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Coordinator
Australia-India Comprehensive Economic Cooperation Agreement
Free Trade Agreements Division
Department of Foreign Affairs and Trade
RG Casey Building
John McEwen Crescent
Barton ACT 0221

Re: Citrus Australia submission on the Australia-India Comprehensive Economic Cooperation Agreement

Summary

Citrus Australia is supportive of the progression of the Australia-India Comprehensive Economic Cooperation Agreement (AI-CECA). Ultimately, we propose a staged elimination of the current 30 per cent tariff on citrus imports into India from Australia. As an interim measure, we propose that upon commencement, Tariff Reduced Quotas be as follows for the period June – December each year.

- 10 000 tonnes for oranges
- 10 000 tonnes for mandarins
- 5 000 tonnes for lemons
- 5 000 tonnes for grapefruit.

The staged elimination would include an increase in the Tariff Reduced Quota of 2 000 tonnes per annum for oranges and mandarins and 1 000 tonnes for lemons and grapefruit.

We also welcome the closer bilateral government and commercial ties the agreement will likely bring.

Foreword

Citrus Australia welcomes the opportunity to provide a submission to the Department of Foreign Affairs and Trade (DFAT) to the re-launch of negotiations on AI-CECA. India is currently a substantial but low-value market for Australian citrus. On average, India returns A$800.00 per packed tonne compared to China (approximately $1600 per packed tonne). The return to the grower is often as low as A$5 per 18 kg carton, once packing, marketing and freight costs are accounted for. Given the low return a grower receives for fruit exported to India, the current tariff represents an obvious impediment to market growth. Despite the current pricing, India is becoming an increasingly important strategic market for our industry. We understand the risks of a potential loss of trade to

China due to escalating political tensions and market diversification is therefore a high priority for the Australian citrus industry. In addition, the citrus industry has invested heavily in new plantings to have fruit to supply burgeoning Asian markets and annual production volumes continue to expand with no end in sight. It is critical that we continue to develop new trading relationships, supported by Free Trade Agreements (FTAs), to ensure we have markets to supply with the increased production.

The Australian citrus industry has benefited from many other successful FTA negotiations over the last decade or more. In fact, 89 per cent of the total Australian citrus export trade is to countries where Australia either has FTAs in place or where no entry tariffs are applied. In most markets, entry tariffs no longer represent a barrier to trade. India and the other sub-continent countries are the last remaining markets where tariffs represent a significant barrier for Australian citrus.

The Korea-Australia FTA that entered into force in December 2014 has seen the tariff on Australian oranges reduced from a year-round 50 per cent tariff prior to 2014, to a gradual reduction in tariff from 1 April to 30 September, culminating in the complete elimination of the tariff for that six-month period. Australian orange export volumes have grown from 539 tonnes in 2014, to 7 700 tonnes in 2021. South Korea is now the seventh largest market for Australian oranges and future growth is expected in the coming years.

Similarly, under the Japan-Australia Economic Partnership Agreement (JAEPA) that entered into force in January 2015, the import tariff on all varieties of fresh citrus from Australia will be eliminated in 2023 for a major part of the Australian export season (1 June – 30 November). The tariff for other times of year will be eliminated in 2025. Grapefruit is the exception for which the tariff was eliminated in 2019. Australia's citrus exports to Japan grew from 29 000 tonnes in 2014 to 53 000 tonnes in 2020. While there are a range of factors that have assisted this growth, tariff reductions under JAEPA have most certainly made a strong contribution to that growth.

In addition to the tariff reductions delivered by these FTAs, Citrus Australia understands it is the diplomatic relationship gained with our trading partners that results from a formal trade agreement. Closer ties with government and the trade sectors in other export markets has strengthened our ability to engage effectively. For example, the goodwill generated under the China Australia Free Trade Agreement (ChAFTA) was immediately evident to the Australian citrus industry. We saw improvements with adequate port infrastructure, streamlined customs and inspection services (particularly for perishable goods), and a commitment to ongoing dialogue on sanitary and phytosanitary issues, along with other technical barriers. Disappointingly, much of the goodwill generated through ChAFTA has now been eroded. We anticipate the AI-CECA would deliver similarly close ties and improvements to the trading environment.

Background

Citrus Australia is the recognised industry representative body representing the nation's commercial citrus growers. Our membership also includes other members of the citrus value chain including citrus packers, exporters and transporters. There are currently over 28 000 hectares of citrus plantings spread across Australia with the main growing regions focused around South Australia's Riverland, the Murray Valley region of New South Wales and Victoria, the Riverina, region of New South Wales and the Central Burnett region of Queensland. There are also plantings throughout Western Australia, coastal New South Wales, northern and central Queensland and the Northern Territory. The widespread nature of the industry magnifies the importance of the industry on the economic sustainability of rural Australia as a whole.
Citrus Australia is supported by six regional committees as well as issues committees — including an Export Market Committee which focuses on enhancing trade volumes and values.

The Australian citrus industry has been in a buoyant phase for nearly a decade, driven primarily by growth in the China market — a high-returning market for premium-grade fruit. A rising tide floats all boats and the growth in China has put markets across Asia into a state of equilibrium, driving up prices for Australian citrus to make the industry competitive and profitable. With tensions between the Australian and Chinese Governments escalating, the future of the citrus export trade is now in question, threatening the viability of the industry. It is imperative at this stage that the Australian citrus industry finds other markets that return high prices for premium grade fruit to absorb some of the impact from declining sales into China. Our members therefore understand the importance of market diversification and the long-term possibilities that the Indian market may provide.

Current trade to India

While India currently ranks ninth in terms of total volume exported of oranges and ranked eighteenth for mandarins, Citrus Australia recognises the strategic importance of India to the sustainability of Australia's citrus industry. In 2019, Citrus Australia undertook a market visit to India with the purpose of establishing links with government officials and the trade sector.

Trade to India to date has traditionally focussed on smaller sizes and composite grade quality — for a very low return. Citrus Australia is investing in developing a market for class-1 fruit, focusing on navel oranges, Afourer mandarins and Murcott mandarins. Ultimately this niche within the broader Indian market will provide a profitable return for growers.

The current 30 per cent tariff on imported citrus fruits is constraining Australian exports. We understand the price sensitivity of the Indian market so any reduction in tariff will ultimately benefit Indian consumers.

India accepted in-transit cold treatment for Australian citrus in 2011, which has made trade significantly easier, less risky and more profitable for both sides.

Citrus Australia welcomes the opportunity to work cooperatively with the Indian citrus trade sector. We can provide training to improve cold chain handling, storage, stock management and merchandising to improve domestic and imported citrus quality.

Conclusion

Citrus Australia supports the finalisation of the AI-CECA and proposes a staged elimination of the 30 per cent tariff on imported citrus. Ultimately, a close bilateral relationship underpinned by an FTA will benefit all parties.

Submitted by
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General Manager, Market Development