



TPP – grower benefits

THE Trans-Pacific Partnership (TPP), New Zealand's biggest free trade agreement, has been negotiated with positive results for New Zealand's horticultural sector.

The TPP includes 11 other countries; Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, Peru, Singapore, United States and Vietnam. These countries are financial powerhouses – the US alone accounts for one quarter of all New Zealand trade. Collectively, these countries contribute to about 40 per cent of the global economy and last year, New Zealand exported \$28 billion worth of goods and services to these member countries.

So what does the TPP mean for AVOCO growers and the wider New Zealand avocado industry? And in which markets do we still face tariffs?

- Across the whole horticulture sector, it's believed that New Zealand will save an estimated \$26 million in fruit and vegetable tariffs when the TPP agreement is fully implemented by 2030.
- New Zealand's avocado industry tariffs prior to the agreement, based on 2014 FOB values, were assessed at \$464,818 a year.
- The two most significant benefits to growers are the removal of the 11.2c/kg tariff imposed on all New Zealand avocados entering the US and elimination of the 3% tariff in Japan.
- In dollar terms, the existing tariff of 11.2c/kg would have attracted a cost of more than US\$317,000 in the 2014/15 year based on AVANZA's shipments to Mission Produce. This tariff will be eliminated under the TPP agreement although the schedule is yet to be defined.
- Imports to the US also pay a levy administered by the Hass Avocado Board via a federal order. This levy will not be abolished under the TPP.
- The removal of Japan's 3% tariff equates to a saving for New Zealand avocado growers of \$74,438 a year, based on the 2014 industry export value. In reality, this is quite modest compared to the \$15 million annual savings generated by removing Japan's 6% tariff currently imposed on New Zealand's kiwifruit growers in the same year.

- The TPP member countries of Australia, Singapore and Malaysia, already have a zero tariff.
- Korea's Free Trade Agreement announced in April will see a gradual reduction on the 30% tariff. The tariff will drop 3% a year to reach zero in 2025. Both the Korean and New Zealand governments are expected to ratify the agreement this year.
- Taiwan is another potential developing market for AVANZA outside the TPP which will see tariffs ease. In December 2013, an Economic Cooperation Agreement was signed between Taiwan and New Zealand which addressed an 11.3% tariff on avocados. This rate will gradually reduce to 7.5% in 2015, 3.8% in 2016 and will be zero in 2017.
- With the TPP agreement eliminating tariffs imposed on the exports to the US and Japan, the only significant tariff confronting New Zealand avocado growers is in India, where a 30% tariff is imposed. Both the New Zealand and Modi governments have previously expressed a commitment to addressing this although no timeline has emerged. This is important for New Zealand as we are targeting India as market to develop for large sized AVANZA fruit at a premium value.
- While not TPP members, New Caledonia, Fiji and French Polynesia currently have small tariffs on New Zealand avocados accounting for \$13,406 annually (calculated on 2014 FOB values).

The TPP agreement is a trade package that benefits some export sectors more than others, with the avocado industry doing fairly well. Although it has its detractors, the agreement has real gains for New Zealand, saving the country \$2.7 billion a year by the time it's fully rolled out. Over time, this will lead to economic growth and more jobs which we all benefit from.

THANK YOU,
TONY PONDER FOR THE AVOCO MARKETING TEAM