

# North Asia Free Trade Agreements: Opportunities for Agriculture

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Australian Government

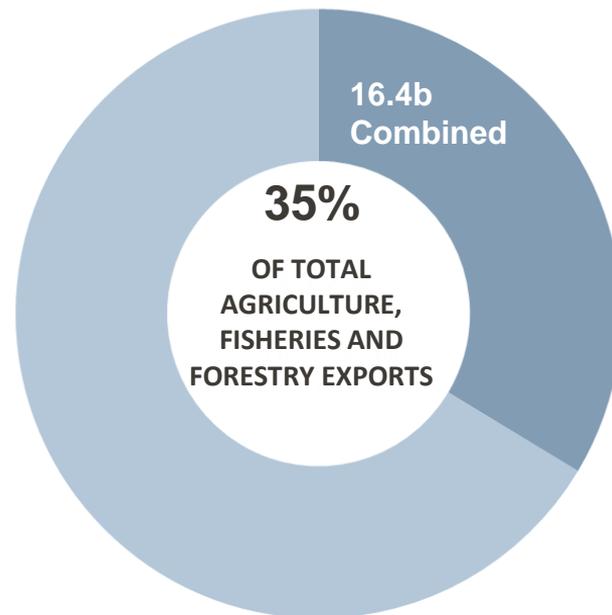


# What do FTAs mean for Australian agriculture?

- Australia exports around two thirds of its agricultural production and access to open international markets is critical to the future success of Australian agriculture.
- FTAs provide enhanced opportunities for agricultural exports through:
  - Elimination and/or progressive reduction of tariffs.
  - Increased competitive position of Australian exports relative to our major competitors in these markets, particularly those who already have FTAs.
- Failure to reach trade agreements with major trading partners risks the loss of competitive advantage for our agricultural producers and exporters.

# Agricultural Trade with North Asia

- China, Japan and Korea are Australia's first, third and sixth largest markets for agriculture, fisheries and forestry exports.
- China is our largest agricultural export market worth \$9.1 billion in 2014-15.
- Japan is our third largest market worth \$4.6 billion in 2014-15.
- Korea is our sixth largest market worth \$2.7 billion in 2014-15.



# Agricultural Outcomes under KAFTA

- **Beef & Sheep:** 40% tariff on beef eliminated over 15 years (equivalent to US-Korea FTA), and 22.5% tariff on sheep meat eliminated over 10 years.
- **Dairy:** 36% tariff on cheese and 89% tariff on butter progressively eliminated by 1 January 2026 and 1 January 2033. Growing duty free quota for cheese, butter and infant formula.
- **Grains:** 1.8% tariff on wheat and 8% tariff on wheat gluten eliminated on 12 December 2014. 10% tariff on canola eliminated on 12 December 2014 and 8% tariff on canola oil over 10 years.
- **Horticulture:** 8% tariff on shelled almonds eliminated on 12 December 2014, 45% tariff on table grapes and 30% tariff on macadamias eliminated by 2018.

# Agricultural Outcomes under JAEPA

- **Beef:** 38.5% tariff on beef will be reduced to 23.5% for chilled beef by 2028 and 19.5% for frozen beef by 2031.
- **Dairy:** Australia-only duty-free quotas for natural cheese for processing, cheese for shredding. Elimination of tariffs of up to 8.5% on casein, lactose, albumen, and milk protein concentrates on 15 January 2015.
- **Grains:** Out-of-quota tariffs on wheat and barley for feed, and 3% tariff on sorghum eliminated on 15 January 2015. Canola oil and wheat gluten tariffs also eliminated by 2024.
- **Horticulture:** 2.4% tariff on almonds and 5% tariff on macadamias were eliminated on 15 January 2015. 7.8% and 17% tariff on table grapes, and eliminated by January 2021. Bulk wine tariffs were eliminated on 15 January 2015 and bottled wine tariffs will be eliminated by to 2021.

# Agricultural Outcomes under ChAFTA

- **Dairy:** tariffs of up to 20 per cent on Australian dairy products will be eliminated within 4 to 11 years.
- **Horticulture:** tariffs on all fruit, vegetables and nuts, ranging up to 30 per cent, will be eliminated, most within 4 years.
- **Beef & Sheep:** beef, sheepmeat, and hides and skins tariffs will be eliminated over 7 - 11 years. Livestock tariffs will be eliminated over 4 years.
- **Wool:** a duty free Country-Specific Quota of 30,000 tonnes.
- **Grains:** tariffs on barley and sorghum will be eliminated on entry into force.

# Agricultural Outcomes under the TPP

- **Beef:** TPP further will reduce tariffs on Australian exports of beef to 9 per cent to Japan.
- **Rice:** Quota expansion for Australian rice into Japan with a 6,000 tonne quota on EIF.
- **Dairy:** Tariffs will be eliminated on a range of cheeses and new quota access for Australia on butter and skim milk powder. Australian exports to Japan of mozzarella for processing use will be duty free when blended with Japanese cheese.
- **Cereals:** There will be reductions of the mark-ups applied to wheat and barley in Japan and the creation of new quota arrangements beyond JAEPA.
- **Horticulture:** TPP extends the “out of season” tariff for oranges which will be eliminated over 6 years (with Japan’s in-season tariff eliminated over 7 years). Tariffs on Table grapes will be eliminated on EIF, building on the quota arrangements achieved under JAEPA.

# Agricultural Outcomes under the TPP

- **Beef:** Canada, Peru and Mexico will remove tariffs for beef within 10 years. The US will remove its price-based safeguard under the Australia-United States FTA on EIF.
- **Sheepmeat:** Tariffs on sheep meat will be eliminated on EIF by all TPP members (except for Mexico which will be eliminated within 8 years).
- **Wool:** All remaining wool tariffs will be eliminated by TPP members on EIF.
- **Dairy:** US will eliminate all WTO in-quota tariffs for dairy products and will eliminate all tariffs on milk powders, infant formula, ice cream and selected cheese lines. Canada and Mexico will also provide new quotas for a range of dairy products including cheese, milk powders and butter.

# Agricultural Outcomes under the TPP

- **Grains:** Mexico will remove its tariffs on barley (currently 115%) within 5 years and wheat (currently 67%) within 10 years. Canada will remove all tariffs on cereals and grains on EIF and Peru will remove its tariffs within 5 years.
- **Sugar:** Additional access to the US with 65,000 tonnes quota access on EIF as well as 23% of future additional WTO quota allocations. Canada will remove its tariffs on refined sugar within 5 years and Vietnam will eliminate its WTO in-quota tariff on EIF.
- **Wine:** Tariffs on wine will be eliminated for exports to Canada (on EIF), Malaysia (15 years), Vietnam (11 years), Mexico (3 years) and Peru (EIF for table wine and 5 years for other wines).
- **Horticulture:** Canada will eliminate all horticulture exports on EIF and Mexico and Peru will eliminate most tariffs on EIF.

# Agriculture Benefits: An Early Harvest

## KAFTA

- **Beef:** Reduction of beef tariffs from 40% to 34.6% in value has already seen beef exports increase up to 30% in the first six months of 2015 (compared to 2014).
- **Table grapes:** Reduction of the tariff of tables grapes to from 45% to 18% on 1 January 2015, in combination with the conclusion of quarantine access protocol for table grapes in 2014 has seen exports this year grow from a zero base to over \$2 million.
- **Nuts:** The elimination of the 8% tariff on shelled almonds has seen an almost trebling of exports over the first six months of 2015 to be worth \$1.4 million (compared to 2014). The reduction of the 30% tariff on macadamia to 18% on 1 January 2015 has led to a 117 per cent increase in exports to \$6.3 million this year.
- **Dairy:** Export volumes of processed cheese, butter and dairy spreads are all up, 49%, 82% and 108% respectively in the first six months of 2015 (compared to 2014).

# Agriculture Benefits: An Early Harvest

## JAEPA

- **Beef:** Reduction of beef tariffs has seen exports for the first six months of 2015 increase by 31 per cent compared to the same period last year.
- **Table grapes:** Table grape exports grew from a zero base in 2014 to around \$10.5 million in 2015 following the reduction of tariffs on table grapes from 7.8 per cent to 6.7 per cent and negotiation of a quarantine access protocol in 2014.
- **Wine:** The elimination of tariffs on bulk wine (over 150 litres) from 15 January has seen a five-fold increase in exports and a 10 per cent increase in the value of wine exports to \$44 million this year (compared to 2014).

# Technical Barriers to Trade

- The Government is committed to supporting businesses' to get the most out of these free trade agreements.
- Technical barriers can impede agricultural market access and prevent full utilisation of the existing FTAs.
- The Agricultural Competitiveness White Paper recognises this and allocated \$30.8 million to break down technical barriers to trade and support five new Agriculture Counsellors overseas.

# Technical Barriers to Trade

- FTAs do not address quarantine, technical standards and other importing country requirements that are science based.
- Australian agricultural exporters face a range of non-tariff issues:
  - quarantine and inspection requirements
  - labelling or other product standards requirements
  - food safety requirements
- Australia maintains high quarantine standards to protect our biosecurity, and we will not negotiate on our science based approach.

# Seizing the Opportunity: Be Export Ready

- While FTAs provide new opportunities, they do not guarantee increased trade.
- Industries must position themselves to take up these new opportunities – be export ready, understand the market, have a strong business case and comply with importing country requirements.
- Competition is fierce in North Asia and all our major agricultural competitors are looking to improve their positions.
- FTAs provide early mover benefits for those who are ready – those who are not may miss the opportunity.

# What can the Department of Agriculture do to help?



# What can the Department of Agriculture do to help?

- The Department of Agriculture provides advice and assistance to existing and potential exporters of agricultural and fisheries produce on the following:
  - Technical market access
  - Import conditions of destination countries
  - Australian export legislation requirements
  - Export documentation, including export permits, health and phytosanitary certificates, quality assurance arrangements
  - Premises registration requirements
  - Inspection procedures

# What can the Department of Agriculture do to help?

- Exporters must comply with importing country requirements before exporting agriculture products.
- Exporters can use the Department of Agriculture's Manual of Importing Country Requirements (MICOR) to learn about these requirements that must be met before products and commodities can be accepted for import into specific overseas countries.
- Visit <http://micor.agriculture.gov.au/>

# What can the Department of Agriculture do to help?

A good place to start:

- Visit <http://agriculture.gov.au/export/>
- Call **1800 900 090**