

Agriculture

Introduction

- 7.1 The Agreement contains obligations in respect of market access for agriculture which are covered by the following chapters, schedules and annexes of the Agreement
- Chapter 2 (National Treatment and Market Access for Goods)
 - the Tariff Schedule of the United States and the Tariff Schedule of Australia (both of which form part of Annex 2-B) – together with the provisions of Annex 2-B and the General Notes and Annex I of the tariff schedules
 - Chapter 3 (Agriculture) and Annex 3-A.¹
- 7.2 In part the obligations determine the rate of tariff reduction on Australian agriculture products entering the United States through staging categories ranging from confirmation of zero tariff up to elimination of tariffs in equal annual instalments over 18 years.² As well as tariff reductions, there are also obligations in respect of tariff rate quotas to beef, dairy, tobacco, cotton, peanuts and avocados.³
- 7.3 There are three types of agriculture safeguard measures that may apply to Australian exports to the United States. These are

1 DFAT, *Guide to the Agreement*, p. 15.

2 DFAT, *Guide to the Agreement*, p. 16.

3 DFAT, *Guide to the Agreement*, p. 17.

- a horticulture price-based safeguard (Section A, Annex 3-A)
 - a quantity-based beef safeguard, (Section B, Annex 3-A)
 - a price-based beef safeguard (Section C, Annex 3-A).⁴
- 7.4 Also included in the Chapter are some obligations in respect of multilateral cooperation, establishing a Committee on Agriculture, an agreement not to use export subsidies on agriculture goods traded into each other's market and a side letter on BSE (Bovine Spongiform Encephalopathy – mad cow disease) committing both Parties to continue working in international forums for standard setting and guideline establishment.⁵
- 7.5 While there have been changes in various agricultural products, the Committee notes that
- Australia's single-desk arrangements for marketing Australian commodities to the world, such as for sugar, rice, wheat and barley, have been preserved.⁶

Background

- 7.6 Agriculture has long been important to the Australian economy. Currently 80 percent of total production is exported, and over the last ten years, exports in agriculture goods, including processed foods and beverages grew to nearly \$32 billion in 2002.⁷
- 7.7 Agriculture is an important part of international trade, and thus receives a considerable amount of attention in any trade talks, whether that is at the bilateral, regional or multilateral level. The debate on agriculture in trade talks is about market access and trade distorting subsidies.
- In no other area does domestic support distort international markets to the extent that it does in agriculture, with

4 DFAT, *Guide to the Agreement*, p. 21.

5 DFAT, *Guide to the Agreement*, pp. 22-23.

6 http://www.dfat.gov.au/trade/negotiations/us_fta/outcomes/03_agriculture.html, viewed on 7 June 2004.

7 http://www.dfat.gov.au/trade/negotiations/trade_in_agriculture.html, viewed on 7 June 2004.

US\$318 billion in 2002 in support and protection for agriculture by rich developed countries worldwide.⁸

- 7.8 Australia has led the world in pressing for reductions in subsidies and has established several methods to achieve this outcome. Australia established the Cairns Group⁹ and has since then pushed for agriculture trade reform in the Uruguay Round of trade negotiations completed in the mid 1990s. The Committee understands that Australia is now committed to a substantial outcome in the current Doha round of negotiations.

Beef

Industry views on goals

- 7.9 The Committee heard from organisations and individuals about the beef market access and the safeguards that apply to beef. The US beef market is important to Australian exporters and this was supported by evidence to the Committee.

Beef exports were Australia's largest individual merchandise export item to the US in 2002, valued at A\$1.6 billion.

However, the volume of beef and other commodity exports such as dairy and sugar is severely constrained by a series of tariffs and quotas¹⁰

and

as a globally focussed industry and a staunch supporter of free trade, the prospects of an FTA delivering ongoing trade improvements presented a unique opportunity to advance the interests of the red meat industries in both Australia and the US.¹¹

- 7.10 The Committee heard from beef exporting organisations that key negotiating objectives were increased market access through either

8 http://www.dfat.gov.au/trade/negotiations/trade_in_agriculture.html, viewed on 7 June 2004.

9 The Cairns Group, established in 1986, consists of 17 countries from Latin America, Africa and the Asia-Pacific region dedicated to agriculture trade reform.

10 National Farmers Federation, *Submission 153*, p. 4.

11 Australian Red Meat Industry, *Submission 61*, p. 2.

the removal of the current tariff rate constraints or, if not, substantial liberalisation through increased tonnage.¹²

Outcomes – Access and Safeguards

- 7.11 Under the terms of the AUSFTA, Australia will maintain its WTO agreement quota of 378 214 tonnes of beef, but will receive an increasing volume of beef, growing from 20 000 (at the latest) tonnes in Year Three of the Agreement to 70 000 tonnes in Year 18. The in-quota tariff of US\$4.4c per kg will be eliminated on date of entry into force. In Years 9-18 the 26.4 percent tariff on over-quota exports will be reduced to zero. At the beginning of Year 18, Australia will be able to export unlimited quantities into the United States, subject to the beef safeguards.¹³
- 7.12 There are two types of beef safeguards that will apply at different times to Australian beef. The first safeguard applies during the 18 year tariff elimination which applies to exports of beef which exceed 110 per cent of the total preferential quota volume in that year. If the safeguard is triggered then
- any additional over-quota exports [will] have to pay a tariff equal to the FTA preferential tariff plus 75 per cent of the difference between the original tariff and the FTA preferential tariff.¹⁴
- 7.13 The second safeguard is price-based and applies to beef exports starting in Year 19 of the Agreement. The safeguard applies to beef exports in excess of 448 634 tonnes (the existing quota of 378 214 tonne quota plus the additional 70 000 tonne quota in year 18 plus 420 tonnes). An additional 420 tonnes will be added each year after this, and this total amount will always receive duty free access into the US and is not subject to the price-based beef safeguard. The ‘safeguard will be triggered if the price of beef in the United States falls 6.5 percent below the average price in two months of a quarter’.¹⁵ If this point is triggered, then exports in excess of the quota will be subject to a tariff equal to 65 percent of the prevailing tariff. Once

12 Mr Stephen Martyn, *Transcript of Evidence*, 19 April 2004, p. 13.

13 DFAT, *Guide to the Agreement*, p. 18.

14 DFAT, *Guide to the Agreement*, p. 19.

15 DFAT, *Guide to the Agreement*, p. 19.

triggered the safeguard operates for three months or until the end of the calendar year, whichever is the shorter.¹⁶

Why weren't the goals met?

- 7.14 From the evidence and submissions received, the Committee understands there were several reasons for not achieving substantial liberalisation. These included the strong US beef lobby and the unfortunate timing of the identification of a BSE infected cow in Washington State.
- 7.15 Industry representatives noted that 'the FTA did not deliver industry expectations of an immediate increase in Australia's beef quota to the US,'¹⁷ despite Australia's offer which was 'modest' and 'developed by industry in consultation with Australian negotiators to be deliberately conservative'.¹⁸
- 7.16 Evidence to the Committee from both the peak farming body and the red meat industry in respect of the beef safeguards noted
- that the existence of a permanent safeguard on beef sets a bad precedent in other bilateral negotiations. It is important to note that the US lobbied with Australia against the use of a safeguard on beef by Japan, which was imposed last year¹⁹
- and
- the arbitrary price-based safeguards to be imposed at the end of the transition period provide a 'safety-net' to the US beef industry and are an unwarranted obstacle in achieving free trade.²⁰
- 7.17 The Committee heard that the beef safeguards would have minimal impact on Western Australia, a representative of which asserted that the new US bioterrorism regulations may have more impact on that State.²¹
- 7.18 The Committee understands that the final outcome on beef was probably also affected by the identification of a BSE infected cow in the US during the final negotiations.

16 DFAT, *Guide to the Agreement*, p. 20.

17 Australia Red Meat Industry, *Submission 61*, p. 1.

18 Cattle Council of Australia, *Submission 173*, p. 19.

19 National Farmers Federation, *Submission 153*, p. 6.

20 Australian Red Meat Industry, *Submission 61*, p. 1.

21 Mr Henry Steingeisser, *Transcript of Evidence*, 23 April 2004, p. 11.

Despite sound economic rationale, the level of liberalisation ambition was tempered by a case of BSE in the US announced in December 2003 and opposition to any increased access for Australian product under an FTA as voiced by the US beef lobby.²²

- 7.19 Despite the safeguards and BSE issue, it was clear to the Committee that the final outcome on beef was not as expected and to some extent disappointing considering that the impact on the US market would have been negligible.

For some Australian exports, such as beef for example, Australian product is complementary and not competitive in nature. As a result, NFF believes the US has no justification for not providing Australian farmers with unimpeded access to their market²³

and

It would be impossible for the Australian beef industry to increase production to an extent which could cause any perceptible harm to the US beef industry.²⁴

- 7.20 The Committee notes with interest that industry made positive submissions suggesting that the outcomes in the AUSFTA could not have been negotiated in any other forum at the current time.²⁵
- 7.21 The Committee notes that there was a general level of concern amongst organisations, individuals and community groups outside of the industry, which for the most part mentioned the inclusion of beef safeguards and/or the long phase in periods.²⁶ These issues are also discussed at Chapter 5.

22 Australian Red Meat Industry, *Submission No. 61*, p. 1 and reflected in Australian Meat Holdings Pty. Ltd., *Submission No. 149*.

23 National Farmers Federation, *Submission 153*, p. 5; and supported by the Australian Red Meat Industry, *Submission 61*.

24 Cattle Council of Australia, *Submission 173*, p. 3.

25 Australian Red Meat Industry, *Submission 61*; National Farmers Federation, *Submission 153*, and Cattle Council of Australia, *Submission 173*.

26 Australian Pensioners & Superannuants League Qld, *Submission 30*; Mr Jonathon Shultz, *Submission 51*; NSW Government, *Submission 66*; WTO Watch, QLD, *Submission 112*; Western Australian Government, *Submission 128*.

Comment on conduct of the negotiations

7.22 The Committee was reassured that the conduct of the negotiations by Australian Government officials was of the highest standard, reflected in this comment by the Cattle Council of Australia, that

the Australian Trade Minister and the Australian negotiating team worked tirelessly to achieve the best outcome they could for Australian beef producers. CCA takes exception to anyone who would criticise their efforts during the FTA. There has been comment by some groups within Australia questioning the professionalism of the Australian negotiators.²⁷

7.23 It is clear from peak bodies and the industry that the original negotiating objectives were not achieved in its entirety through no fault of the Australian negotiating team, but 'with the US and its inability to remove itself from the political shackles of certain groups within the US farm lobby'.²⁸

Dairy

7.24 The outcome on dairy provides an increase in the duty free quotas, and the reduction of in-quota tariffs on existing dairy quotas reduced to zero from the date of the Agreement's entry into force. Over quota tariffs, except for goya cheese will remain the same.²⁹

7.25 From the date of entry into force, the dairy industry recognises that the Agreement will provide a 'threefold increase in Australia's quota access for dairy products to the US and new access will grow at five per cent a year, year on year.'³⁰

7.26 The Committee heard that

the new access offers Australian manufacturers a unique opportunity to grow demand for dairy in the United States, with innovative customer-tailored products, before our competitors can secure increased access either via regional agreements or multilaterally through the WTO.³¹

27 Cattle Council of Australia, *Submission 173*, p. 2.

28 Cattle Council of Australia, *Submission 173*, p. 6.

29 DFAT, *Guide to the Agreement*, p. 20.

30 Mr Allan Burgess, *Transcript of Evidence*, 20 April 2004, p. 55.

31 Mr Paul Kerr, *Transcript of Evidence*, 20 April 2004, p. 56.

7.27 While the industry is disappointed that negotiators were unable to secure free trade in dairy,³² they note that this Agreement is a stepping stone

to the industry's most important trade objective: fundamental reform of the world's dairy products trading arrangements through the Doha development round negotiations.³³

7.28 Overall, the Committee notes that despite the fact that the industry did not get immediate access on all categories without limit³⁴, they support the AUSFTA.³⁵

Sugar

7.29 Australia currently has a tariff rate quota access of approximately 87 000 tonnes per calendar year and sought substantial improvement to this access in the process of negotiations towards this Agreement. The Committee understands that sugar access has been an ongoing issue between Australia and the United States, with the Australian lead negotiator noting that

it is something that Australia has been pursuing, including through GATT cases, for the last 40 or 50 years.³⁶

7.30 The Committee notes that the global sugar market is perhaps the most corrupt and

sugar farmers in European countries, the US, Japan and a few other countries appear to be heavily protected, and there does not seem to be very much movement at all to the levels of protection or regimes in those countries.³⁷

7.31 In this respect, the Committee notes with interest that the Australian Government is currently in dispute settlement proceedings in the WTO on the European Communities export subsidies on sugar.³⁸

32 Australian Dairy Industry Council, *Submission 19*, p. 1.

33 Mr Paul Kerr, *Transcript of Evidence*, 20 April 2004, p. 56.

34 Ms Virginia Greville, *Committee Briefing*, 2 April 2004, p. 34.

35 Mr Allan Burgess, *Transcript of Evidence*, 20 April 2004, p. 55; Mr Paul Kerr, *Transcript of Evidence*, 20 April 2004, p. 56; Australian Dairy Industry Council, *Submission 19*.

36 Mr Stephen Deady, *Transcript of Evidence*, 14 May 2004, p. 93.

37 Mr Ian White, *Transcript of Evidence*, 5 May 2004, p. 3.

38 http://www.dfat.gov.au/trade/negotiations/wto_disputes.html#ozcomp, viewed on 16 June 2004.

- 7.32 The exclusion of sugar from the AUSFTA is disappointing. The Committee notes that the disappointment is not confined to just industry groups, but is felt in the Australian negotiating team. The Australian lead negotiator noted
- I think ... the whole team – and, I am sure, the government – feel disappointed that we were unable to achieve anything on sugar as part of the agreement.³⁹
- 7.33 The Committee heard from both government and industry on the reasons why the negotiating team was unable to secure an outcome on sugar. Both government and industry believed that it is because the US sugar lobby's political strength was able to convince the US Government that they were unable to stand additional access from countries such as Australia, and that as Australia was not a developing country, it did not need sugar in the Agreement.⁴⁰ Mr Ian Ballantyne, from the Australian Canegrowers Council, stated that
- the exclusion ... has certainly been disappointing – there is no question about that – but, to some extent, not totally unexpected, as we have dealt with the US sugar lobby for some time.⁴¹
- 7.34 The Committee also notes the concern of the industry in the multilateral environment and understands that a continued partnership with government in the WTO negotiations is the best way forward.⁴²
- 7.35 The Committee, with many others, believes that the exclusion of sugar is disappointing. The Committee accepts that a major factor in this outcome is the role of organisations within the US which have their own political agendas. It is clearly an extremely sensitive issue domestically for the US, and the Committee notes the statement by the lead negotiator: 'I did not and the minister did not give up'.⁴³
- 7.36 The Committee notes the views of the sugar industry representatives that despite their exclusion from the Agreement, they support the AUSFTA going ahead.

39 Mr Stephen Deady, *Transcript of Evidence*, 14 May 2004, p. 93.

40 Mr Ian White, *Transcript of Evidence*, 5 May 2004, p. 2.

41 Mr Ian Ballantyne, *Transcript of Evidence*, 5 May 2004, p. 3.

42 Mr Ian White, *Transcript of Evidence*, 5 May 2004, p. 3.

43 Mr Stephen Deady, *Committee Briefing*, 2 April 2004, p. 32.

Our access to the United States is less than one per cent of the United States' consumption of sugar. A 25 per cent increase in that...would have been no outcome. It would have been worse than no outcome, because at least with no outcome you have the opportunity to open discussions at a later date, if you do not have an agreement⁴⁴

and

I have made the comment directly to the Prime Minister and made a public statement that the exclusion of sugar should not prevent Australia from making its decision to enter the agreement ... from a sugar perspective, if it is a positive outcome it should go ahead, albeit without sugar. We would not like to see a positive outcome for the country overturned because of lack of sugar.⁴⁵

A way forward on sugar?

7.37 The Committee understands from recent press reporting⁴⁶ that the Chairman of the US Ways and Means Committee has said that the exclusion of sugar from the Australia – United States Free Trade Agreement was a mistake and that it 'ought not be repeated'.⁴⁷ The Committee notes that in that same report several other countries commencing free trade negotiations with the United States would discuss market access for sugar, including Thailand, Columbia and Panama. Based on this advice and respecting the authority commanded by the Ways and Means Committee, the Committee believes that similar opportunities should be pursued in future.

44 Mr Ian Ballantyne, *Transcript of Evidence*, 5 May 2004, p. 8.

45 Mr Ian Ballantyne, *Transcript of Evidence*, 5 May 2004, p. 19. Mr Ian White confirmed that Queensland Sugar Ltd shared this position.

46 *The Courier-Mail*, 18 June 2004, p. 1.

47 Opening Statement of The Honorable Bill Thomas, Chairman, and a Representative in Congress from the State of California, 16 June 2004, viewed at 18 June 2004 <http://waysandmeans.house.gov/hearings.asp?formmode=view&id=1680>.

Recommendation 7

The Committee notes with interest the opening statement of the Honorable Bill Thomas, Chairman of the US Ways and Means Committee, that the exclusion of sugar from the AUSFTA was a mistake. Noting this, the Committee recommends that the Australian Government actively pursue after ratification through all available channels and in all available fora including the Doha Round, increased market access for Australian sugar into the United States.

Other agriculture products

Sheepmeat and goatmeat

- 7.38 The outcome of the negotiations in respect of sheepmeat is that 'import duties on all tariff lines, other than bone-in mutton carcasses' will go to zero on date of entry into force.⁴⁸ In respect of goatmeat, there will be free access.⁴⁹ The Committee also notes that the North American market is the largest export market for our goat meat industry.⁵⁰
- 7.39 The Committee notes that overall the outcome in sheepmeat and goatmeat is positive and is supported by the industry.⁵¹

Chicken meat

- 7.40 The Committee received a submission from the Australian Chicken Meat Federation which discusses the implications to the industry of the Chapter on Sanitary and Phytosanitary measures.⁵² For further information on quarantine, please refer to Chapter 8 of this Report, which deals with SPS matters.

48 Mr Stephen Martyn, *Transcript of Evidence*, 19 April 2004, p. 13.

49 Mr Stephen Martyn, *Transcript of Evidence*, 19 April, p. 14.

50 Mr Stephen Martyn, *Transcript of Evidence*, 19 April, p. 14.

51 Australian Red Meat Industry, *Submission 61*; Australian Meat Holdings, Pty.Ltd, *Submission 149*, and the National Farmers Federation, *Submission 153*.

52 Australian Chicken Meat Federation, *Submission 26*.

Pork

- 7.41 The Committee heard evidence and received a submission from the Pork Industry. Both the submission and evidence focussed on the implications of the SPS Chapter to the Australian pork industry, and therefore the input of Australian Pork Limited has been dealt with more comprehensively in that Chapter.⁵³

Horticulture

- 7.42 The Committee understands that the outcomes on horticulture are immediate free trade is achieved for current fresh produce horticultural exports to the US. On the other hand free trade is not immediately achievable across the board, particularly for non-fresh items.⁵⁴
- 7.43 For the non-fresh items, the remaining tariffs will be eliminated via a phase in period, of up to 18 years in some cases.⁵⁵
- 7.44 The avocado industry will receive two new seasonal duty free tariff rate quotas beginning in Year Two of the Agreement. The extra amounts totalling 4000 tonnes per year are split into the season from 1 February to 15 September for an amount of 1500 tonnes and between 16 September and 31 January where the amount is 2500 tonnes.⁵⁶
- 7.45 The Committee also notes that
- The immediate zero tariff outcomes for a range of mostly tropical fruit which are currently seeking quarantine access to the States, while neither relating to quarantine access nor guaranteeing that trade will develop upon achievement of quarantine access, are nevertheless positive.⁵⁷
- 7.46 The Committee understands that there will be no change to US quarantine restrictions as a result of the AUSFTA, and that determinations will continue to be made on the basis of science.⁵⁸

53 Ms Kathleen Plowman, *Transcript of Evidence*, 14 May 2004, p. 23; Australian Pork Ltd., *Submission 108*.

54 Horticulture Australia, *Submission 159*, p. 1.

55 Horticulture Australia, *Submission 159*, p. 2.

56 DFAT, *Guide to the Agreement*, p. 21.

57 Horticulture Australia, *Submission 159*, p. 2.

58 Horticulture Australia, *Submission 159*, p. 2.

7.47 The Committee received a submission that notes that despite the additional access 14 of the 24 current items of prepared/processed items will need to wait either 10 or 18 years for total tariff elimination. It would also appear that the phasing periods for the FTA negotiated between Chile and the US are more favourable than our own.⁵⁹

7.48 The Committee notes that

A number of Australian product codes are faced with immediate elimination of a 5 percent tariff on the agreement coming into effect. This will impact variously, depending on a range of different factors.⁶⁰

7.49 The Horticulture industry provided to the Committee the following summary of US FTA outcomes for particular products.

Table **Summary of AUSFTA Outcomes for the particular horticultural industries as provided to Committee**

Industry	Outcome
1. Citrus	<p>Elimination of current fresh fruit tariffs with an associated cost reduction</p> <p>Continuing support for the export efficiency licensing arrangements</p> <p>Expanded exports from additional areas will need await quarantine access approvals</p> <p>Elimination of the tariff on imported citrus juice from the US but Brazil is the major supplier</p>
2. Macadamias	<p>Elimination of the current tariff on raw macadamia kernel</p> <p>Reduction of the current tariff on processed (value added kernel) over 4 years to zero</p> <p>Liberal quota access with zero in quota tariff for chocolate coated macadamias of more than 5.5% butter fat</p> <p>Progressive elimination of the current competitive advantage that sub Saharan countries enjoy for raw and further process kernel</p> <p>Increase in the incentive to further process kernel in Australia and add scale to current value adding operations</p> <p>A further marketing advantage for chocolate coated macadamias at the indicted butterfat level</p>
3. Avocadoes	<p>A tariff free quota (two period quotas covering the year) with appreciable tonnages, increasing over the period of 18 years and with free trade at the end of the period</p> <p>Substantial growth in production is forecast and new markets are vital to support this growth</p> <p>Exports to the US will need to await quarantine access approval</p>
4. Mangoes	<p>Elimination of current US tariff on the agreement coming into force assisting ability to compete with current competitors in the market</p> <p>Exports to the US will need to await quarantine access approval</p>

59 Horticulture Australia, *Submission 159*, p. 2.

60 Horticulture Australia, *Submission 159*, p. 2.

5. Nursery	Elimination of current tariffs on virtually all nursery and garden lines in to the US, including the two current major export items, artificially propagated cut wax flowers and Australian natives
6. Olives	Elimination of virtually all current tariffs on green and black olives and olive oil exported to the States Support to current strategic targeting of the US in the above lines
7. Potatoes	Subject to quarantine access, there could be potential to export fresh potatoes to the US during their winter. Reduction in tariffs of frozen potato products into Australia could negatively impact the Australian processing potato industry
8. Pistachios	Removal of current 5% import tariff will strongly affect margins
9. Almonds	Loss of any differential between import parity and domestic prices, resulting in reduced margins and significant increase in Californian competition on the domestic market

Source *Horticulture Australia, Submission 159, p. 8.*

Horticulture Safeguard

7.50 As part of the AUSFTA, there is a horticulture safeguard that applies to a limited range of horticulture products. Each product has a trigger price that is based on the Customs Import Value of the good (similar to the \$US Free On Board (FOB) price). The safeguard applies if the FOB import price of the Australian product is lower than the trigger point at which time an additional duty will apply depending on the amount by which the FOB import price of the product falls below the trigger price. The safeguard applies on a shipment by shipment basis and only applies during the 18 year tariff elimination period.⁶¹

7.51 The Committee notes that

there were no Australian exports to the US in the last 5 years (to 2002) in the case of 17 of the 33 items identified as subject to these safeguards.⁶²

7.52 The Committee notes the historical analysis done by Horticulture Australia in the 5 years to 2002 shows that the horticulture safeguard would have little impact on the industry.⁶³

Peanuts

7.53 The peanut industry actively pursued with Government a conservative outcome in the AUSFTA. With 1.7 million tonnes of peanuts consumed each year by the US, the industry's original

61 DFAT, *Guide to the Agreement*, p. 22.

62 Horticulture Australia, *Submission 159*, p. 6.

63 Horticulture Australia, *Submission 159*, p. 7.

submission seeking an increasing duty free tariff quota over five years to 12 500 tonnes and free trade after eight appears conservative.⁶⁴

- 7.54 Australia has secured a new duty free tariff rate quota of 500 tonnes at date of entry into force, increasing by three per cent cumulatively and free trade after 18 years.⁶⁵ This was much lower than their original demands. Overall, the peanut industry is supportive of the outcome, despite ongoing concerns about practical access to the market.⁶⁶ Mr Hansen, Managing Director of the Peanut Company of Australia advised the Committee that

on balance we are supportive of the agreement, because if we do not support it we will have nothing, whereas if we do support it we have something. In 18 years at least some of my children or somebody else may benefit from the arrangements.⁶⁷

Apples and Pears

- 7.55 The Committee heard evidence from the Tasmanian Apple and Pear Growers Association which focussed mainly on the outcome of the negotiations in the SPS Chapter.⁶⁸ Further information on quarantine aspects are discussed in Chapter 8 which deals with SPS measures.

A positive outcome for horticulture

- 7.56 The Committee understands that the outcome on horticulture products is viewed as positive and the industry is supportive of the AUSFTA.⁶⁹

Tuna

- 7.57 The Committee notes the canned tuna industry is perhaps the only industry in the AUSFTA that got something they were not expecting,

64 Mr Robert Hansen, *Transcript of Evidence*, 5 May 2004, p. 49.

65 DFAT, *Guide to the Agreement*, p. 21 and Mr Robert Hansen, *Transcript of Evidence*, 5 May 2004, p. 48.

66 Mr Robert Hansen, *Transcript of Evidence*, 5 May 2004, p. 48 and p. 49 and Peanut Company of Australia, *Submission 76*.

67 Mr Robert Hansen, *Transcript of Evidence*, 5 May 2004, p. 49.

68 Mr Mark Salter, *Transcript of Evidence*, 21 April 2004, p. 5.

69 Horticulture Australia, *Submission 159*; Mr Peter Corish, *Transcript of Evidence*, 4 May 2004, p. 79.

a significant outcome after more than two decades of bilateral and multilateral approaches.

- 7.58 The current tariff of 35 per cent has effectively priced Australian canned tuna out of the US market but under the terms of AUSFTA, the tariff will drop to zero on date of entry into force of the Agreement. The main competition is from Uruguay and Mexico.⁷⁰ This represents a significant opportunity for the Australian tuna industry.

The US premium market is expanding - and the FTA duty free access, from the start of the FTA, would give Australia the first opportunity in its history to achieve export volume.⁷¹

- 7.59 The Committee notes that the industry has consistently made approaches in the WTO through the Uruguay and Doha rounds of trade talks, but to no avail.⁷² The Committee notes that the industry is strongly supportive of the AUSFTA.⁷³

Wine

- 7.60 The wine industry has exhibited significant growth in export markets in recent years, moving from approximately \$400 million in 1995-96 to approximately \$2.5 billion in the last financial year.⁷⁴

- 7.61 The industry recognises that

the Free Trade Agreement between Australia and the United States is a key element in the Australian wine industry's strategy for success. The United States market remains the key driver for growth for the Australian wine industry.⁷⁵

- 7.62 The industry has also expressed its concern to the Committee by pointing out that

Failure to progress the FTA would mean that our key competitors on the United States market would enjoy preferential treatment. South Africa already has preferential

70 Mr Brian Jeffriess, *Transcript of Evidence*, 6 May 2004, p. 9.

71 Tuna Boat Owners Association, *Submission 186*, p. 2.

72 Mr Brian Jeffriess, *Transcript of Evidence*, 6 May 2004, p. 9; Tuna Boat Owners Association, *Submission 186*.

73 Mr Brian Jeffriess, *Transcript of Evidence*, 6 May 2004, p. 9; Tuna Boat Owners Association, *Submission 186*.

74 Mr Stephen Strachan, *Transcript of Evidence*, 22 April 2004, p. 2.

75 Winemakers Federation of Australia, *Submission 154*, p. 1.

tariff treatment in the United States, while Chile has negotiated a phase-out of tariffs and Argentina is likely to also gain preferential access through the Free Trade Agreement of the Americas.⁷⁶

- 7.63 The industry was disappointed in some of the outcomes of the AUSFTA, notably, the issue of labelling and blending and the tariff phase out periods over 11 years.⁷⁷ However, despite the issue of labelling and blending the industry is supportive of the establishment of a working group to deal with matters set out in Chapter 9 of the Agreement (technical barriers to trade) as well the Committees established in Agriculture, Sanitary and Phytosanitary Matters (SPS) and the Joint Committee, as it provides a platform for further liberalisation of impediments to trade such as the labelling issue.⁷⁸
- 7.64 The Committee heard that industry were supportive of the changes in intellectual property in respect of Geographical Indications (GIs), namely changing the legislation to allow for cancellation of GIs and to recognise pre-existing rights in trademarks.⁷⁹ For further information on GIs, please refer to Chapter 16 on Intellectual Property. Overall, the Committee notes that the industry is supportive of the AUSFTA.⁸⁰

Other provisions in respect of Agriculture

- 7.65 Aside from the specific commitments on agriculture included in the Agriculture Chapter, are some other provisions, notably multilateral cooperation, a Committee on Agriculture, an agreement not to use export subsidies on agricultural goods traded into each other's market and a side letter on BSE (Bovine Spongiform Encephalopathy – mad cow disease).⁸¹
- 7.66 The Committee heard and received evidence from a range of interested parties on some aspects of these other provisions. This was mostly confined to the establishment on the Committee on Agriculture. Most parties did not make any specific comments. One

76 Winemakers Federation of Australia, *Submission 154*.

77 Mr Stephen Strachan, *Transcript of Evidence*, 22 April 2004, p. 5.

78 Winemakers Federation of Australia, *Submission 154*.

79 Mr Stephen Strachan, *Transcript of Evidence*, 22 April 2004, p. 5 and Winemakers Federation of Australia, *Submission 154*.

80 Winemakers Federation of Australia, *Submission 154*; Mr Stephen Strachan, *Transcript of Evidence*, 22 April 2004, p. 6.

81 DFAT, *Guide to the Agreement*, pp. 22-24.

party was supportive of the establishment of the Committee⁸² but some parties were concerned that its establishment may provide another platform, other than the SPS working group, for the United States to lobby against our quarantine regime.⁸³

Concluding observations

7.67 Even though the Committee heard that the outcome on agriculture was disappointing from several aspects, the final position from peak bodies is to support the AUSFTA.

NFF is disappointed with aspects of the US FTA and NFF's expectations were clearly not met in a range of areas, particularly in regard to the outcome on sugar and beef. However, on balance, as the market access benefits for several Australian agricultural industries are significant ... NFF supports the US FTA and believes all political parties should support the agreement through the Australian Parliamentary system.⁸⁴

7.68 The Committee notes that industry supports the outcomes on beef, noting that the Agreement does deliver gains, albeit modest, to the Australian beef industry as a whole.⁸⁵

7.69 The Committee notes that some outcomes were disappointing and did not meet expectations which had been buoyed by the positive manner in which negotiations proceeded. The Committee noted with interest that the canned tuna industry was one clear example where the outcome clearly exceeded the highest expectations, and accepts that in all trade negotiations there are often disappointing results that owe more to the domestic policies in sensitive sectors of the other Party, not the efforts of the negotiators.

7.70 The Committee notes that at the multilateral level, the government will continue to promote the ideals of global agriculture reform in all sectors and agrees that the AUSFTA should be seen as a step towards achieving that task.

82 Winemakers Federation of Australia, *Submission 154*.

83 Australian Chicken Meat Federation, *Submission 26*; Australian Pork Limited, *Submission 108*.

84 National Farmers Federation, *Submission 153*. Similar comments were made by the South Australian Farmers Federation, *Submission 212*.

85 Australian Red Meat Industry, *Submission 61*, National Farmers Federation, *Submission 153* and the Cattle Council of Australia, *Submission 173*.