

Onions New Zealand Inc. Submission to the Ministry of Foreign Affairs & Trade (MFAT)

New Zealand – European Union Free Trade Agreement

Background

In 2015 the New Zealand onion industry was valued at \$120 million¹ created by 90 growers across the growing regions of South Auckland, Waikato, Hawkes Bay, Manawatu, Horowhenua, Canterbury and South Canterbury on approximately 5,000 hectares (Ha) of elite soils. Total yield was approximately 200,000+ tonnes of which 85% was exported at a Free On Board (FOB) value of \$95.9 million. This currently places onions as New Zealand's third equal largest horticultural export product (with avocados) and most valuable fresh vegetable item. The industry is a large, multi-regional employer with a variety of job skill requirements ranging from field agronomy to new packing technology and logistics through to overseas market interface. The industry is a multi-exporter construct, which over time has evolved to a concentration of vertically integrated production/packing/exporting operators complemented by an assortment of independent specialist exporters. The large majority of all these companies are New Zealand owned. Onions make up a vital component of all growers' total business and provides an essential crop rotation option that facilitates vital soil sustainability strategies. A sound industry export strategy for onions therefore holds wider benefits and implications for the New Zealand vegetable sector and rural land use in general.

NZ Onion Industry Structure

Prior to 2013, exporters and export growers co-operated voluntarily for many years. In 2012, Onions New Zealand Inc. (ONZ) was formed as a means of consolidating growers' domestic and export representation into a single peak body. A commodity levy was also introduced in 2013 supplemented by a voluntary exporter levy which has achieved 90% commitment. In 2015, ONZ signed the Government Industry Agreement (GIA) Deed between ONZ and MPI to work collaboratively on managing biosecurity issues. ONZ has also formed a dedicated Research and Innovation (R&I) subcommittee which is tasked with delivering strategic R&I goals. The most important current initiative is a \$900k Sustainable Farming Fund (SFF) project with MPI managed jointly with Plant and Food research Inc. towards increasing the yield/Ha of Class 1 onions for export by utilisation of new field management technology.

¹ Statistics New Zealand, 2016 and Fresh Facts 2015

Below (Figure 1) is the current ONZ structure:

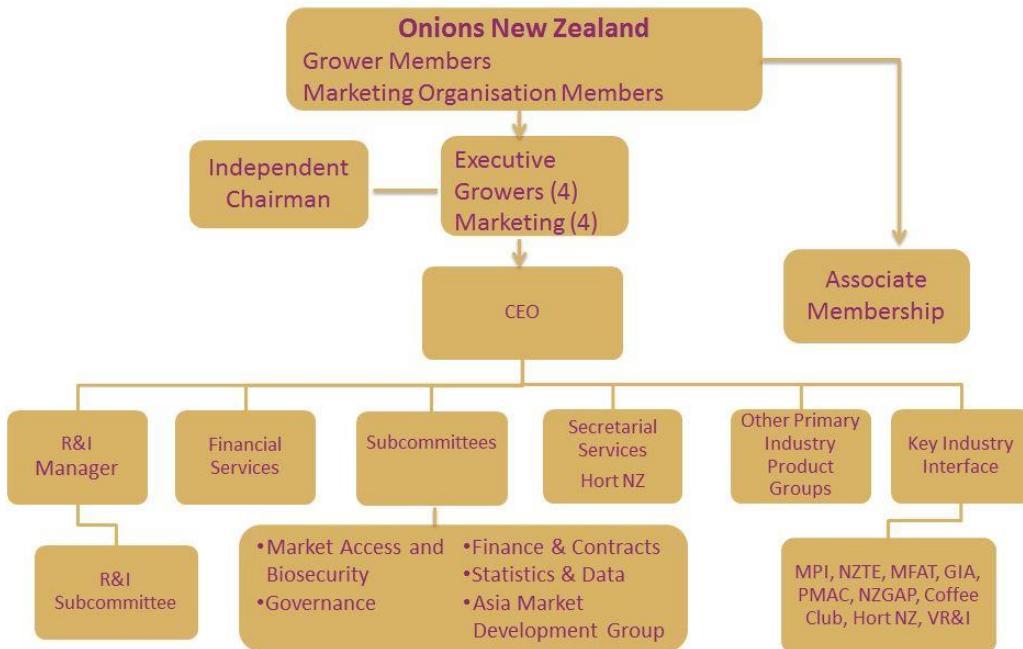


Figure 1

NZ Onion export trade with the European Union

New Zealand onions have been exported to Europe for over 50 years. The EU is now by far New Zealand's largest export market region in terms of volume and value. Of the 170,966 tonnes exported globally in 2015, 49% (84,080)² was shipped to countries within the EU. This is a reduction of 8% over 10 years, which is primarily due to increased competition from domestic production in the UK. This decline in the UK has been offset somewhat by an increase to continental European markets of 29.5%. The increase has been achieved by outperforming Chilean, South African, Argentinian and to a lesser extent Australian competition in the Southern Hemisphere window (Mid May- early August) at major retail outlet level. Table 1² shows onion exports to all markets in recent years.

² Customs New Zealand

Onions New Zealand Export Summary Calendar Year 2015 (Tonnes)								
*Destination	2009	2010	2011	2012	2013	2014	2015	
Belgium					13,978	12,983	15,596	14,392
France					3,891	6,757	10,038	9,846
Netherlands					25,110	35,397	29,977	31,505
Germany					10,938	14,127	11,919	15,790
Europe / Other					5,260	4,836	5,221	4,320
Europe Total	58,456	69,153	57,796	59,177	74,099	72,749	75,853	
United Kingdom	32,338	27,138	19,532	10,868	14,217	13,849	8,228	
USA				1,164	3,723	5,859	564	
Japan	4,194	23,018	12,778	25,179	8,377	19,348	18,373	
Taiwan	1,781	3,110	507	7,168	5,018	3,230	6,993	
Hong Kong	2,578	1,862	1,444	3,609	3,643	3,545	3,181	
Indonesia	8,192	12,845	14,345	15,718	12,292	24,274	21,598	
Malaysia	2,621	13,314	7,990	17,356	29,713	15,935	13,082	
Singapore	577	2,882	1,408	3,413	3,429	2,994	2,488	
Pacific Islands	15,390	15,574	15,112	16,482	16,563	18,272	18,771	
Australia	2,136	4,412	443	434	352	787	6	
Other	948	5,325	439	2,266	3,259	1,432	1,830	
Total Tonnes	129,212	178,631	131,794	162,834	174,686	182,275	170,967	

Table 1

EU Tariff

Fresh onions from New Zealand have attracted a 9.6% tariff for many years while competitors from Chile and South Africa have enjoyed a 0% tariff. Furthermore, Argentina and the USA are currently negotiating FTAs with the EU. Australia are on the same FTA timeline as NZ but their exporters currently enjoy a huge competitive advantage with the recent introduction (January 1st 2016) of the export component of the Tasmanian Freight Equalisation Scheme which provides an export subsidy approximately equal to 35 Euro

per metric tonne (mt) Cost including Insurance and Freight (CIF) or about 32% of the total New Zealand freight cost. (Tasmania exports make up approximately 85% of total Australian onion exports).

If NZ doesn't successfully negotiate an FTA with the EU that includes onions, our industry is going to continue to be hugely disadvantaged and squeezed compared to our main competing countries (Australia, Chile and South Africa) as well as by EU grants for long stored domestic competition against New Zealand's natural off season window. The current per annum tariff cost in the EU to the New Zealand industry is approximately \$5.2 million, which is the second largest gross amount for any horticultural product after kiwifruit. The amount represents 5.4% of total NZ FOB receipts for onions.

Growth of European production

Over the past 20-30 years British, German and Dutch production have all increased dramatically. The UK is now almost self-sufficient and The Netherlands (the world's largest exporter of onions) is a direct export competitor in global markets, including "head to head" for certain periods in South East Asia. Various grants and other support to European producers has resulted in the increased construction of cool storage and modified/Controlled Atmosphere (CA) storage facilities over the years to a point where there seems very little rationale or defendable basis whatsoever for the tariff NZ faces. Germany has increased Ha planted from 8,500 in 2009 to 10,290 in the past 6 years alone. Similarly the UK has gone from 8,288 Ha to 10,171 and The Netherlands from 20,310 Ha to 22,364 Ha. Furthermore The Netherlands with a total gross production of 1.3 million (mt) and a marketable volume of 1.04 million mt, exports 92% within which 25% is outside the EU³. It is incongruous in the modern age that a high and ancient tariff of 9.6% of (CIF) value should be placed on New Zealand.

Desired outcomes from the negotiations

Elimination of all tariffs on NZ onion imports to all EU countries on implementation, to enable NZ exporters to compete within Europe and globally on a level playing field.

Summary

ONZ greatly welcomes and supports Government initiatives to develop an FTA with the European Union. This is potentially of direct and immediate benefit to the onion industry in New Zealand and also has important strategic and competitive implications for the vegetable growing business in New Zealand. Without an FTA our exporters would continue to be severely disadvantaged. Greater competitiveness in Europe would also assist in sustaining an industry base that is simultaneously and successfully seeking to diversify and expand trade in Asian markets. This strategy is directly connected to the onion industry's goal of playing its part towards the New Zealand Government's goal of doubling exports by 2020.

Contact details

³ AMI world onion report 2015

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