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4 March, 2011

c/-: Stephen Winter: stephen.winter@etower.com.au

**Re: ANIC submission on the Australia/Japan Free Trade Agreement**

Dear Stephen,

ANIC is the peak body representing the seven tree nut producing industries in Australia. The nut industry is Australia's single largest horticultural exporter and is forecast to double current production over the next ten years. On this basis, ANIC is pleased to provide this submission for consideration in the Free Trade Agreement negotiations currently underway between Australia and Japan.

**ANIC's position:**

Nuts should receive a **high priority** in the negotiations with Japan for the Free Trade Agreement.

**Justification:**

Japan is unlikely to raise its usual agricultural protectionist arguments against nuts, and the removal of tariffs on Australian nuts would provide significant benefit for Australian agriculture by providing the expanding Australian nut industries a competitive advantage in an increasingly important market. The removal of tariffs in consuming countries such as Japan will accelerate the global growth in demand for nuts, thereby increasing returns to Australian agriculture.

Japan does not produce almonds, macadamias, pecans or pistachios. These are not traditional Japanese crops as they cannot be grown in



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Japan's climate. Japan does produce some walnuts and chestnuts, but is also a significant importer of both.

In Australia, all nut industries represented by ANIC have both young trees in the ground and expansion plans for more plantings, meaning increased production is inevitable 3-5 years forward. This is being driven by the growing world demand for nuts.

**Macadamias Raw: 080260000, Macadamias Roasted: 200819221**

Australia is already the largest producer in the world of macadamias. With more young trees in the ground yet to reach bearing age, Australian production is only going to continue to rise in the next 3-5 years, and longer term as more trees continue to be planted. Export markets are vital to this industry.

Japan is a major market for Australian macadamias. The current tariff of 5% on both tariff items is high for what is traditionally already a high priced product. The duty adds a significant amount in absolute terms to the final retail price. The removal of the tariff would increase consumer demand and increase sales of Australian macadamias to Japan. As there is no, and never will be any, Japanese macadamia production, there are no Japanese sensitivities to consider with this product.

**Almonds Shelled: 082122000, Almonds Inshell: 0820211000**

From 2012 onwards Australia will displace Spain as the second largest producer of almonds. As for macadamias, the industry has a very large number of young trees in the ground that will reach bearing age within the next 3-5 years and double current production.

Japan is a major market for almonds. As Australia has only moved into exporting almonds over the past 5 years, Japan has to date not been targeted as a priority market. Recent exports to Japan have therefore been modest and are not a good guide to future potential and intentions. As Australian almond exports grow from the current 25,000 tonnes per annum (value \$120 million) to 65,000 tonnes per annum (value \$310 million) by 2016, Japan will become a focus of Australian almond exporters. This expansion in exports will be supplied by trees already planted, supported by the further orchards being planted. This will serve to further export volumes. The removal of the 2.4% duty on Australian almonds will stimulate total demand in the Japanese market and also provide Australia with a strong competitive position. As with macadamias, there is no, and never will be any, Japanese almond production, so again there are no Japanese sensitivities to consider with this product.

Almonds inshell are imported into Japan in very small quantities. Whilst it is not a significant item, ANIC recommends that the duty should also be reduced to zero under any Japan/Australia FTA to maintain consistency with almonds shelled.

#### **Walnuts Shelled: 080232000**

Australia now has walnut trees in the ground that will produce over 4,000 tonnes within 5 years – with most of this destined for export. Japan is a small producer of walnuts but ANIC understands that these are largely sold as walnuts inshell (080231000). Japan does not produce shelled walnuts (080231000) and imports about 14,000 tonnes per annum. ANIC believes that the FTA should include a reduction of the shelled walnut tariff. As there is no shelled walnut production in Japan, there should not be Japanese sensitivities on this item.

ANIC does acknowledge that there could be sensitivities on inshell walnuts (080231000) and hence does not request tariff reductions on this item.

**Pecans: 080290300**

Pecans are presently only produced in small volumes in Australia, however increased pecan plantings are taking place (albeit at lower rates than almonds, macadamias and walnuts). This will result in a significant increase in production within this decade. Given that any FTA concluded with Japan is likely to cover the Australia/Japan trade for many decades, ANIC believes pecans should be included in this agreement. A competitive niche in a market such as Japan will certainly encourage this Australian industry to further develop. As with macadamias and almonds, there is no, and never will be any, Japanese pecan production, so there are no Japanese sensitivities to accommodate with this product.

**Chestnuts Fresh: 080240000, Chestnuts Frozen: 081190290**

Fresh chestnuts are produced in Australia in the opposite season to Japan. Australian fresh chestnuts could enter Japan between March and August without any disruption to the market for Japanese grown fresh chestnuts.

Australia is now producing frozen, peeled chestnuts. Japan does not produce this item. ANIC is of the view that the current Japanese tariff should be removed in an Australia-Japan FTA.

**Summary**

Australian nut production has expanded dramatically in the last decade, and with the young trees currently in the ground and planned new plantings across the various industries, is going to continue this trend. The Australian nut industry clearly relies on export markets and Australian nuts



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are in high demand globally. Giving nuts a high priority in this negotiation has clear benefits to Australian agriculture.

ANIC is of the view that Australia should **seek winnable outcomes** from its trade negotiations. Rather than demanding concessions on all agricultural items including those with sensitivities for the negotiating partner,

**Australia should accept gains on products that do not have sensitivities.**

This creates greater demand for the successful products – over time these products will increase their share of Australian agriculture. Australian farmers will be encouraged to produce the crops that our markets wish to purchase.

Allowing trade negotiations to fail because there is no gain for all parts of Australian agriculture means that there is no gain for any part of Australian agriculture.

Thank you for the opportunity to provide this information and ANIC looks forward to continuing to work with DFAT to ensure that nuts receive a high priority in the negotiations with Japan for a Free Trade Agreement.

Leigh Titmus  
President,  
Australian Nut Industry Council