

Australia-China Trade in Vegetables

Opportunities and Challenges of a Free Trade Agreement

澳中农业贸易: 自由贸易协定带来的机遇和挑战

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Australia is a small producer of vegetables

- Chinese vegetable production at 550m tonnes dwarfs Australia's production of 3m tonnes.
- There are only 4090 Australian vegetable growers.
- Plantings of vegetables covers 103,000 hectares.
- Major crops in million tonnes are potatoes(1.3),tomatoes(0.4),carrots(0.3) and onions(0.26)

Source: United States Department of Agriculture; Australian Bureau of Statistics

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The Australian vegetable industry is domestically focused



Exports as a % of production- major crops



Source: Australian Bureau of Agricultural and Resource Economics; Australian Bureau of Statistics

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Australian vegetable growers face major constraints

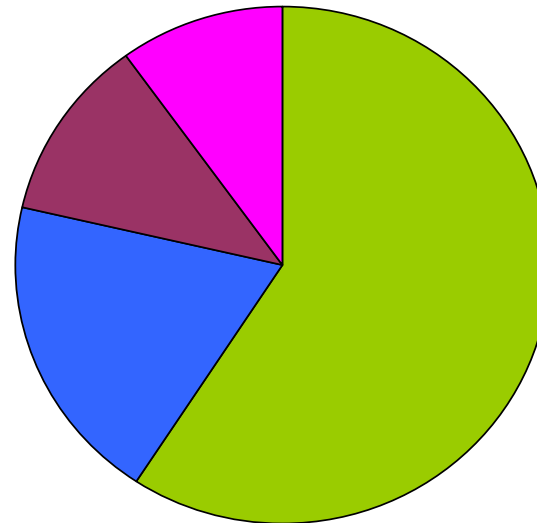
- Most vegetable farms are close to major urban centres.
- The ability to expand to exploit economies of scale is limited due to planning restrictions and the soaring price of land.
- Costs are rising due to regulation over chemical and water use.
- Access to water remains a major constraint.
- Labour is difficult to obtain and when available is expensive.

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Australian vegetable exports are mainly fresh

Australian vegetable exports 2005/06
\$US 186m



■ Fresh ■ Processed ■ Other* ■ Frozen

* seeds, dried, tuber & provisionally preserved vegetables
Source: Australian Bureau of Statistics

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But Asian markets have been lost to mainly Chinese competition

Australian exports of fresh vegetables into top three Asian markets

Country	Year to June 2002 \$Am	Year to June 2006 \$Am
Japan	45.5	27.3
Singapore	33.6	18.8
Malaysia	49.0	12.8

Source: Australian Bureau of Statistics

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Australian vegetable growers pose little challenge to China

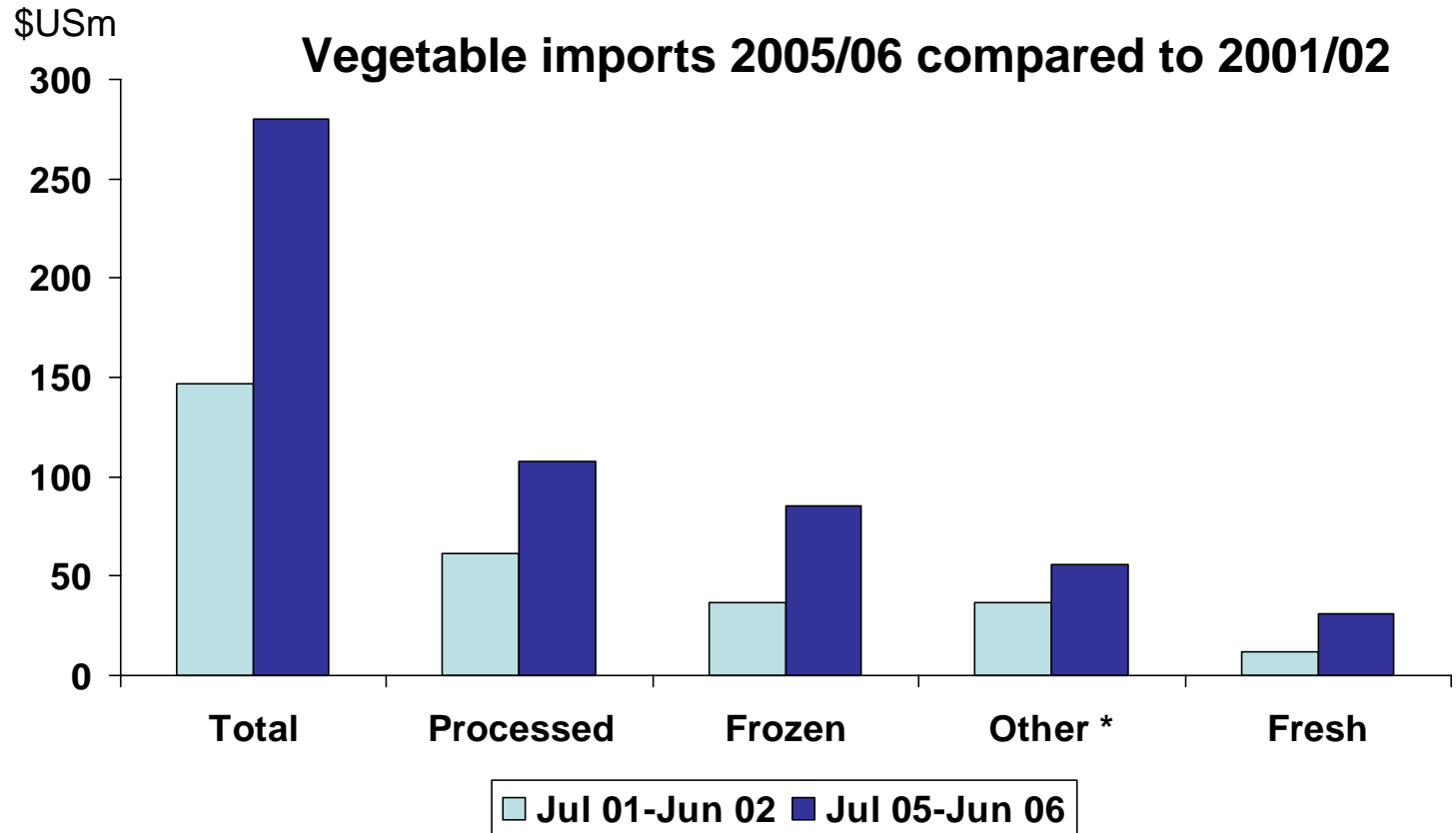


- ***Australian vegetable exports to China are negligible less than \$1m US.***
- Australian vegetable producers are not cost competitive with China.
- Australian vegetable growers will have little impact on China's domestic market.
- China is likely to continue growth of sales to Australia's traditional export markets in Asia.
- Australian vegetable growers will need to rely on niche markets if exports are to continue.

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Australian vegetable growers face mounting import pressure



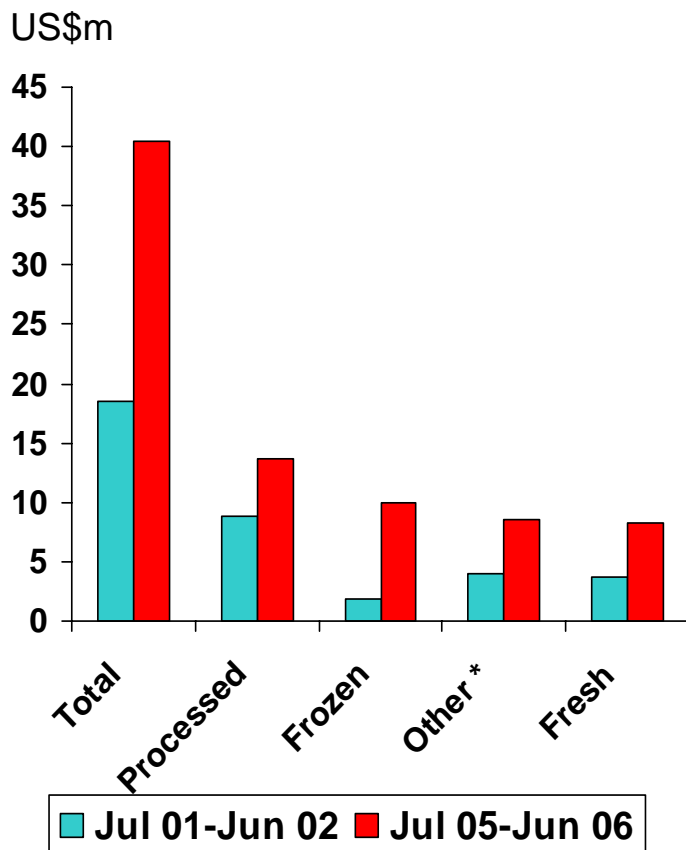
* seeds, dried vegetables, tuber vegetables and vegetables provisionally preserved

Source: Australian Bureau of Statistics

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Vegetable imports into Australia from China are growing strongly



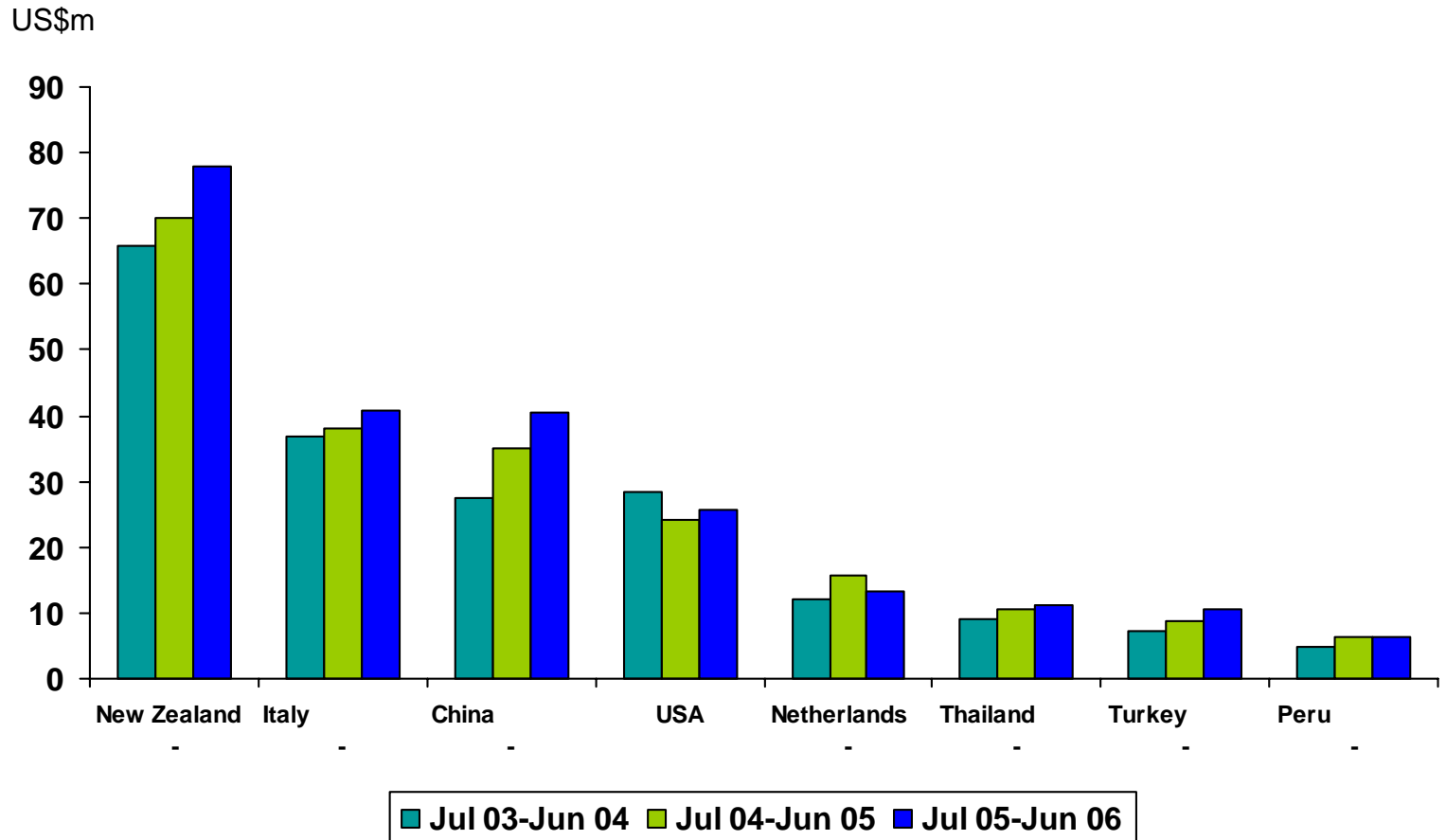
* seeds, dried, tuber & provisionally preserved vegetables
Source: Australian Bureau of Statistics

- Over the last four years vegetable imports
 - from China have grown 119%
 - processed vegetables are up 53%
 - frozen vegetables 424%
 - other vegetables 116%
 - fresh vegetables 126%.
- Principal Chinese vegetable imports are dried vegetables, garlic, frozen vegetable mixtures, tinned mushrooms and tomato paste.

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China is likely to be the second largest source of imports in 2006/07



Source: Australian Bureau of Statistics

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Australian growers are concerned at the lack of a level playing field

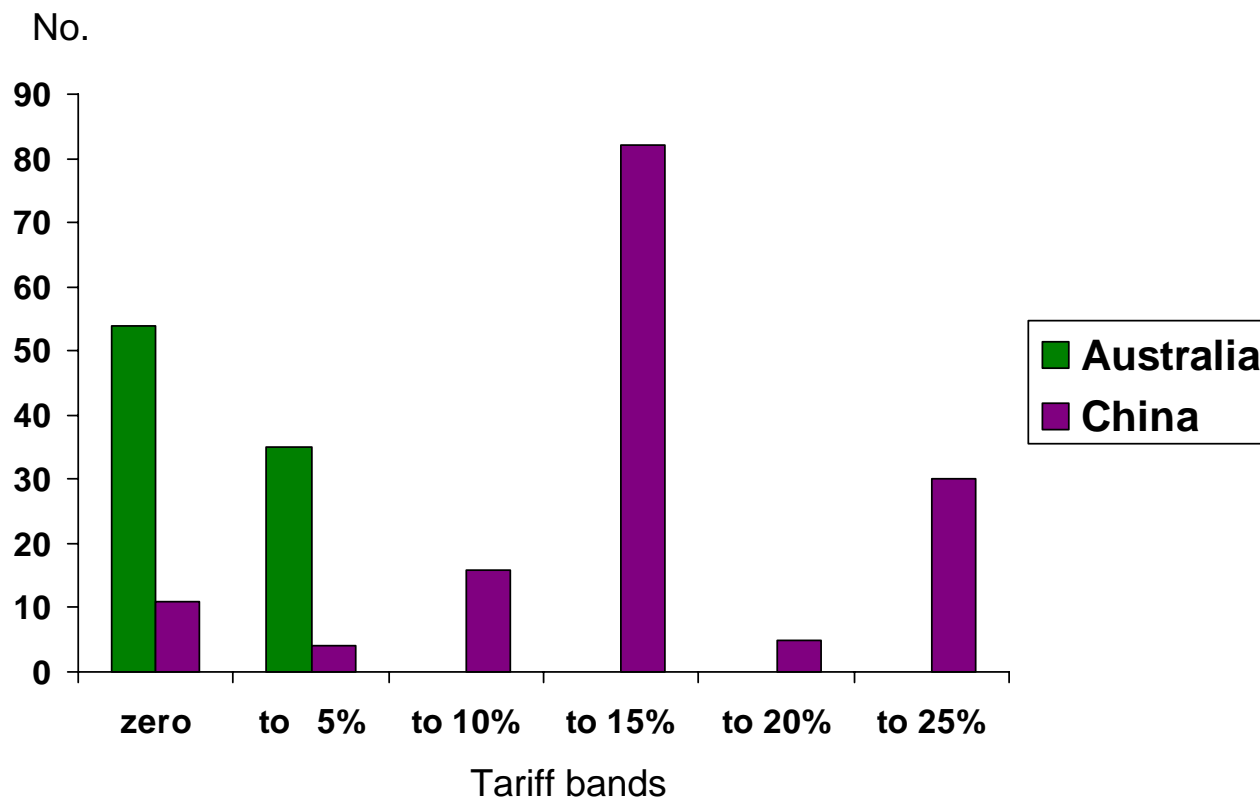
- The Australian vegetable industry is extremely sensitive to the prospect of further acceleration in the level of vegetable imports.
- We believe that existing tariff arrangements are unbalanced and in China's favour.
- Fresh vegetables from China can enter duty free into Australia but Australian vegetable growers face tariffs of between 10% and 13% on equivalent goods into China.
- And while some frozen and processed vegetables from China face tariff rates of 4%, much higher rates of up to 25% apply on equivalent Australian product into China.
- Anything less than tariff equivalence would result in lack of support for the Free Trade Agreement among vegetable growers in Australia.

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These concerns are highlighted in the table below

Number of tariff lines at 8 digit level- HS Codes 07 & 20



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Summary

- Australia is a small vegetable producer, exporting a minor part of production.
- Australian competitiveness on world markets is declining with exports falling and imports rising.
- Future export market penetration will be limited to niche markets.
- Australian vegetable growers face rapidly rising imports.
- Australian vegetable growers seek a level playing field on tariffs, requiring reductions in China's vegetable tariffs.
- Without this a free trade agreement would be unacceptable to the Australian vegetable industry.

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