

AUSVEG welcomes the opportunity to provide feedback on the inquiry into the understanding and utilisation of benefits under Free Trade Agreements (FTAs), and commends the government for its work in establishing a range of FTAs with key trading partners.

With Australia's trade-related activities supporting one third of GDP and 3 million jobs, priority should be given to preserving and building international trade, particularly in the face of slowing global growth.

A strong trade liberalisation policy is vital for promoting global economic growth, and AUSVEG supports the Australian government's commitment to opening up more markets and reducing or eliminating tariffs, quotas, and other trade barriers.

Facilitating the free flow of goods and services between countries stimulates competition, and encourages domestic industries to innovate, and improve efficiency. Trade liberalisation also enables countries to specialise in producing goods and services where they have a comparative advantage, for instance counter seasonal vegetable production and supply. This specialisation drives, particularly in the agricultural sector, rural and regional economic growth and can lead to higher productivity and job creation.

Expanding trade agreements can also help attract foreign direct investment (FDI), as multinational companies seek to capitalise on new market opportunities. FDI brings not only capital but also technology transfer, managerial expertise, and access to international markets, further boosting the host country's economic prospects.

There are many examples of FDI in agriculture, with some investments driven by international retailers and wholesalers looking to source supply across global locations to provide a 12 month supply of product. Trade liberalisation also supports global supply chains, making them more resilient and diversified, which is crucial in times of economic disruptions like the COVID-19 pandemic.

Free Trade Agreements offer a range of economic benefits that significantly enhance global and national economic landscapes, as well as significant pillars of some regional economies. By systematically reducing or eliminating tariffs, quotas, and other trade barriers, FTAs can facilitate a more commercial flow of goods between member countries. This liberalisation leads to increased trade volumes, which, in turn, stimulates economic growth and creates a more dynamic market environment.

One of the primary economic benefits of FTAs is the promotion of export growth. By providing preferential access to foreign markets, businesses can expand their customer base beyond domestic borders. This expansion allows companies to scale up production, achieve economies of scale, derisk exposure to the domestic market, and enhance their competitiveness globally. Increased exports contribute to higher GDP growth rates and can lead to a more robust economy.

Diversifying vegetable production into export markets presents significant benefits for the agricultural industry by increasing its resilience, reducing exposure to the domestic market, and creating a dynamic tension that helps support better domestic pricing.

By expanding into international markets, vegetable producers can access a larger customer base, reducing dependence on domestic demand fluctuations and mitigating risks associated with local market saturation or economic downturns. This expansion allows producers to tap into markets with higher purchasing power and specific demands, often commanding premium prices for high-quality produce, thereby increasing revenue and profit margins.

Export diversification can also encourage the adoption of advanced agricultural practices and technologies to meet stringent international standards, leading to improved productivity, efficiency, and product quality.

Additionally, exposure to international markets drives innovation and diversification in crop selection, enabling producers to adapt to global trends and consumer preferences, which can further open up new market opportunities and reduce reliance on a limited range of products.

Engaging in export markets also promotes job creation, rural development and supports regional economic growth. The increased demand for labour in growing, harvesting, processing, and logistics can boost employment opportunities in agricultural communities.

All of this contributes to enhancing the robustness of the local agricultural and horticultural sectors, and by extension, Australia's food security and national sovereignty. Given trade and investment are so closely intertwined, a key priority for the Australian vegetable industry is for the government to smooth trade flows, to allow these sovereign benefits to be realised.

The Australian vegetable industry faces several trade barriers that can impede its ability to access, compete and develop international markets. These barriers can be broadly categorized into tariffs, non-tariff measures, and logistical challenge.

## Current Status

While Australia has FTAs with several countries that have reduced or eliminated tariffs, not all export destinations are covered by such agreements.

Moreover, even in markets where FTAs are in place, ongoing focus is needed on tracking and measuring utilisation and uptake of these agreements, to ensure the full benefits are being realised. Along similar lines, FTAs entered into years ago must be the focus of ongoing review and, where applicable, updating, to ensure they remain fit for purpose.

In markets without FTAs, Australian vegetable exports can be subject to high import duties, reducing their price competitiveness. Australia was unable to finalise an FTA with the European Union (EU) which now puts the Australian vegetable industry at a considerable disadvantage against key rival New Zealand, a major vegetable producing country, which successfully negotiated an FTA with the EU, which came into force on the 1st May 2024.



New Zealand onion producers will now have a significant commercial advantage over Australian growers<sup>1</sup> with their tariff dropping from 9.65% to zero.

Establishing commercially meaningful access to the EU for Australian growers via a matching of the tariff elimination afforded to New Zealand producers, has been identified as an urgent priority for our industry in the establishment of any FTA.

As Australia continues to consider and negotiate future FTAs, a key guiding principle must also be that any agreements do not increase the regulatory burden on the Australian vegetable industry, particularly on existing open markets.

In the review of existing, and negotiation of new, FTAs, further consideration must also be given to reducing non-tariff barriers in tandem with tariff relief, to ensure the full benefits can be realised by the Australian vegetable industry.

Non-tariff barriers include a range of regulatory and administrative measures that can restrict trade. Phytosanitary regulations, which aim to prevent the spread of pests and diseases, often vary significantly between countries and can be particularly stringent. Compliance with these standards can be costly and time-consuming for Australian producers. Additionally, other non-tariff barriers include import quotas, labelling requirements, and standards that differ from international norms, which can complicate market entry.

Ongoing focus from government to support industry to realise the full benefits of FTAs is required. For example, the Indonesia Australia – Comprehensive Economic Partnership Agreement (IA-CEPA) entered into force on the 5<sup>th</sup> July 2020 and signalled a new era of closer economic engagement between Australia and Indonesia, which technically should have improved two-way trade between the two countries. Greater opportunities for Australia's fresh vegetable exporters were negotiated, with positive outcomes including minimum Tariff Rate Quotas for carrots and potatoes.<sup>2</sup> Unfortunately, the benefits of IA-CEPA have not been fully realised by the vegetable industry due to a range of non-tariff factors such as excessive customs valuations on arrival. These tactics have continually frustrated both exporters and importers, and effectively led to a cessation of the trade in these products. Achieving a positive resolution to this frustrating and counter-productive situation has been identified as another priority for the Australian vegetable industry. Declining export values to Indonesia can be seen in Table 1.

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<sup>1</sup> <https://www.mfat.govt.nz/assets/Trade-agreements/EU-NZ-FTA/NZ-EU-FTA-Tariff-Savings-for-New-Zealand-Exporters.pdf>

<sup>2</sup> [VegExportNotes-11-IA-CEPA-Partnership-Agreement.pdf \(ausveg.com.au\)](#)

**Table 1:**

<b>Top 30 Australian Fresh Vegetable Export Destinations Jan- Dec</b>				
Rank	Trade Partner	2021	2022	2023
		AUS	AUS	AUS
1	Singapore	\$ 48,486,777	\$ 41,942,095	\$ 42,538,063
2	United Arab Emirates	\$ 32,072,117	\$ 32,539,222	\$ 33,891,943
3	Malaysia	\$ 28,941,020	\$ 22,998,763	\$ 24,727,666
4	Korea, South	\$ 12,294,061	\$ 16,512,819	\$ 17,108,202
5	Saudi Arabia	\$ 16,574,589	\$ 13,841,498	\$ 14,880,859
6	Hong Kong	\$ 18,938,507	\$ 15,931,076	\$ 14,132,549
7	Thailand	\$ 12,697,258	\$ 16,266,589	\$ 14,007,724
8	Taiwan	\$ 8,350,335	\$ 10,093,258	\$ 12,618,370
9	New Zealand	\$ 11,719,249	\$ 7,524,120	\$ 12,476,827
10	Japan	\$ 7,938,657	\$ 8,843,452	\$ 8,961,319
11	Philippines	\$ 5,402,093	\$ 5,338,210	\$ 7,112,885
12	Qatar	\$ 8,766,079	\$ 8,150,926	\$ 5,614,969
13	Fiji	\$ 1,559,452	\$ 3,268,347	\$ 5,577,884
14	Papua New Guinea	\$ 2,185,568	\$ 2,812,061	\$ 3,916,169
15	New Caledonia	\$ 1,941,598	\$ 3,782,752	\$ 3,909,447
16	Spain	\$ 1,109,189	\$ 1,610,768	\$ 3,501,322
17	Netherlands	\$ 1,948,755	\$ 912,908	\$ 3,482,150
18	Indonesia	\$ 4,090,002	\$ 2,919,385	\$ 2,879,188
19	Kuwait	\$ 3,167,898	\$ 2,258,831	\$ 2,456,395
20	Bahrain	\$ 1,754,727	\$ 1,544,383	\$ 1,709,084
21	Belgium	\$ 1,468,777	\$ 573,343	\$ 1,483,348
22	Brunei Darussalam	\$ 3,681,674	\$ 1,604,496	\$ 1,441,845
23	Vietnam	\$ 1,125,186	\$ 1,159,694	\$ 1,295,460
24	Germany	\$ 315,280	\$ 285,543	\$ 1,237,671
25	France	\$ 1,663,737	\$ 1,254,215	\$ 1,127,183
26	Vanuatu	\$ 336,739	\$ 449,950	\$ 751,845
27	United Kingdom	\$ 428,148	\$ 450,763	\$ 731,328
28	Norway	\$ 645,817	\$ 305,612	\$ 685,922
29	French Polynesia	\$ 303,424	\$ 494,662	\$ 534,765
30	Italy	\$ 661,704	\$ 993,841	\$ 495,740

Free Trade Agreements can have limited opportunities for Australian vegetable exporters unless partnered with a successful technical export market access pathway. It is important that the Department of Foreign Affairs and Trade (DFAT) work collaboratively with the Department of Agriculture, Forestry and Fisheries (DAFF) to ensure that the benefits of Free Trade Agreements are maximised for the export of fresh vegetables.

The vegetable industry has four key areas of concern when it comes to expanding export market opportunities. These are:



- a) Technical Market Access (phytosanitary) – This includes technical (scientific) negotiations between governments that permit the entry of produce based on the aim of reducing biosecurity (phytosanitary) risks to an acceptable level.
- b) Trade Barrier Removal – This includes Free Trade Agreements, tariff reductions, rules of origin, quotas and import permits.
- c) Market Improvement – This is when access for a commodity already exists however trade would be improved with some changes to the import process.
- d) Other access improvements – This includes streamlining import processes, changes to import conditions around food safety or labelling, clearance protocols, and testing requirements on arrival.

It is important also to keep in mind that trade is not just about market access, with digitisation, decarbonisation and diversification all contributing to an increasingly complex and challenging global trade landscape. This serves to emphasise the importance of partnership with businesses, stakeholders and government to ensure the benefits of current and future FTAs can be fully realised.

## Marketing and Promotion

The benefits of trade agreements are sometimes not realised due to lack of capacity or resources for Australian exporters to promote a product in-country, especially when existing suppliers are well established. This is quite often the case with export orientated competitors such as Chile and New Zealand, which have strong footholds in some markets that make it difficult for Australian exporters to break into.

AUSTRADE, industry peak bodies such as AUSVEG, and other agencies such as Hort Innovation have been working in various formats to promote vegetable exports. This includes trade shows (such as Gulfood, Asia Fruit Logistica and HOFEX), inbound trade missions, supply chain briefings, and other promotional activities that drive awareness of the range of products available, including the diversity of seasonality, and the ability to provide some products 12 months of the year due to the unique climatic regions of Australia.

## Export Capacity

Building industry capability to grow vegetable exports requires developing an export culture and attitude, and this can take some years. Whilst the industry has a level of skilled exporters in the sector, there is also a number of less experienced exporters, or growers who are interested in diversifying into export markets and developing their own export opportunities.

AUSVEG continues to build capacity in the industry through various levy funded projects and through initiatives with other aligned organisations, state governments, supply chain participants and other stakeholders. AUSVEG maintains an online e-learning training program for aspiring exporters to understand the unique aspects of exporting prescribed fresh vegetables to international markets. One module of this online training program focuses on FTAs, how they benefit exporters and how exporters can best utilise these arrangements.

To fully realise the benefits of trade agreements for Australian export businesses, AUSVEG pushes for continued financial support of programs such as Export Market Development Grants (EMDG) and TradeStart, while also seeking to ensure that AUSTRADE and the Agricultural Counsellor network are well resourced to deliver vital trade initiatives and support existing exporters to resolve trade issues.

## Conclusion

The Australian vegetable industry has benefited from the establishment of FTAs in many key markets that have been achieved over the past decade.

AUSVEG supports the government's trade liberalisation agenda and ongoing activities to establish trade agreements with foreign trading partners. The vegetable category, both domestically and in international markets, is a relatively low value category and highly price sensitive, meaning that any tariff relief that can be achieved through the establishment of FTAs greatly aids competitiveness for Australian fresh vegetable exporters in export markets.