

SUBMISSION TO THE MINISTRY OF FOREIGN AFFAIRS AND TRADE EUROPEAN UNION-NEW ZEALAND FTA NEGOTIATIONS

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Submitter: New Zealand Apples & Pears Inc

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Introduction

1. New Zealand Apples and Pears appreciates the opportunity to make a submission to the Ministry of Foreign Affairs and Trade (MFAT) consultation on the New Zealand – European Union Free Trade Agreement (NZ-EU FTA).
2. This submission is made on behalf of New Zealand Apples and Pears Inc (NZAPI). New Zealand Apples & Pears Inc is (NZAPI) the representative organisation for the New Zealand apple and pear industry. New Zealand Apples & Pears Inc is a body corporate duly incorporated under the Incorporated Societies Act 1908 with its registered office at 507 Eastbourne Street West, Hastings. Funding for New Zealand Apples & Pears Inc. is provided by the Commodity Levies Act 1990 through a compulsory grower levy.
3. In 2018 the New Zealand apple and pear industry covers 9,810 hectares and produces 576,000 tonnes of apples and pears. Of these 381,000 tonnes are exported, 70,000 tonnes are sold on the domestic market as fresh fruit, and 125,000 tonnes are processed into other products. The New Zealand apple and pear industry is the most productive in the world producing 61 tonnes per hectare in 2017, 48% higher than our nearest competitor South Africa at 41.3 tonnes and 161% higher than the world average of 23.4 tonnes. The industry has been ranked as the most competitive apple industry in the world for each of the last 4 years (based on The World Apple Report published annually by Belrose Inc)
4. The New Zealand apple and pear industry has a current export value of \$777m FOB and is expected to reach \$1 billion by 2022.
5. Apples are specific to certain climates and regions within New Zealand. Hawkes Bay and the East Coast grow 67% of the crop with Nelson 25%, Waikato 1%, Wairarapa 1%, Canterbury 2% and Central Otago 4%.
6. The industry employs 3,671 permanent workers and employs another 11,500 seasonal workers during its peak harvest demand. Approximately 6,500 of these seasonal workers are part of the Recognised Seasonal Worker migratory labour scheme.

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7. The New Zealand apple and pear industry uses integrated pest management (IPM) practices that not only meet the very tough regulatory phytosanitary requirements of the 89 countries we export to, but also the very strict food safety and Good Agricultural Practice (GAP) requirements of European retailers. The industry continually updates this programme to ensure it remains a global leader in producing sustainable, nutritious, safe food.
8. NZAPI supports GAP globally and more specifically in Europe. NZAPI is a member of GLOBAL.G.A.P. and is also on the GLOBAL.G.A.P. stakeholder committee. All New Zealand apple and pear growers are GLOBAL.G.A.P. certified.
9. Globalisation and the rapid growth of economies has resulted in the need to develop agreements that are forward looking, are mutually beneficial and facilitate safe trade. These progressive and inclusive agreements provide valuable trade architecture in a time when there is significant uncertainty about the global trading framework and increasing trade protectionism. Support for the international rules-based system and maintaining a free and open trading environment that benefits citizens of New Zealand and the EU remains paramount.
10. NZAPI provides views for MFAT to consider in their negotiation of the NZ-EU FTA to ensure the interests of the New Zealand apple and pear industry are represented.

New Zealand Apple and Pear Trade between NZ and EU

11. New Zealand provides a counter seasonal supply of premium apples and pears to the EU to meet demands of discerning consumers who highly value fresh fruit and vegetables grown in a safe, ethical and environmentally sustainable way.
12. New Zealand partners with growers in Europe to grow its protected branded cultivars such as Jazz. This counter seasonal supply partnership is of great benefit to both NZ and EU growers as it captures much more shelf space with key retailers than if the EU or NZ acted alone. The New Zealand based breeding programme has many more cultivars coming to market and EU growers are seen as key commercial partners for them. While most of the current partnership is focused on EU consumers it is likely that future partnerships will expand so EU growers export to other markets such as Asia.
13. The New Zealand apple and pear industry is happy to work with the EU growers to share knowledge and expertise for the benefit of both industries.
14. Exports of apples and pears to the EU are consistent with around 25% of the New Zealand crop exported to the EU in any year. (Figure 1 & 2)

Figure 1 Exports by Region 2018

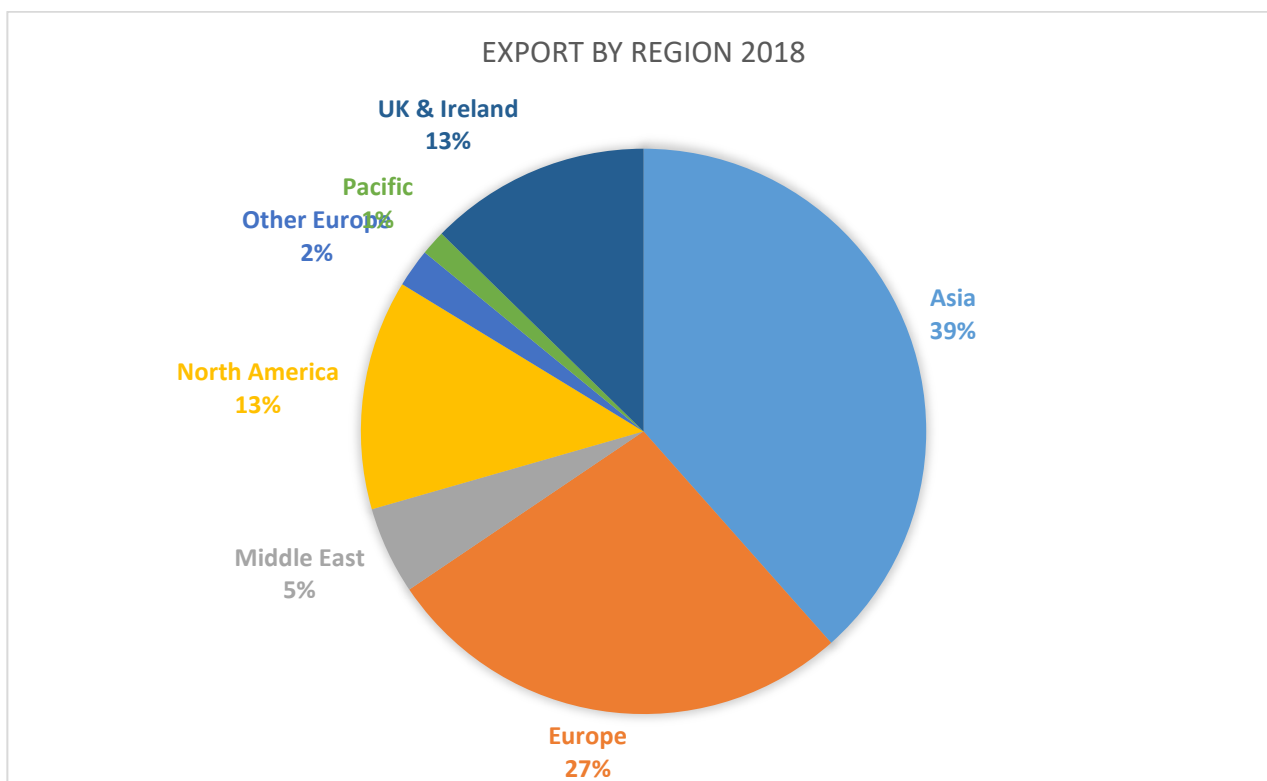


Figure 2 Exports EU/UK/RoW 2014 - 2018 kgs

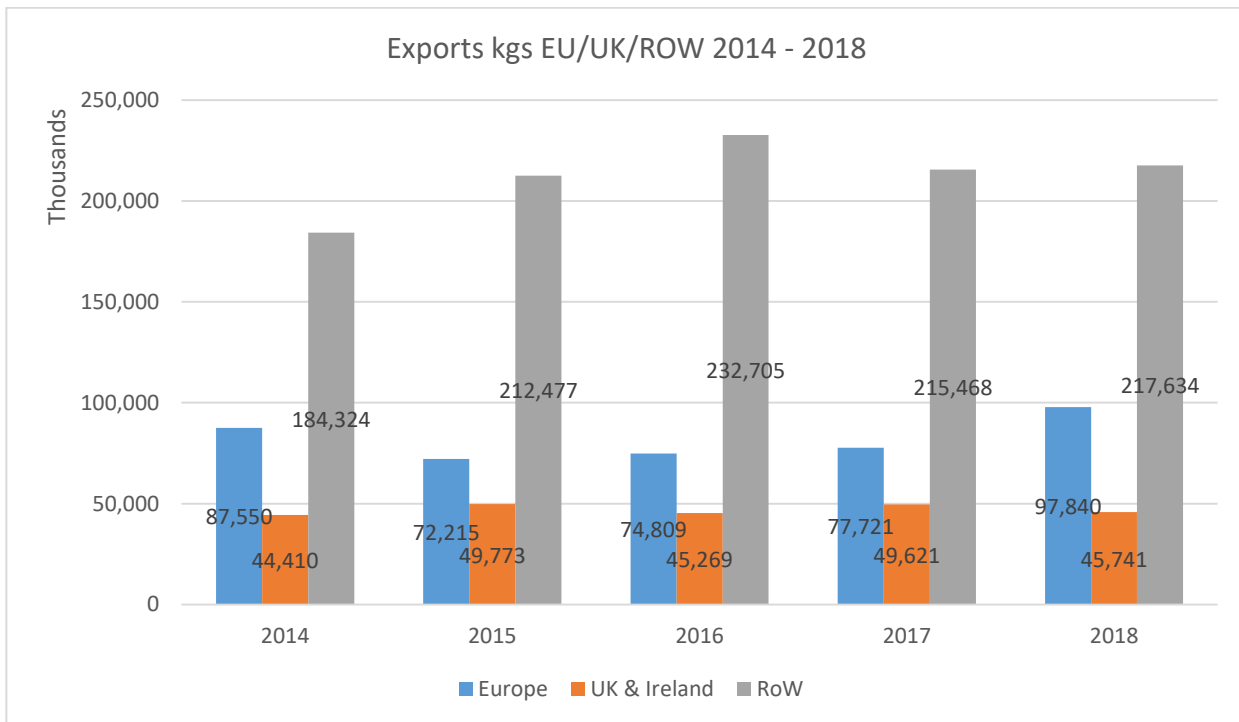
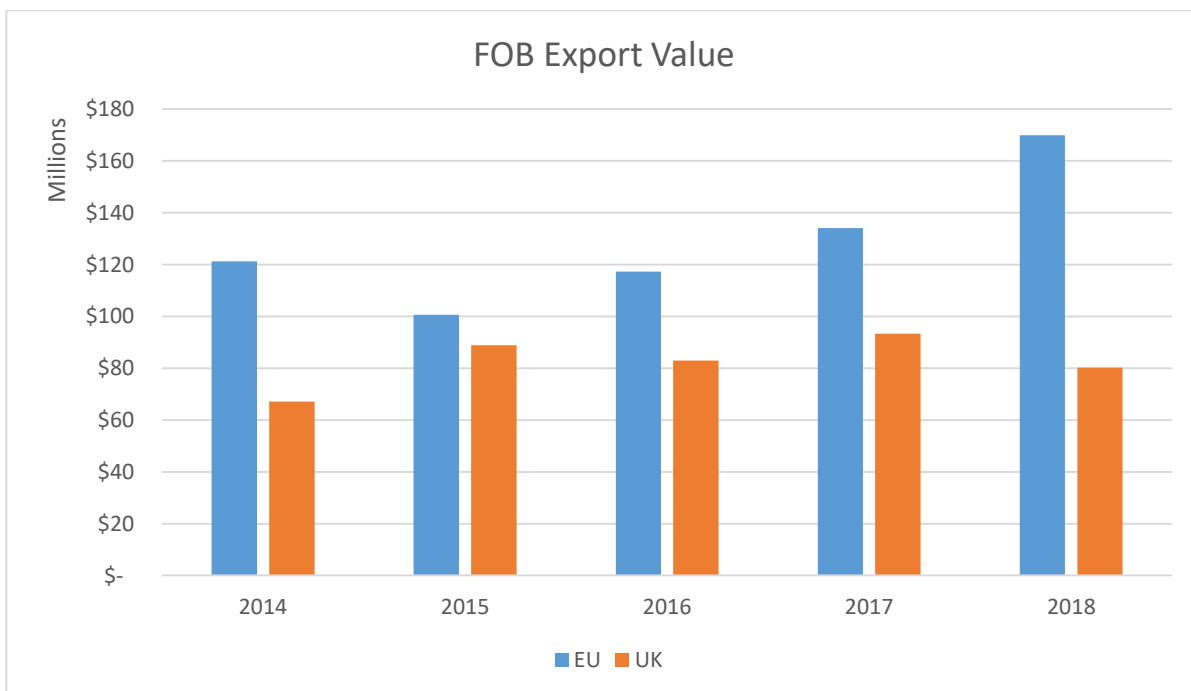


Figure 3 Value



New Zealand Apples & Pears Incorporated

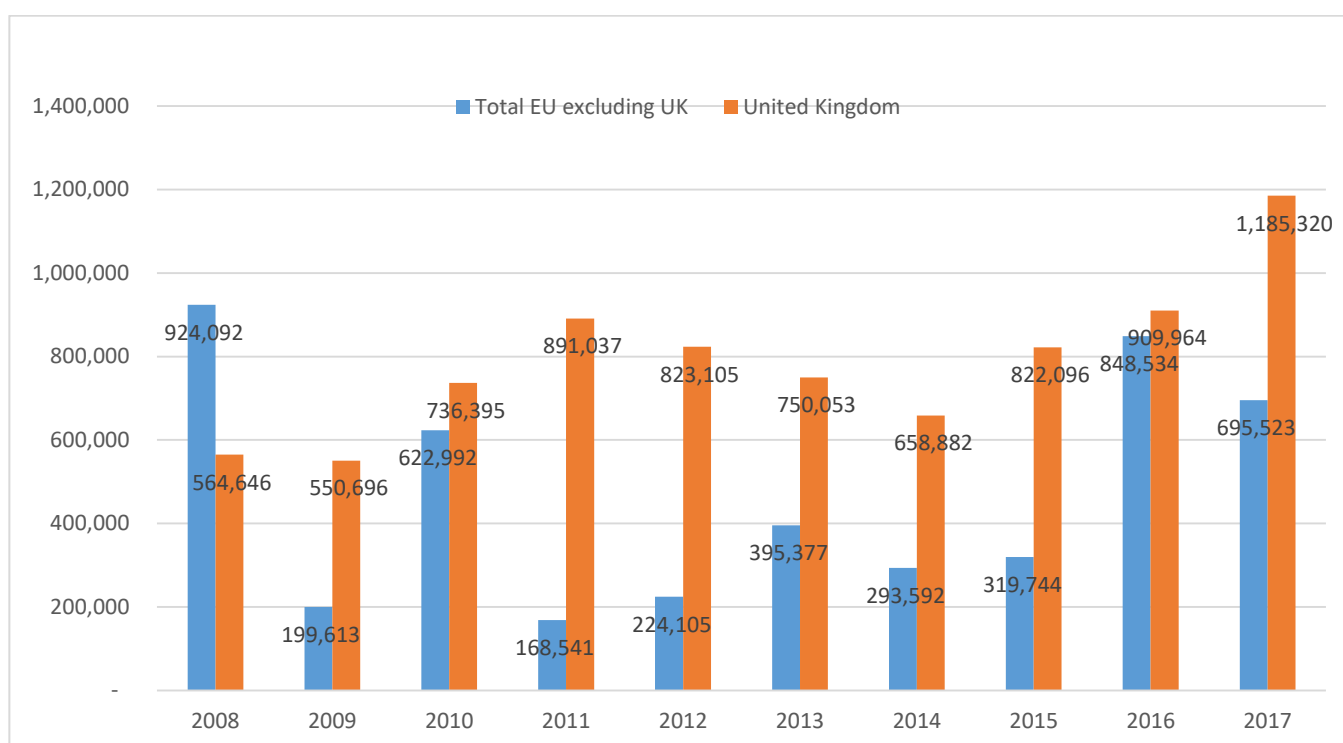
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Challenges

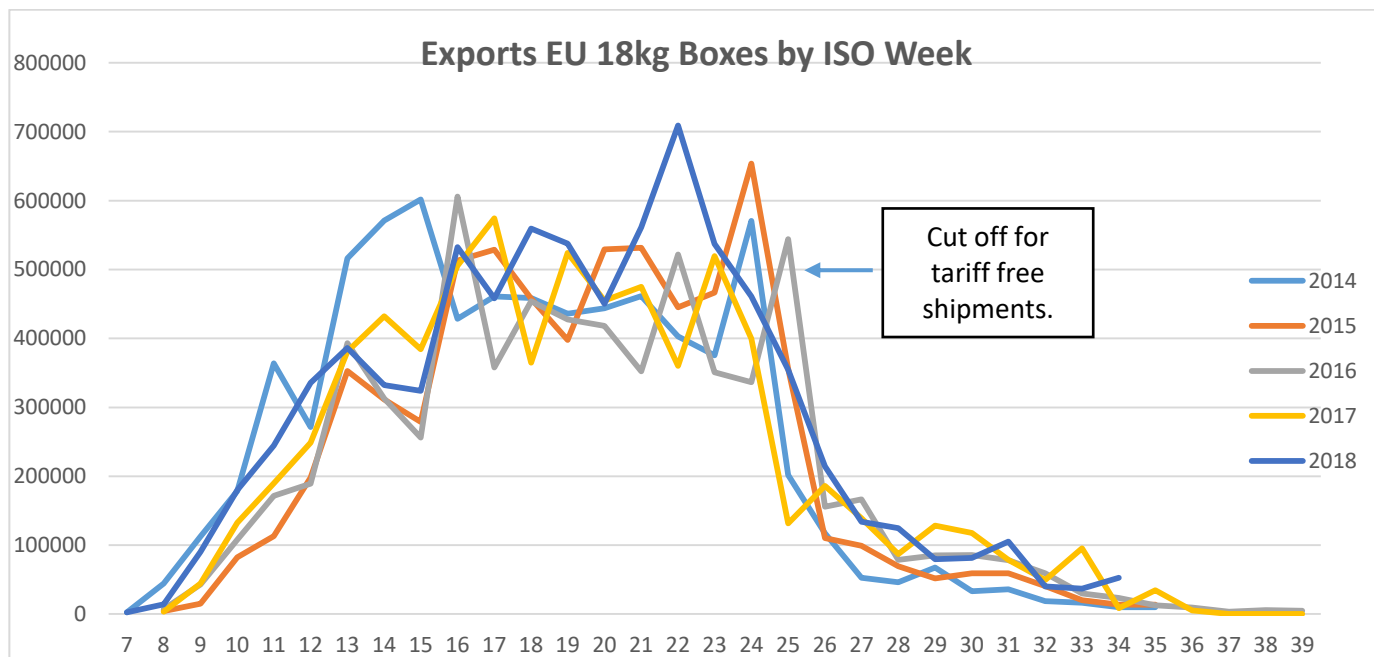
15. Although New Zealand and the EU are members of the WTO and IPPC, there is a need to ensure international obligations and practices are followed at all times. This has come up in the development and implementation of the new EU plant health laws that in some instances are counter to the IPPC principles.
16. New Zealand operates a system of delegated authority within its MPI plant exports standard. This allow independent verification agencies to inspect and audit businesses and systems. This must continue to be recognized by the EU.
17. There has been requests from some EU member states for New Zealand exporters to provide “wet” phytosanitary certificate signatures. It is important that all EU member states recognize New Zealand e-cert system.
18. A 7.2% import duty is applied to New Zealand apples and pears exported to the EU & UK between the 1 September to 31 December. This cost the industry \$1.9m USD in 2017 and \$12.6m USD over the past 10 years. (Figure 3)

Figure 4 NZ EU/UK Import Tariffs USD



19. The tariff close off distorts the EU & UK markets as all fruit destined for the EU has to be shipped by about ISO week 25 - 26 in order to get the fruit landed before the 1 August cut off. (Figure 4)

Figure 5 EU Exports 18 kg Boxes by ISO Week



20. As the FTA's progress, with both the EU and any potential FTA with the UK, it will be important that conditions for the import of New Zealand apples and pears are maintained or improved.

Shared trade policy interests

21. The EU and New Zealand are like-minded trading partners who share core common values and interests, which are mirrored in our respective trade policies. This includes common interest in our domestic trade policies and commitment to international trade obligations and best practices.
22. The EU Trade for All: Towards a More Responsible Trade and Investment Policy was launched in late 2015 and is based on three key principles of effectiveness, transparency and values. With a focus on inclusiveness it seeks to ensure trade policy benefits as many people as possible.
23. Similarly, the proposed New Zealand Trade for All Agenda is intended to deliver benefits to all New Zealanders and focuses on creating new and more sustainable economic opportunities for New Zealand, building on the Trade Agenda 2030: Setting our Place in the World. It also contributes to addressing global and regional issues of concern, such as environmental issues and labour standards, a shared priority with the EU.
24. Alignment with the World Trade Organisation (WTO) principles supports the global system of trade rules and provides a strong basis for negotiating agreements. Similarly, the International Plant Protection Convention (IPPC), to which the EU and New Zealand are

contracting parties, provides a framework to globally harmonise plant health, thus reducing the spread and introduction of plant pests to new territories.

25. The EU and New Zealand share a commitment to develop an agreement that aligns with their trade policies. This will include an agreement that is socially responsible, protects the environment, and addresses issues such as animal welfare and climate change. Promoting sustainable development across key areas such as the environment and labour will result in a range of benefits that support biosecurity, conservation, appropriate use of finite natural resources, and the atmospheric domain.

Conclusion

26. NZAPI strongly supports the intent of MFAT to negotiate and deliver a comprehensive and progressive agreement that represents the needs of the New Zealand primary sectors equitably.
27. NZAPI requests that MFAT prioritises that the agreement includes the elimination of all horticulture product tariffs.
28. NZAPI requests MFAT seeks to align provisions of the NZ-EU FTA with the obligations of the international agreements that our countries are signatory to, particularly in regard to safe trade and sanitary and phytosanitary (SPS) requirements.
29. NZAPI requests that MFAT emphasises the importance of eliminating non-tariff barriers in the NZ-EU FTA.
30. NZAPI welcomes the opportunity to discuss the content of this submission with MFAT and requests to be kept up to date on negotiation progress and agreement decisions.
31. NZAPI supports the submissions made by the Horticulture Export Authority and Horticulture NZ.