



PO Box 10232, The Terrace,
Wellington, 6143

Level 4, Co-operative Bank House

20 Ballance Street, Wellington, 6011

Phone: +64 4 472 3795

Fax: +64 4 471 2861

Web: www.hortnz.co.nz

Email: info@hortnz.co.nz

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Submission to the Ministry of Foreign Affairs and Trade on a New Zealand-United Kingdom Free Trade Agreement

Submitter: Horticulture New Zealand Incorporated
Submitted by: Leanne Stewart, Deputy Chief Executive Officer
Contact Details: PO Box 10232, The Terrace, Wellington 6143, New Zealand
T: +64 4 494 9982
E: Leanne.Stewart@hortnz.co.nz

INTRODUCTION

1. Horticulture New Zealand (HortNZ) appreciates the opportunity to make a submission to the Ministry of Foreign Affairs and Trade (MFAT) consultation on a New Zealand-United Kingdom Free Trade Agreement (NZ-UK FTA).
2. The horticulture industry employs over 60,000 people, occupies some 116,145 ha of land and provides critical regional development opportunities in Northland, Auckland, Bay of Plenty, Hawke's Bay, Marlborough, Nelson, Canterbury, Taranaki, Waikato, Manawatu, Wellington and Central Otago.
3. The horticulture industry is valued at \$5.7 billion, with \$3.44 billion in exports to overseas markets. The industry is going through a period of significant growth with forecasts to June 2019 predicting a 12% rise to \$6 billion (MPI, 2018). The United Kingdom as part of the European Union (EU) is the destination for 23% of these exports, across a range of high-quality fresh fruit and vegetables.
4. The horticulture industry relies on New Zealand's excellent biosecurity status which provides significant international market access opportunities. New Zealand operates strict biosecurity safeguards to ensure unwanted pests and pathogens are not introduced. This

status also drives the industry towards Integrated Pest Management (IPM) which has reduced agrichemical inputs while maintaining product quality and meeting the exacting standards of our international consumers. These developments have resulted in the production of fresh produce in a safe, ethical and environmentally sustainable way to meet the high standards of the United Kingdom government and retailers.

5. The United Kingdom is one of New Zealand's oldest trusted trading partners, dating back through our shared history. With the United Kingdom seeking to realign itself towards a more global market in a post-Brexit trade environment the New Zealand horticulture industry wishes to not only maintain, but strengthen our relationship with the United Kingdom. We envisage this to be accomplished through the development of a free trade agreement that is ambitious, comprehensive and liberal.

6. Currently, HortNZ has significant concerns about the uncertainty generated by potential Brexit scenarios. Whether the United Kingdom and EU can agree on a withdrawal agreement will be the deciding factor for future trade conditions of third countries (such as New Zealand). HortNZ appreciates the New Zealand government has commenced preparations for different Brexit scenarios, but hopes resolving any trade issues resulting from Brexit will not delay agreement negotiations.

7. HortNZ provides views for MFAT to consider in their negotiation of a NZ-UK FTA to ensure the interests of the New Zealand horticulture industry are represented.

HORTICULTURAL TRADE WITH THE UNITED KINGDOM

8. The New Zealand horticulture industry is widely recognised as a global leader in productivity, innovation, sustainability, and high-quality production of fresh fruit and vegetables. The counter-seasonal supply of New Zealand fresh produce into the United Kingdom is long standing and continues to grow with the strengthening of our bilateral relationship.

9. The New Zealand horticulture industry is uniquely positioned to meet the United Kingdom consumers' needs as a recognised supplier of safe, pest-free, high quality fresh produce. The New Zealand industry:

- a. has the highest uptake of GLOBALG.A.P certification anywhere in the world,
- b. has widespread adoption of excellent agrichemical management programmes (many specifically tailored to meet strict United Kingdom and EU rules),
- c. is continually evolving environmental expectations, including high productivity with low-carbon production¹,
- d. meets expectations on human and labour rights, including a highly regarded Pacific regional labour scheme, and
- e. continues to deliver safe, high-quality, and innovative new fruit and vegetables.

10. New Zealand's strong approach to biosecurity supports production of high-quality crops, secures market access, and provides confidence for investment – all key to the horticulture industry continuing to make a strong contribution to the New Zealand's economy.

11. New Zealand and the United Kingdom have a long history of trade. The main horticulture exports to the United Kingdom are apples and onions (Table 1). Other

¹ AERU, Food Miles, Carbon Footprinting and their potential impact on trade
https://researcharchive.lincoln.ac.nz/bitstream/handle/10182/4317/food_miles.pdf

horticulture products, such as apricots, boysenberries and others (see Appendix 1) are exported to the United Kingdom and consider it to be an important market that compliments and completes export programmes with other countries. Latest trade figures show these exports to be valued at \$86 million in 2018 (see Appendix 1).

12. Therefore, it's important to consider future opportunities for all horticulture products as these domestic sectors continue to grow.

Table 1. Horticulture exports of fresh apples and onions to UK (tonnes and NZ \$FOB) as of 2018 (NZHEA, 2016 & 2018)

| Product | 2016 | | 2018 | |
|---------|--------|------------|--------|------------|
| | Volume | Value | Volume | Value |
| Apples | 45,747 | 78,144,964 | 50,675 | 81,464,227 |
| Onions | 8,923 | 4,949,445 | 2,175 | 1,455,859 |

13. The counter-seasonal supply of New Zealand apples into the United Kingdom is long standing, with a trial shipment in 1899 and the first commercial export shipments of apples in 1907. In the 21st Century, this relationship has deepened with, for example, United Kingdom apple growers producing New Zealand bred and owned apple varieties to maintain continual supply to United Kingdom consumers, and create opportunities for United Kingdom export growth.

14. Similarly, there has been a long-standing trading relationship since the 1940s between New Zealand onion growers and exporters with their counterparts in the United Kingdom. As a result of this relationship, New Zealand onion growers import a significant amount of machinery from the United Kingdom, in particular for harvest and post-harvest activities.

15. New Zealand horticultural exports continue to deliver produce to United Kingdom consumers that meets their high expectations for food safety, quality and sustainability. Continuing and deepening horticultural trade with New Zealand benefits United Kingdom consumers, producers, and is a commitment to shared social, environmental and sustainability concerns.

HORTICULTURE INDUSTRY PRIORITIES FOR THE NZ-UK FTA

Potential Brexit impacts

16. HortNZ requests the government seek to maintain the stability and continuity of New Zealand's trade with the United Kingdom throughout Brexit and beyond. Although New Zealand is a small country there is many opportunities for trade with the United Kingdom - together with Australia and the United States of America we have been prioritised as the first countries the United Kingdom will seek agreements with post Brexit.

17. The New Zealand horticultural industry has an expectation that the United Kingdom trade environment does not degrade post-Brexit. We have deep and integrated links to the United Kingdom retail chains and provide complementary counter seasonal supply that creates value across the United Kingdom supply chain and customers.

18. The Brexit date of March 2019 falls right amid New Zealand onion exports, and just prior to apple export season. Given the dependence of United Kingdom food supply on imported fresh produce it is crucial that United Kingdom systems for recognition of food safety and phytosanitary certification are in place to prevent delays in trade.

A future NZ-UK FTA

19. With each agreement New Zealand is party to, we should always strive for inclusion of comprehensive and progressive chapters, including recognition of the Treaty of Waitangi. Additionally, negotiations should seek better conditions for each subsequent agreement.

20. New Zealand and the United Kingdom share a view on the high-level principles that a future agreement should be negotiated and agreed on, with initial discussions confirming a high degree of coherence. Priority areas for negotiating an ambitious and progressive agreement include:

- Removing tariffs and other barriers
- Mutual recognition of regulatory systems
- Make it easier for businesses of all sizes to do business in the United Kingdom
- Recognising the need for sustainably produced trade products
- Aligning with the international rules-based system
- Inclusion of gender equality, indigenous rights, climate change, and improved environmental outcomes

Tariff elimination

21. HortNZ has an expectation that New Zealand and the United Kingdom catch up on the opportunities available to other nations through agreements. A future agreement should level the playing field on both sides in light of trade deals with other third-party countries.

22. The New Zealand horticultural industry seeks comprehensive liberalisation, principally reduction and elimination of all tariffs and non-tariff barriers on all horticulture products that we trade with the United Kingdom within commercially meaningful timeframes. HortNZ advocates there should be no *a priori* goods exclusions from the negotiations for liberalisation, but recognises there might be need for differing timetables. This will help level the playing field with New Zealand's competitors in the United Kingdom. Ideally most tariffs would be eliminated when the agreement enters into force and the remainder phased out over a short time period.

23. An agreement will reduce uncertainty in New Zealand exporters supplying United Kingdom markets and allow supply chain planning to be more effective (i.e. based on market demand), without being forced to decide on shipping and supply during a short tariff-free window. This will allow New Zealand and United Kingdom growers to partner more effectively to enable year-round supply of new, innovative, high quality and safe food for United Kingdom consumers, without prices being distorted by tariffs.

24. Negotiations and decisions should be made on the basis of what is commercially meaningful for New Zealand and the United Kingdom.

Regulatory recognition

25. The agreement should aim to facilitate access to each other's markets, while acknowledging a country's sovereign right to protect human, animal and plant life. Complementary to market access processes are comprehensive provisions for transparency and exchange of information, including regulatory frameworks and recognition of private standards.

26. Recognising the importance of good regulatory practice and cooperation, and also the sovereign right of governments to regulate for public good, a future agreement will seek to have New Zealand's robust plant health regulatory system recognised. In the best interest of

both countries the agreement should allow for acceptance of equivalence of each other's systems.

27. United Kingdom 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 in a socially and environmentally sustainable way. The acceptance of robust, scientific, appropriately assured private standards should be proposed as central to any new United Kingdom regulations for food safety and social practice.

28. Many private standards in horticulture have been developed to meet United Kingdom 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.² certification rate for apples) and meeting British Retail Consortium (BRC)³ Global Standards for post-harvest. Any United Kingdom regulatory move to usurp these standards would be highly unfavourable.

Supporting horticulture businesses

29. Both New Zealand and the United Kingdom agree that trade and competition provisions should seek to maintain competition, based on principles of transparency, due process, procedural fairness and non-discrimination. The agreement should strengthen inclusion and participation of small and medium sized enterprises (SMEs), in addition to other groups of society.

30. As a general principle the New Zealand horticulture industry is opposed to the use of domestic subsidies by the United Kingdom, where products from subsidised horticultural enterprises are exported either to New Zealand or to other markets in competition with New Zealand products. Subsidisation of horticultural production disconnects the real price of production from the consumer. This limits improvements in productivity, preventing focus on costs from the impact of farm inputs and environmental performance, and contributing to food waste due to the disconnect between food production and consumption.

Sustainably focused futures

31. Through trade dialogue to date on our future trade agreements, New Zealand and the United Kingdom share a commitment to develop an agreement that aligns with their trade policies. This will include an agreement that is socially responsible and protects the environment. 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. The industry's Pacific regional labour scheme brings workers in to New Zealand during seasonal peaks to help supplement the domestic workforce. This benefits our industry allowing business growth and provides workers with money to return home with. This long-term scheme has been a critical factor in the success of the industry.

32. Recently the United Kingdom has made moves to develop a new agricultural policy and regulatory framework, both during transition and in a post-Brexit environment. The focus on providing consumers with high quality, safe, sustainably produced food, while protecting the environment, growing capability within the sector through skilled labour and innovation, and recognising cultural uniqueness is something New Zealand can relate to. As a country, New Zealand went through this in the 1980s with the removal of agricultural subsidies and the

² https://www.globalgap.org/uk_en/

³ <https://www.brcglobalstandards.com/>

establishment of a consumer balanced market that has resulted in long term economic and environmental benefits.

Aligning with the international rules-based system

33. 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 United Kingdom 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.

34. Globalisation and the rapid growth of economies has resulted in the need to develop agreements that are forward looking, 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 United Kingdom remains paramount.

35. HortNZ encourages the New Zealand and United Kingdom governments to develop frameworks that are based on international science-based trade rules. This is essential to ensure the future success of our horticulture industries. This includes the United Kingdom setting requirements that are technically justified to protect their territory (as opposed to all EU states) while facilitating safe trade. Providing a framework that is based on fair and best practices that prioritises economic growth, environmental protection, social responsibilities, and recognition of cultural identity will provide a sound basis. Ultimately this will build resilience and create an enduring environment where producers and the public can benefit.

36. Although New Zealand and the United Kingdom are members of the WTO and IPPC, there is a need to ensure international obligations and practices are followed at all times.

Wider agreement considerations

37. An agreement with the United Kingdom would offer economic benefits for the horticulture industry through commercial gains from improved trade conditions. However, the agreement should also cover intellectual property, the digital economy (an expanding area) and investment. Having coverage of these areas will help ensure benefits in terms of competitiveness without trade distortions, productivity and eventually better living standards for both the New Zealand and United Kingdom economies.

38. Similar to other agreements, New Zealand and the United Kingdom's regulatory cooperation would facilitate an enabling business environment and support social and cultural outcomes. Most importantly for New Zealand this would include recognition of our government's Treaty of Waitangi obligations, but also shared sustainability provisions for protection of the environment and human, animal and plant health.

CONCLUSION

39. HortNZ 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.

40. HortNZ requests MFAT prioritises elimination of all horticulture product tariffs in the agreement.

41. HortNZ requests MFAT seeks to align provisions of a NZ-UK 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.

42. HortNZ requests MFAT emphasises the importance eliminating non-tariff barriers in the NZ-UK FTA.

43. HortNZ requests MFAT seek agreement provisions that provide for fair and undistorted trade conditions, through the removal of any agricultural subsidies.

44. HortNZ 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.

45. This submission is supported by:

- Potatoes New Zealand
- Vegetables New Zealand
- Process Vegetables New Zealand
- NZ Avocado
- Central Otago Fruit Growers Association
- Hawke's Bay Fruitgrowers' Association
- Katikati Fruitgrowers' Association
- Summerfruit NZ
- New Zealand Kiwifruit Growers Incorporated
- Pukekohe Vegetable Growers Assn Inc
- New Zealand Apples and Pears Inc

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APPENDIX 1: Table 2. Horticulture exports of all horticulture commodities to UK (tonnes and NZ \$FOB) as of 2018 (NZHEA, 2016 & 2018)

| Product | 2016 | | 2018 | |
|--------------------------------|---------------|-------------------|---------------|-------------------|
| | Volume | Value | Volume | Value |
| Apples | 45,747 | 78,144,964 | 50,675 | 81,464,227 |
| Onions | 8,923 | 4,949,445 | 2,175 | 1,455,859 |
| Dried peas | 127 | 952,083 | 166 | 996,914 |
| Apricots | 151 | 740,286 | 28 | 164,039 |
| Preserved/prepared mixed fruit | 104 | 706,286 | 100 | 471,802 |
| Peanut butter | - | - | 159 | 386,293 |
| European pear, excluding Nashi | 314 | 439,591 | 263 | 368,886 |
| Shallots | 231 | 246,027 | - | - |
| Boysenberries, IQF | 48 | 238,122 | 23 | 117,012 |
| Apple juice | 41 | 88,689 | 1 | 1,657 |
| Kiwiberries | - | - | 2 | 32,154 |
| Prepared potatoes not frozen | 3 | 19,066 | 1 | 4,540 |
| Mandarins | 1 | 9,518 | - | - |
| Capsicum | 2 | 8,611 | - | - |
| Jam/Marmalade | 0.3 | 1,602 | 28 | 91,009 |
| Other | 217 | 368,655 | 88 | 340,216 |
| Total | 55,909 | 86,909,804 | 53,709 | 85,894,608 |