Australia's Horticulture Trade with India

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Introduction

Australian Horticultural Exporters Association (AHEA) is a national peak association formed to promote the development of the export and import of fresh horticultural resources. AHEA's Board and Members are representative stakeholders across the horticulture industry.

Background: Australian Horticulture Industry Exports to India

Australian exports of fresh fruit were valued in 2014 at approximately $2.7million (*ITC Comtrade, Fresh Intelligence analysis*) comprising of table grapes, oranges, cherries, mandarins and plums. Apples had been exported in previous years however not in 2013/14 and table grapes, plums and mandarins increased off small bases. It should be noted that most imported fruits are not widely grown locally. Despite the potential market size of India, Australian fresh produce trade to India remains small. India is a very large vegetable producer and exporter. Consequently only fruit was exported to India in 2013/14 and this declined 34 per cent by value over the previous year. The primary reason for the decline is Australia's lack of competitiveness on price. Our labour rates and transport costs are high, not withstanding the tariffs. Reducing tariffs will make a significant difference to horticulture exports to India.

Importance of Free Trade Agreements (FTAs) to Australian Horticulture Exports

Negotiations should deliver a balance of benefits that is in Australian industry's favour and provide Australia with a competitive advantage or, at the very least, equal rights to other countries with preferential access to the Indian market.

Tariffs for Australian fruit currently stands between 25-40 per cent. Indian tariff rates and trade barriers more generally remain among the highest in the World. Tariffs and duty rates are constantly revised and are subject to change without notice.

The real value of agrifood demand in India is set to rise by 136 per cent between 2009 and 2050, according to a report released by the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) at the end of 2014. Increasing income levels in India have led to a diversification of diets, with rising per person consumption of dairy products, fruit and vegetables. With a population growth rate that is one of the highest in Asia, that means food demand in India will increase significantly.

Under current agricultural policies in India, consumption growth between 2009 and 2050 is strongest for fruit (24 per cent), vegetables (183 per cent) and dairy products (137 per cent), which together account for 77 per cent of the total projected rise in food consumption by 2050.

FTAs between India and other countries/regions

India has existing trade agreements that give limited preferential treatment to: Sri Lanka, Nepal, Afghanistan, Chile, Singapore, Malaysia, ASEAN, Japan, the Republic of Korea, and MERCOSUR (Argentina, Brazil, Paraguay & Uruguay).

India is also engaged in various stages of negotiations with Australia, New Zealand, Canada, the European Union, Thailand, Malaysia, Indonesia, and ASEAN (services and investment), Sri Lanka (services and investment), Israel, the Gulf Cooperation Council, and the Common Market for Eastern and Southern Africa (COMESA).

ASEAN and India signed the ASEAN-India Trade in Goods (TIG) Agreement in 13 August 2009, after six years of negotiations. The ASEAN-India TIG Agreement entered into force on 1 January 2010. Signatories to the

Agreement are: Brunei, Burma (Myanmar), Cambodia, Laos, Malaysia, Philippines, Singapore, Thailand and Viet Nam – a great number of Australia's pacific neighbours which negates Australia's proximity as a point of difference.

The 7th ASEAN-India Summit of October 2009 agreed to revise the bilateral trade target to 70 billion USD to be achieved in the next two years, noting that the initial target of USD 50 billion set in 2007 may soon be surpassed.

ASEAN-India trade grew at over 22 percent annually during the 2005-2011 period. Trade between India and ASEAN in 2011-2012 increased by more than 37 percent to $79 billion, which was more than the target of $70 billion set in 200

Conclusion

Australia currently only has $15 billion in two-way trade with India. This is compared to $150 billion with China, $70 billion with Japan, and $32 billion with South Korea. India has enormous potential for Australia and this FTA is critical to the future of horticultural exports.

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