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**SUBMISSION TO FOREIGN AFFAIRS, DEFENCE AND TRADE COMMITTEE ON THE
INTERNATIONAL TREATY EXAMINATION OF THE TRANS-PACIFIC PARTNERSHIP
AGREEMENT (TPPA)**

Submitter: Horticulture New Zealand Incorporated
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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. Partner nations to the Trans-Pacific Partnership (TPP) represent the destination for approximately 45% of these exports, across a wide range of horticultural products.
2. The horticulture 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 and achievement in trade negotiation 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 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.
6. Implementation of the TPP will bring all major export horticultural markets under a free trade agreement of some description, with the exception of the European Union. The major breakthrough for horticulture under TPP is the inclusion of Japan.
7. Horticulture New Zealand:
 - commends the Government for having signed the TPPA
 - supports the Government's the intent to ratify the agreement through domestic legislative change

VALUE OF THE TRANS-PACIFIC PARTNERSHIP

8. The NZ horticulture sector is globally competitive with high value production and high-production efficiency, driven by global export trade and lack of domestic trade protections including production subsidies or import tariffs. Conversely many horticultural export markets have continued agricultural subsidies and import tariffs.
9. Whilst tariff savings for many horticultural products are small, the diverse nature of the industry and its products means the effect is significant in improving overall industry value, viability, and reward for New Zealanders.
10. The TPP provides a sound basis for further negotiation on improved trade terms, and future market opportunities with TPP partners.

Tariff Elimination

11. Tariffs on New Zealand horticultural products, traded to TPP partners, cost the New Zealand industry over \$25 million NZD (Free On Board-FOB) in 2014. TPP entry into force will remove these tariffs, in many cases immediately, providing potential for direct savings to NZ growers.
12. HortNZ urges the government to accelerate tariff reduction, particularly in Japan where tariffs for some horticultural exports will remain in place out to the ten year point (juices and onions within 5 years but apples up to 10 years).
13. Duty savings at entry into force will be over NZ\$20 million (FOB), with immediate elimination of tariffs for kiwifruit and buttercup squash in Japan, New Zealand's largest dutiable horticulture items.

Agricultural Subsidies

14. HortNZ supports the agreement between the parties to eliminate the use of agricultural subsidies. NZ horticultural producers are the least subsidised in the world and elimination of subsidies further levels the playing field to New Zealand's benefit. HortNZ impresses upon the Government the need to ensure this commitment is implemented, and to use the necessary processes of TPP implementation and execution to move this matter quickly.

Future Trade and Market Opportunities

15. HortNZ welcomes the intent by TPP parties to continue improvement of the TPPA. The substantial progress made on the key matters of tariff reduction, subsidies, and SPS will benefit the NZ horticultural sector but also the wider region through improved trade, and expansion of parties to the Agreement will add to these benefits.

Select Committee Hearing

16. HortNZ does wish to be heard at the Select Committee, and will be represented by:
- a. Chief Executive Officer, Mike Chapman and/or
 - b. Biosecurity Manager, Richard Palmer

CONCLUSION

17. HortNZ supports the intent by the New Zealand Government to ratify the TPP through domestic legislative change. HortNZ, its growers, and associated industries look forward to the implementation of TPP 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

18. HortNZ would appreciate being kept closely informed of any specific horticultural, tariff, or SPS matters that may arise through the Select Committee process, or in the execution and future development of TPP.