

6th August 2008
Ms Carol Robertson
Australia-India FTA Feasibility Study
Department of Foreign Affairs and Trade
R G Casey Building
John McEwen Crescent
BARTON ACT 0221

Australia – India Free Trade Agreement

Dear Ms Robertson,

This expression of interest in the Feasibility Study for an Australia – India Free Trade Agreement is made by the Australian Nut Industry Council, ANIC, – the federation of the Australian nut producing industries.

Exports are critical to the expanding Australian tree nut industry. From young orchards now planted, production will dramatically increase over the next decade. This increase in nut production has been aimed at the export market.

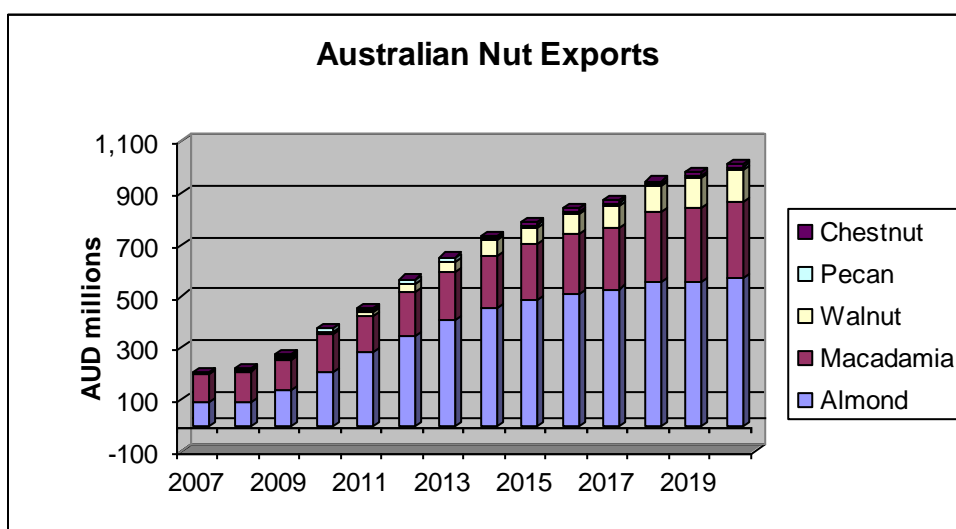


Table 1. Expected total exports of Australian tree nuts to 2020.
Source : Australian Nut Industry.

Access to emerging markets such as India is critical to the ongoing success of the Australian nut industry.

A Free Trade Agreement between India and Australia that liberalised the trade between the two nations would be welcomed by the Australian Nut Industry.

The Australia - India Nut Trade

Australia and India do not produce the same nuts, except for walnuts. Australia is an efficient producer of almonds, macadamias, pecans and walnuts whilst India is the world's leading producer of cashew kernels as well as also being a small producer of walnuts.

India has very high tariffs on nuts whilst Australia provides India with a market for Indian nut production at zero tariffs. The Indian tariffs range from about an effective 30% to a punitive 100%.

Australian exports to India are currently only almonds, both inshell and kernels. These exports have been growing as shown in Table 2.

Table 2: Exports from Australia to India (2003 to 2008, A\$M)

	2004	2005	2006	2007	2008
Inshell - Quantity, kilograms	1,792,000	1,424,000	3,391,000	4,654,000	4,500,000
Inshell - Value, \$A M	8.57	9.03	20.76	26.09	18.94
Shelled - Quantity, kilograms	1,000	99,000	185,000	258,000	322,101
Shelled - Value, \$A M	0.01	0.79	1.51	1.94	1.89

Source : ABS

India is a critical market to the expanding Australian almond industry. India currently takes 50% of Australian almond exports. This percentage will remain high as Australian production quadruples in the next decade. Details of Australian almond exports are attached.

There is the potential for the export of macadamia nuts and pecans to India but the punitive tariff of 100% currently effectively excludes these products from the Indian market.

Indian exports of cashews to Australia have also been growing as shown in Table 3.

Table 3 : Horticultural imports into Australia from India (2003 to 2007, A\$K)

	2004	2005	2006	2007
Cashew kernels,	4,290	7,607	7,065	13,055

Source : ABS

Tariffs

	Almonds in-shell	Almonds shelled	Almonds p/p	Chestnuts fresh/dried	Chestnuts frozen	Macas in-shell	Macas shelled	Macas p/p
Code	08021100	08021200	20081920	08024000	08119090	08029090	08029090	20081920
Rate %	35Rs/kg	100Rs/kg	30%	30%	30%	100%	100%	30%

	Pecans in-shell	Pecans kernels	Pecans p/p	Pistachio in-shell	Pistachio shelled	Pistachio p/p	Walnuts in shell	Walnuts shelled
Code	08029090	08029090	20081920	08025000	08025000	20081920	08023100	08023200
Rate %	100%	100%	30%	30%	30%	30%	30%	30%

Exports

Exports are critical to the Australian tree nut industry.

Substantial expansion has occurred in nut tree plantings over the past decade and will continue into the next decade. These large investments have primarily been planned for export markets. Whilst the total exports of tree nuts for 2006/07 were only \$A168 million, these exports are expected to expand to about \$A 1 billion within about a decade as shown in Table 1.

Australia has significant competitive advantage in the international tree nut market.

- Australia has high quality skills and techniques for efficiently growing tree nuts in Australian conditions.
- Tree nut farming is a relatively low labour input industry allowing Australia to compete with lower wage countries.
- Australia tree nut farming can use land which has otherwise low economic value.
- Tree nuts are efficient users of water.
- Tree nuts have a high value per tonne making the high freight costs to distant export markets less significant than it is for lower valued agricultural products.
- Australian tree nuts have a well justified clean and green image throughout the world market.
- Tree nuts, being a dried product, do not have many of the market access difficulties that face fresh produce agriculture.
- Tree nuts generally do not face the same heavily subsidised overseas producers that are faced by Australian broad acre agriculture such as grains, sugar, dairy and meat. However, some countries such as India have heavy tariffs on nuts – tariffs which actually do not protect their own nut producers.

The Australian tree nut industries have expanded in the last decade or two – after the culture of subsidising Australian agriculture had expired. They are industries that have grown against open import competition. There is now no tariff protection and effectively no quarantine advantage. Tree nuts have succeeded with little government assistance to date, but, support from government in continuing our export drive would be welcome.

Access to export markets is essential for the on-going success of the Australian tree nut industry. Markets such as India are particularly important as its rapid growth will provide opportunities for exports of high value food stuffs. If this opportunity is missed, it may be another decade before it arises again.

ANIC has produced a booklet which details these advantages together with details of each of the Australian nut industries. Copies are attached.

ANIC would welcome the opportunity to discuss any of the issues raised as part of your consultations with Industry.

Yours faithfully



Brenton Woolston
President
Australian Nut Industry Council

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Exports

Source: ABS

Exports 2006/07

Top 10 Export Destinations	Shelled (Kg)	Shelled \$ Value	In-Shell (Kg)	In-Shell \$ Value	Total Value
India	257,570	\$1,936,341	4,654,917	\$26,088,046	\$28,024,387
United Kingdom	735,537	\$5,857,026	21,250	\$65,960	\$5,922,986
New Zealand	397,979	\$3,326,600			\$3,326,600
Spain	370,020	\$2,659,849	88,000	\$565,241	\$3,225,090
Netherlands	247,970	\$1,782,960	80,000	\$579,994	\$2,362,954
Germany	207,899	\$1,595,275	51,120	\$419,793	\$2,015,068
France	290,400	\$2,009,203			\$2,009,203
United Arab Emirates	239,587	\$1,368,123	21,546	\$104,624	\$1,472,747
Japan	172,157	\$1,421,096			\$1,421,096
Hong Kong	172,274	\$947,403	64,813	\$355,478	\$1,302,881
Other	852,494	\$5,731,298	50,621	\$204,785	\$5,936,083
TOTAL	3,943,887	\$28,635,174	5,032,267	\$28,383,921	\$57,019,095

