Australia-European Union Free Trade Agreement
Office of Trade Negotiations
Department of Foreign Affairs and Trade
RG Casey Building
John McEwen Crescent
Barton ACT 0221

By Email : a-eufta@dfat.gov.au 23 December 2019

Australia – European Union Free Trade Agreement

Dear Sirs,

The Australian nut industry welcomes the opportunity to make this submission to the Department of Foreign Affairs and Trade on a potential Free Trade Agreement with the European Union.

Australian nut production is rapidly expanding with near record new planting every year. Farm gate value will reach $A2.5 billion by 2030 with exports of about $2 billion, additionally increased access to the EU will improve the sustainability of the Australian Nut Industry in the long term.

Europe is a major consumer of nuts. Australia grows high quality nuts preferred by the European consumer. The current tariffs of 2% to 8.3% are an unnecessary impediment to trade.

Europe is a very minor producer of tree nuts. Those it does produce have a well-deserved geographic indication protection and trade at significant price premiums to imports. Europe produces less than 10% of its total nut demand.

Australia, even with the expanding production, can only ever be a minor supplier to Europe. Currently imports from Australia are less than 10% of total European nut imports. However, Europe is critical to the Australian nut industry with up to 40% of Australian exports destined for the EU.

Should you require any further information, we would be pleased to provide it.

Yours faithfully,

Brendan Sidu
Chair
Australian Nut Industry Council

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ANIC Submission to DFAT on potential Australia/EU FTA

The Australian Nut Industry Council (ANIC) is the federation of the seven Australian tree nut growing industries.

Nut orchards in Australia are rapidly expanding. Farm gate value (FGV) in FY 2019 was $A1.2 billion. Tree already planted but not yet bearing will increase FGV to $A2.5 billion by FY 2030. Nut exports in FY 2019 exceeded $A1 billion. Nut exports are projected to rise to over $2 billion per annum by FY 2030.

Australia is a relatively minor source for European nut imports but Europe is a critical market for Australian nut exports. Europe is a very large importer of nuts (660,000 tonnes, $A6.0 billion, €3.7 billion in 2018). Australia only provided 5.0% of these nut imports.

Australia produces the high-quality grades Europe prefers in its nut imports. Hence Europe is a key current and future market for the expanding Australian nut industries. Up to 40% of Australian nut exports go to Europe.

Europe is a minor producer of some nuts but these have protected designation of origin and are not economically threatened by imports.

Australia has zero tariffs on raw nuts from any origin. Australia does import small quantities of nuts from Europe – all speciality varieties for particular applications, usually at premium prices.

The European tariffs on nuts are in the range of 2% to 6%. Whilst these are not excessively high, all tariffs reduce consumer demand and restrict trade.

The EU has a lower tariff rate (2%) on almonds for an import quota (IQ) for the first 90,000 tonnes each year. This quota is usually fully consumed by the time new crop Australian almonds can be shipped in April each year. Hence Australia pays the higher tariff (5.6 % for inshell and 3.5% for shelled) for much of its shipments

Developing countries are the major competitor for Australian macadamia nuts. Such developing countries receive preferential tariff rates compared with Australia despite most orchards in these countries being commercial orchards as in Australia. Developing country macadamias tend not to be family, village farming. Removing all tariffs on Australian nut exports would create a level playing field.

The major competitor of Australian almonds, walnuts, pecans and pistachios is the United States of America. An Australia/EU FTA would protect Australia nut exporters against the implementation of an EU/USA FTA which has been under discussion for some time. Whilst perhaps an EU/USA is unlikely in the current environment, it probably would occur in the future. Hence it is critical that Australia take the opportunity of the current negotiations and conclude a favourable FTA.

Recent Australian FTAs with China, Japan, Korea SE Asia countries have significantly lifted Australian nut exports to those countries. We would expect that a similar FTA with Europe would also lift Australian exports to Europe. The expanding Australian nut production requires growing market opportunities

The Australian nut industries focus on sustainability and stewardship of the environment. The Australian nut producing industries would meet the values that the EU seems to be seeking in its agriculture partners.

Australian nuts do not use any names for nuts that that imply geographic indications of concern to the EU.

There are few non-tariff barriers for Australian nuts exported to the EU with the exception of the impact of the EU shelled almond quota.

The EU shelled almond (8021200) quota disadvantages Australia. The first 90,000 tonnes of imports from 1st January each year has a tariff of 2%, after the quota if filled, the EU tariff is 3.6%. By the time the Australian almond crop is harvested in March and arrives in Europe from about May, the quota has already been filled. Hence Australian almonds incur a 3.6% tariff whilst 90,000 tonnes of Californian almonds are imported into the EU at the 2% tariff.

The EU tariffs on nuts and nut products are relatively low, 2% to 8%. Having a phased reduction over several years of such low tariffs should not be required. The EU producing industries are relatively small and will be largely unaffected. The EU tariffs should be eliminated entry into force.

APPENDIX I EUROPEAN NUT IMPORTS

Table 1.0 shows, in summary, the percentage of value held by Australian nut exports of EU imports. Note the low percentages Only macadamias have a double-digit % share of EU imports, in line with the Australian share of world macadamia production.

Tables 1.1 and 1.2 show the full details of EU nut imports and the Australian share of those imports.

Table 1.0 Australian Share of Total EU Imports

VALUE AUD	HS Code	2014	2015	2016	2017	2018
Almonds in Shell	8021100	1.8%	4.6%	1.0%	2.7%	0.0%
Almond Kernels	8021200	8.6%	10.1%	7.6%	8.1%	5.9%
Hazel in shell	8022100	0.0%	0.0%	0.0%	0.0%	0.0%
Hazel Kernels	8022200	0.0%	0.0%	0.0%	0.0%	0.0%
Macadamia in shell	8026100	0.6%	20.9%	27.4%	8.2%	1.9%
Macadamia kernels	8026200	23.9%	22.0%	22.8%	23.5%	18.6%
Pecan, inshell & kernels	8029011 & 8029019	0.7%	0.4%	0.9%	0.3%	0.4%
Pistachio in shell	8025100	0.0%	0.0%	0.1%	0.0%	0.0%
Pistachio Kernels	8025200	0.0%	0.0%	0.0%	0.0%	0.0%
Walnut in shell	8023100	5.8%	7.7%	5.5%	8.3%	8.5%
Walnut Kernels	8023200	0.1%	0.0%	0.0%	0.0%	0.0%
Total Nuts		**4.0%**	**4.6%**	**3.7%**	**3.7%**	**3.0%**

Table 1.2 Total European Nut Imports

VALUE AUD	HS Code	Tree nut imports to Europe TOTAL IMPORTS ALL ORIGINS Calendar Year				
EU imports (value, AUD)		**2014**	**2015**	**2016**	**2017**	**2018**
Almond in shell (Total from all origins)	8021100	$ 26,237,251	$ 23,327,105	$ 18,030,234	32,300,366	17,355,823
Almond shelled (Total from all origins)	8021200	$ 1,920,015,542	$ 2,795,690,407	$ 2,411,672,016	1,960,436,318	2,119,058,162
Hazel in shell (Total from all origins)	8022100	$ 39,915,170	$ 37,391,396	$ 9,013,943	8,826,438	8,553,761
Hazel shelled (Total from all origins)	8022200	$ 1,106,749,476	$ 1,790,100,251	$ 1,440,962,740	1,159,681,284	1,146,966,600
Macadamia in shell (Total from all origins)	8026100	$ 2,451,606	$ 5,186,212	$ 6,322,558	2,625,167	390,214
Macadamia shelled (Total from all origins)	8026200	$ 84,782,566	$ 118,823,766	$ 125,799,232	115,141,256	170,140,973
Pecan (Total from all origins)	8029011 & 8029019	$ 93,448,322	$ 142,661,337	$ 190,820,469	234,857,359	227,662,916
Pistachio in shell (Total from all origins)	8025100	$ 701,785,296	$ 863,028,502	$ 757,996,103	781,837,428	836,614,701
Pistachio shelled (Total from all origins)	8025200	$ 167,116,255	$ 204,802,350	$ 205,372,656	190,021,629	259,089,468
Walnut in shell (Total from all origins)	8023100	$ 244,649,011	$ 218,883,071	$ 209,509,673	286,573,864	216,136,144
Walnut shelled (Total from all origins)	8023200	$ 663,486,968	$ 865,160,395	$ 699,913,678	900,598,948	973,621,664
Total Nuts		**5,050,637,463**	**7,065,054,792**	**6,075,413,302**	**5,672,900,057**	**5,975,590,426**

Table 1.3 Total nut imports to Europe of Australian Origin

VALUE AUD	HS CODES	Tree nut imports to Europe AUSTRALIAN Origin Calendar Year				
EU imports (value, AUD)		**2014**	**2015**	**2016**	**2017**	**2018**
Almond in shell (Australia origin)	8021100	$472,064	$ 1,062,512	$ 173,031	870,890	-
Almond shelled (Australia origin)	8021200	$ 165,036,214	$ 282,433,623	$ 182,763,520	158,040,089	125,742,824
Hazel in shell (Australia origin)	8022100	$ -	$ -	$ -	-	-
Hazel shelled (Australia origin)	8022200	$ -	$ -	$ -	-	2
Macadamia in shell (Australia origin)	8026100	$ 13,626	$ 1,084,234	$ 1,734,828	216,439	7,550
Macadamia shelled (Australia origin)	8026200	$ 20,266,700	$ 26,118,267	$ 28,703,666	27,007,859	31,598,371
Pecan (Australia origin)	8029011 & 8029019	$ 686,101	$ 559,209	$ 1,807,837	772,044	919,444
Pistachio in shell (Australia origin)	8025100	$ -	$ -	$ 947,740	-	-
Pistachio shelled(Australia origin)	8025200	$ -	$ -	$ -	-	-
Walnut in shell (Australia origin)	8023100	$ 14,230,161	$ 16,797,575	$ 11,433,657	23,862,344	18,444,352
Walnut shelled (Australia origin)	8023200	$ 336,440	$ 7,825	$ -	-	-
Total Nuts		**201,041,306**	**328,063,245**	**227,564,279**	**210,769,665**	**176,712,543**

APPENDIX II EUROPEAN NUT PRODUCTION

Europe is a very small producer of tree nuts. In all cases there is there is geographic indications that ensure that the European production trades at a significantly higher price than imports.

Table 2.0

NUT	MAJOR PRODUCING EUROPEAN COUNTRY	EU PRODUCTION METRIC TONNES	EU SHARE OF WORLD PRODUCTION	SHARE OF TOTAL EUROPEAN CONSUMPTION (LOCAL + IMPORTS)
Almonds	Spain, small production in Italy, France and Portugal	50,000	5%	15%
Hazel Nuts	Italy, small production in Spain	33,000	11%	19%
Macadamia	Nil	Nil	0 %	0 %
Pecans	Nil	Nil	0 %	0 %
Pistachio	Italy	2,000	<1%	2.5%
Walnuts	France, Italy	6,000	2%	4%

Source : International Nut & Dried Fruit Council Statistical Yearbook 2018/19

NOTES :

ALMOND

Spain is not only a significant producer of almonds but also the largest single country importer in the EU. Spain processes imported almonds for EU food manufacturers who require blanched, sliced, meal etc forms of almonds.

The local Spanish varieties such as Marcona and Larguetta are protected by geographic indications and trade at significantly higher prices than Californian or Australian almonds.

HAZELNUT

Italy is not only a producer of hazel nuts but is, along with Germany, the largest EU importer of hazelnuts. Italy imports hazels for its large confectionery industry not only for nougat but also for the Ferrero range of hazelnut products such as Nutella.

The Italian production is centred in Piedmont. The *Nocciola del Piemonte* trades at premium prices over imports.

The Spanish origin *Tarragona* also trades at a premium to imports

PISTACHIO

The Sicilian *Pistacchio Verde di Bronte* (Green pistachio of Bronte) was granted DOP status in 2009. This is a unique variety valued for its intense green colour and flavour. It trades at a premium price well above any other variety/origin in the world.

WALNUT

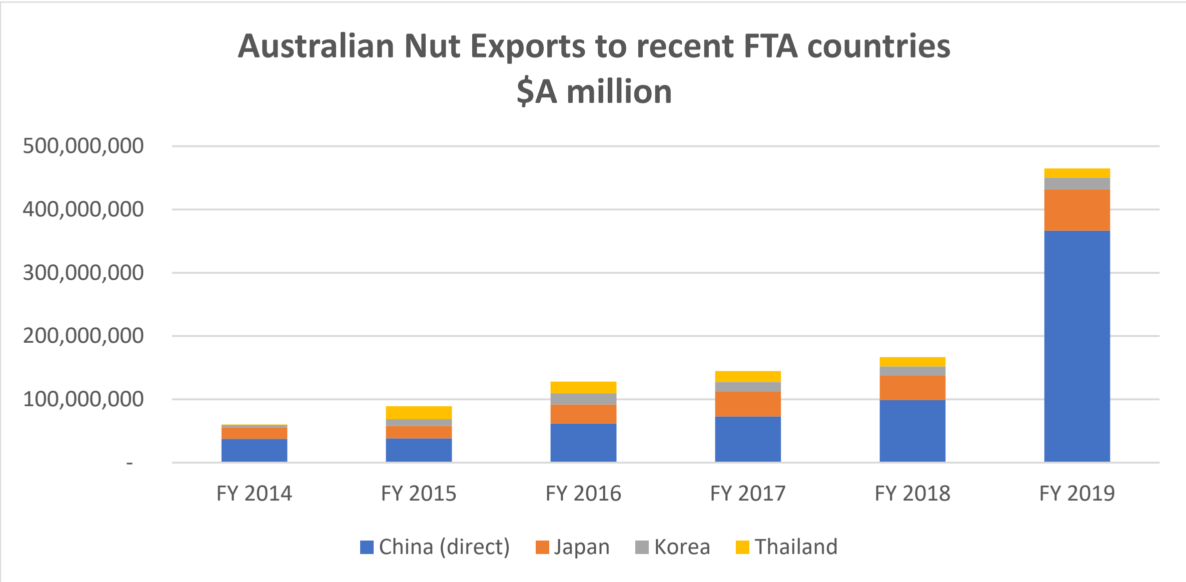
France produces walnuts in the Grenoble region. Grenoble walnuts were the first fruit to be protected by AOC in 1938. The high altitude of the growing range, the varieties and the *terroir* result in a unique sweet flavour and light coloured kernel. Grenoble walnuts trade at a significant premium to imported walnuts.

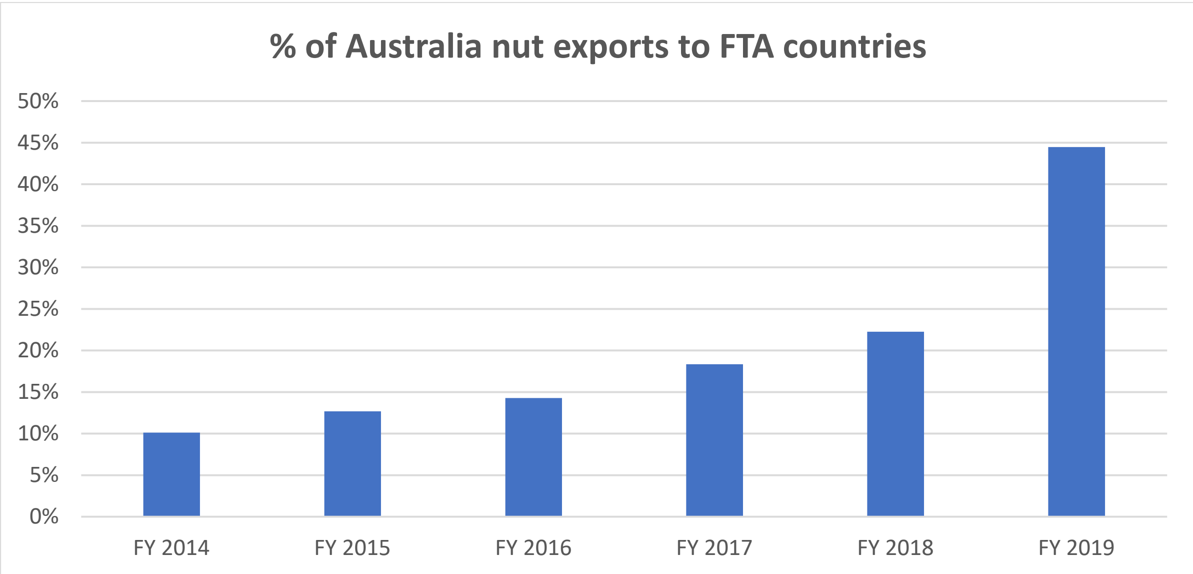
Italy also produces walnuts on the Sorrento Peninsula. Whilst production is declining due to the historically small orchard size and manual farming techniques, Sorrento walnuts are highly valued and not threatened by imports.

APPENDIX III AUSTRALIAN EXPORTS TO RECENT FTA COUNTRIES

The Australian nut industry has taken full advantage of the opportunities opened by the recently concluded FTA agreements with China, Japan, Korea and Thailand.

In FY 2019 the USA trade war on China provided Australia with an unique opportunity in China. The expansion in exports to China has been spectacular but there have been increases in exports to Japan, Korea and Thailand. The Australian share of the nut imports in all of the FTA countries has steadily expanded as a result of the FTA especially as all have now reached zero tariff on Australian nuts.





Source : ABS export data

APPENDIX IV

TARIFF CODES AND RATES OF AUSTRALIAN NUT AND NUT PRODUCTS INTO EUROPE

Commodity	HS Code	Current EU Tariff
Almonds in shell	8021100	2.0 % IQ; 5.6% OQ
Almond Shelled	8021200	2.0 % IQ; 3.5% OQ
Almonds P/P	20081993	10.2 %
Hazel in shell	8022100	3.2 %
Hazel shelled	8022200	3.2 %
Macadamia in shell	8026100	2.0 %
Macadamia shelled	8026200	2.0 %
Macadamia P/P	20081909	12 %
Pecan inshell & shelled	8029090	0 %
Pecan P/P	20081909	12 %
Pistachio in shell	8025100	1.6 %
Pistachio shelled	8025200	1.6 %
Pistachio P/P	20081909	10.2 %
Walnut in shell	8023100	4.0 %
Walnut shelled	8023200	5.1 %
Nut meals & flour	110630	8.3 %