



18 June 2015

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Joint Select Committee on Trade and Investment Growth  
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**Re: Inquiry into the Business Experience in Utilising Australia's Free Trade Agreements**

**1. About AUSVEG**

AUSVEG is the National Peak Industry Body representing the interests of Australian vegetable and potato growers. We represent growers around Australia and assist them by ensuring the National Vegetable Levy and the National Potato Levy are invested in research and development (R&D) that best meets the needs of the industry.

AUSVEG also makes representations on behalf of vegetable and potato growers to ensure their interests and concerns are effectively communicated to all levels of government, in the public sphere, and throughout relevant areas of the private sector.

Yours sincerely

Richard J Mulcahy  
Chief Executive Officer

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### 3. Submission

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#### Overview

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Cooperation between all stakeholders is key to further developing export markets and providing the vegetable industry with the best opportunities to capitalise on free trade agreements (FTAs). To this effect, AUSVEG welcomes the opportunity to make a submission to this Inquiry and advocate for the experience of Australia's vegetable and potato growers.

The outcomes from Australia's FTAs with Japan (JAEPA), South Korea (KAFTA), and China (ChAFTA) are very favourable for the vegetable industry. The liberalising of trade through the reduction of tariffs and quotas can only be beneficial for the future of vegetable exports, and the industry stands to benefit in the future from these valuable foundations.

However, while the elimination of tariffs on vegetable commodities has been beneficial to the industry, it is important to note that for vegetable commodities with poor or no market access to particular countries, or for entire markets where Australia's access is poor, this elimination of tariffs is fundamentally useless until this access is improved.

AUSVEG has repeatedly advocated for the Federal Government to increase resources within the Department of Agriculture to improve market access timeframes and outcomes. This includes increased consultation with stakeholders to ensure that their concerns are adequately addressed and that favourable market access outcomes are achieved.

It is also vital that the reciprocal value of allowing market access be recognised by the Department. In negotiations for market access for Australian vegetables, the Department's historic processing time for applications from other countries often works against Australia's interests. Increasing resources in the Department for this purpose would greatly help Australia gain vital market access to other countries.

Any allocation of increased resources to this area must also include regular updating and maintenance of the Manual of Importing Country Requirements (MiCoR) database to ensure that it provides agricultural organisations looking to export with the most accurate information available on phytosanitary protocols. If vegetable-growing operations are to successfully utilise both current and proposed FTAs, they must have access to accurate and timely information through this database.

Additionally, AUSVEG notes the recent announcement by the Federal Government that it will be providing \$24.6 million over two years to promote business understanding of recently concluded FTAs. It is unclear if this will include market access protocols – as part of our submission to this Inquiry, we would like clarification on if this database will function separately to MiCoR, or form an easier-to-use “one stop shop” for both trade-related information and market access information.

If MiCoR is to be expanded to include tariff information, this would greatly help businesses benefit from reductions in tariffs that result from FTAs. This information is currently difficult for many growers to identify, meaning that the benefits of Australia's agreements are not being fully felt.

## Japan-Australia Economic Partnership Agreement (JAEPA)

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Vegetable production is the third-biggest sector in Japanese agriculture, which has traditionally been protected and highly subsidised by the Japanese Government. Therefore, Japanese vegetable imports mostly consist of vegetables intended to fill off-season supply, with Australia in a prime position to fill this demand.

However, Japan's dependence on imported vegetables has increased over time, due to lower production volumes and smaller land area under production. Additionally, food safety concerns brought on by the effects of the 2011 tsunami on domestic Japanese produce have led to an increased desire for higher-quality imported vegetables in the Japanese market.

Since 2009-10, Australian vegetable exports to Japan have increased by 43 per cent. Japan has surpassed New Zealand as Australia's largest destination for vegetable exports, and accounted for almost 40 per cent of Australia's export value to Asia in 2013-14.

In this context, JAEPA has been a welcome step in liberalising Australia's trade with Japan and increasing the opportunities for the vegetable market. The elimination of tariffs on the vast majority of Australia's vegetable and juice exports, including carrots, broccoli, cauliflower and cabbage, will prove to be beneficial to these sectors of Australia's vegetable industry.

As with many other markets, however, market access remains an impediment, regardless of any reduction of economic barriers.

For example, while the 3 per cent tariff on (among other commodities) Australian potatoes, capsicums, and pumpkins is a welcome step, the fact that there is currently no market access for those three commodities means this elimination of tariffs is little more than symbolic. For other commodities, market access is only available by region – for example, only Tasmanian beans and snow peas have market access into Japan, while those from other regions of Australia are prohibited.

It is vital that any consideration of JAEPA's success, and any future negotiations which may be based on the business experience of JAEPA, takes these factors into consideration.

## Korea-Australia Free Trade Agreement (KAFTA)

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While KAFTA does include significant eliminations of some tariffs on vegetable products, including the progressive elimination of the 30 per cent tariff on carrots and most fruit juices (to be eliminated by 2018) and the 45 per cent tariff on tomatoes (to be eliminated by 2020), Australia's vegetable exports to South Korea are limited.

Australia's major vegetable export to Korea is potatoes, which made up 86 per cent of our total vegetable exports to Korea in 2013/14, with asparagus comprising approximately another 5 per cent. The progressive elimination of the tariff on potatoes, down from 27 per cent, is therefore the most significant aspect of KAFTA for the industries which AUSVEG represents.

However, it is important to note that this is a seasonal quota/tariff reduction, and only applies to chipping potatoes. Outside of the relevant season (1 December – 30 April), this tariff is prohibitively high for chipping potatoes, and the tariff on non-seed potatoes which are not for chipping sits at 304 per cent regardless of season.

As with other markets, a major limitation on Australia's ability to export vegetables to South Korea is a lack of market access for vegetable commodities which could otherwise provide significant export value. For instance, there are currently no (or unworkable) phytosanitary protocols for Australian cauliflower, broccoli, beans, lettuce, pumpkins, celery and capsicum into South Korea. If Australia's growers are to capitalise on the liberalisation of trade offered by KAFTA, market access across a range of vegetable commodities (including those listed above) must be improved.

### China-Australia Free Trade Agreement (ChAFTA)

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ChAFTA will see the current tariffs of 10-13 per cent for fresh vegetables phased out over four years. While this is a welcome step in paving the way for increased export activity in the fresh vegetable, the near-blanket lack of access for vegetables to the Chinese market is an issue that the industry is looking to address in the coming years in order to capitalise on these reduced tariffs.

Australian vegetable exports to China were worth \$2.5 million in 2013-14 – a 50 per cent increase on the previous year. Additionally, there is a substantial amount of research that indicates the demand for high quality and safe product among consumers in China, and these traits are linked to Australian produce in the minds of Chinese consumers. There is clearly a wealth of potential for the Australian vegetable industry to take advantage of in the Chinese market, if market access can be negotiated.

For certain vegetable commodities exported by Australian producers, market access to China should not offer substantial bureaucratic or regulatory hurdles. For carrots, for example, there are no pest and disease concerns – in this case, market access should simply require a more dedicated approach from the Federal Government. Products which do not require any further work by organisations to meet phytosanitary protocols, such as carrots, should be given priority for market access negotiations as they are fast and simple to negotiate. This will allow more immediate benefits of ChAFTA to be felt.

As previously stated, AUSVEG strongly recommends a more active approach on the behalf of the Department of Agriculture to attaining market access for Australian vegetable commodities, including adopting shorter timeframes for approving other countries' commodities access into Australia. These actions will greatly improve the ability of vegetable-growing organisations to take advantage of Australia's existing and proposed free trade agreements.