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29 February 2015

## **SUBMISSION ON NEW ZEALAND – EUROPEAN UNION FREE TRADE AGREEMENT**

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### **EXECUTIVE SUMMARY**

1. Horticulture New Zealand (HortNZ) represents the interests of New Zealand's 5,500 commercial fruit and vegetable growers. The horticulture industry is valued at over \$5.5 Billion with \$2.5 Billion in exports. The European Union (EU) is the destination for approximately 20% of these exports, across a wide range of horticultural products.
2. The industry employs over 50,000 people, occupies some 125,000 ha of land and provides critical regional development opportunities in Northland, Auckland, Bay of Plenty, Hawke's Bay, Marlborough, Nelson, Canterbury and Central Otago.
3. The horticultural industry is undergoing significant change. Key fruit crops, kiwifruit and apples, are growing rapidly, with vegetable production up 10% in 2015 from 2014. Despite volume only growing by 25%, fresh fruit and vegetable exports doubled in value in the decade to 2015. The industry is making a very strong contribution to the Government's '**export double**' goal by 2025. The horticulture industry does not receive Government subsidies, hence productive value and global competitiveness is driven by commercial necessity alone.
4. The horticultural industry is a diversified portfolio: by production region; by product; and by market. This strength of natural risk management helps mitigate the extreme highs and lows experienced by other commodities, as well as enabling nimble reactions to market

changes. Investment in FTA achievement that benefits horticulture represents high value to a broad range of New Zealanders.

5. The industry relies on New Zealand's excellent biosecurity status that provides us with significant market access opportunities internationally, and New Zealand (NZ) operates strict biosecurity safeguards to ensure unwanted pests & diseases do not enter NZ. This status is also key to the industry's drive towards Integrated Pest Management (IPM) that reduce agrichemical inputs while maintaining product quality and meeting the exacting standards of our international consumers. These developments have enabled NZ's horticultural exports to meet the exacting demands of European Government and retailers.

6. There is an expectation by HortNZ to see NZ and the EU catch up on the opportunities available to other nations through FTAs, in particular given New Zealand's reputation for both fair and free trade, and for the recognised two-way trade in high-value goods and services sought by New Zealanders and Europeans.

7. Horticulture New Zealand:

- strongly supports the intention to develop a Free Trade Agreement with the European Union
- proposes the agreement includes elimination of all horticultural produce tariffs
- proposes the agreement includes commitment to compliance with international rules and obligations for the consistent application of requirements relating to trade and Sanitary and Phytosanitary (SPS) requirements;
- proposes the agreement includes commitment to eliminating non-tariff barriers;

8. The horticultural industry is encouraged by the European Commission (EC) views on trade strategy, in '*Trade for All*', noting particularly:

The Commission will:

- address regulatory issues as a priority in negotiations and steer greater cooperation in international regulatory fora, while maintaining high European standards;
- continue its efforts to eliminate non-tariff barriers through the enforcement of agreements and regulatory cooperation
- identify those instances where we [EC] could most effectively capitalise on the achievements of the EU's single market — particularly in the agri-food area — leading to further improved market access. The Commission will also address cases where our trading partners discriminate between EU Member States;
- pay particular attention, in trade defence, to subsidisation and to increasingly problematic circumvention<sup>1</sup>;

9. As a general principle the NZ horticulture industry is opposed to the use of domestic subsidies by the EU, where products from subsidised horticultural enterprises are exported either to NZ or to other markets in competition with NZ products.

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<sup>1</sup> European Commission, *Trade for all*, Luxembourg, 2015, [http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc\\_153846.pdf](http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc_153846.pdf)

## VALUE OF A FREE TRADE AGREEMENT

10. The NZ horticulture sector supports the EU intent in its '*Trade for All*' strategy, to improve the opportunity for Europeans to access high quality, safe food. As noted in this strategy; '*New trade agreements can further expand choice and lower prices. However, consumers also care about the safety of the products they use and about the respect of human rights, labour rights and the environment in the way they are produced.*<sup>2</sup>

11. The NZ horticulture sector is uniquely positioned to meet the EU consumer's need as a recognised supplier of safe, pest-free, high quality fresh produce. The NZ industry has:

- a. the highest uptake of GLOBALG.A.P certification anywhere in the world,
- b. widespread adoption of excellent agrichemical management programmes (many specifically tailored to meet EU retailer's strict rules),
- c. is continually evolving environmental expectations with low-carbon production,
- d. meets first world expectations on human and labour rights,
- e. continues to deliver high-quality, and innovative new fruit and vegetables.

12. The EC recognises broadly the value of an FTA that "*Imports benefit consumers, lowering prices and broadening choice. There is no advantage to be gained from resorting to protectionist measures, even in the difficult economic circumstances of today*"<sup>3</sup>.

13. The specific value of New Zealand's horticultural value to Europe, which will be further enhanced by an FTA, is three-fold;

- a. Our ability to supply counter-seasonal, high-quality, safe, sustainably-produced fresh produce,
- b. The ongoing value to European supply chains of New Zealand supply, and
- c. The licensing to European growers of innovative fresh produce bred in New Zealand (E.g. Jazz™ apple, Zespri® Sungold kiwifruit).

14. The value of the European market to NZ horticulture is considerable, with over 20% of New Zealand's produce exports to EU member states (\$547 million NZD in 2014). The key value to the New Zealand industry of a high-quality, well-constructed FTA would be:

- a. NZ competitiveness significantly enhanced by elimination of tariffs (relative to other third party supply)
- b. continued supply utilising international rules (IPPC) for phytosanitary certification, rather than EU specific rules (some proposed EU rules in this area are counter to IPPC)

15. HortNZ supports the published views of the New Zealand International Business Forum (NZIBF) on the value of an EU FTA in particularly "*reducing costs in relative and absolute terms, and making it easier to do business, allowing New Zealand to supply its high-quality*

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<sup>2</sup> ibid

<sup>3</sup> ibid

*goods and services on an equal footing with its third-country competitors and domestic European producers.”<sup>4</sup>*

## **Tariff Elimination**

16. Tariffs on New Zealand horticultural products cost the New Zealand industry over \$30 million NZD (Free On Board-FOB) in 2014. Tariffs on kiwifruit make up 80% of these tariffs, but supply of other products is stifled as a result of tariffs. Tariff reduction would result in alignment of New Zealand produce to other supplying nations (many competitors enter tariff-free), and meet the EU trade strategy of reducing costs to consumers. Many current tariffs are time bound and do not reflect the reality of the global trade in produce which can, when tariff-free, significantly benefit consumers and the environment.

## **International Regulation**

17. New Zealand is a strong supporter of, and big contributor to policy and standard development at, the International Plant Protection Commission. New Zealand operates a proven, fit-for-purpose, and IPPC compliant system for phytosanitary certification. This system has delivered excellent results, including for exports to the EU. Notwithstanding this there are current moves by the EC to introduce additional and/or/contradictory rules that are both non-compliant with the IPPC, and would be detrimental to New Zealand’s horticultural exports. This FTA must enshrine New Zealand’s expectation that SPS rules are consistent internationally. Such an outcome would meet the EU’s stated trade expectations, as recorded in the EC’s ‘*Trade for All*’ strategy for effective regulation through international regulatory cooperation:

*Reinforced international regulatory cooperation helps to facilitate trade, raises global standards, makes regulations more effective and helps regulators to make better use of limited resources. SPS-related international standard-setting bodies like the Codex Alimentarius for food. International standardisation organisations (ISO, IEC, ITU) play an important role as well. The WTO could develop its role in promoting good regulatory practices.*

18. The European Commission (European Commission, 2013) notes that regulations have previously “*successfully protected the EU against the introduction and spread of many pests (e.g. potato and citrus pests). The situation has however changed due to the ongoing globalisation of trade, resulting in ever increasing imports from new parts of the world. The EU is thus confronted with an increased risk of entry of pests*”. This situation is shared by New Zealand, and indeed all countries enjoying increased global trade. The very fact that this is a global challenge reinforces the need for global, collaborative action under international standards, not regressive action. The horticulture industry is encouraged about the prospect of agreement in this area, by both the EC strategy perspective, and the common, shared outcomes and expectation in phytosanitary matters.

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<sup>4</sup> New Zealand International Business Forum, *Towards a New Zealand – European union FTA; A Business Perspective*, 2015, <http://www.tradeworks.org.nz/wp-content/uploads/2015/09/NZIBF-NZ-EU-FTA-9-SEPT-2015.pdf>

## **Private Standards**

19. European retailers and their private standards have assisted the continuous improvement by the New Zealand industry to be world leading producers of safe, high-quality horticultural produce. The acceptance of robust, scientific, appropriately assured private standards should be considered as a potential solution to, but indubitably not the driver of, regulatory requirements under this FTA. For the most part private standards in horticulture have been developed to meet EU regulatory needs, and the New Zealand industry has responded with a very high proportion of production covered by GLOBALG.A.P. (New Zealand is the only country in the world with a 100 percent GLOBALG.A.P. certification rate for apples and kiwifruit<sup>5</sup>), and for post-harvest the BRC Global Standards.

## **CONCLUSION**

20. HortNZ supports the intent by the New Zealand Government to deliver a high-quality, comprehensive FTA with the European Union. HortNZ, its growers, and associated industries look forward to an FTA that delivers;

- a. tangible new, and tariff-free, market access opportunities
- b. trade underpinned by and aligned to global regulation to ensure effective trade in plant products, and management of plant pests and diseases

21. HortNZ supports the submission made by the Horticultural Export Authority.

22. HortNZ would appreciate being kept closely informed as negotiations progress, and welcomes further discussion with MFAT on horticultural specific interests and outcomes, together with other horticulture industry product groups.

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<sup>5</sup> [http://www.globalgap.org/uk\\_en/media-events/news/articles/GLOBALG.A.P.-TOUR-2015-Report-New-Zealand-New-Zealand-Kiwi-and-Apples-100-GLOBALG.A.P.-Certified-00001/](http://www.globalgap.org/uk_en/media-events/news/articles/GLOBALG.A.P.-TOUR-2015-Report-New-Zealand-New-Zealand-Kiwi-and-Apples-100-GLOBALG.A.P.-Certified-00001/)