

APAL's Position on Apple Imports



APPLE & PEAR AUSTRALIA LTD

A major issue facing growers this year is the possibility that apples could be imported into Australia by the end of 2010. Apple and Pear Australia Ltd (APAL) has been asked a number of important questions about this situation and responds in the Q&As below.

Does APAL support apple imports?

Apple and Pear Australia Ltd (APAL), along with most Australian Horticultural Industries, does not support unrestricted trade of fruit into Australia. It supports fair trade rather than free trade. If apples and pears are to be imported from other countries, they should be produced under the same rigorous safety conditions that Australian growers have to abide by, they should be produced ethically and marketed without subsidies or artificial incentives.

Unfortunately neither the present or past governments have supported this concept, but rather they have adopted a free trade policy with no prerequisites of a level playing field.

Australia, as a signatory of the World Trade Organization (WTO), has locked itself into WTO's philosophy, which is that free trade should exist between countries unless there is a possibility of damaging pests or diseases entering a country. This had left Australia with only one effective way to object to imports of fruit from other countries.

APAL has to operate within this framework. The efforts of APAL have been very focused on ensuring that our relatively pest free status is maintained and our industry is not faced with the possibility of new pests and diseases entering Australia.

Is APAL actively seeking or planning to import apples?

No. APAL has never had an involvement in any strategy that would facilitate the trade of foreign apples to Australia. In fact APAL has done an extraordinary amount of work for more than a decade to secure our industry from the risks of importing pests and diseases from New Zealand, China and the United States of America.

However, Australia first began importing pears from China in 1999 and the pest and disease profile for pears is very similar to apples. As the door was partly opened, it was only a matter of time before an application was received to import Chinese apples.

China applied to export apples to Australia in 2000 and an examination of the disease risk has been conducted with an Import Risk Assessment (IRA). During 2009, APAL has responded to the draft IRA's for both China and the USA. In the case of China, APAL has raised concerns regarding the whole of country approach and other numerous quarantine and biosecurity matters. Stakeholders have yet to see the final IRA. It is possible that this will be released shortly and following a short period for appeals, the respective quarantine organisations have to develop a work plan to fine tune the rules by which Chinese apples can be exported to Australia. Given that we already import pears from China, we do not expect that it will take a long time to develop those rules.

Australian growers should be aware that it is possible Chinese apples could be in the market in Australia by the end of 2010.

Has APAL done anything to prevent apple imports?

Yes, but only within the rules of the WTO.

If APAL had not fought strongly against New Zealand apple imports because of that country's disease and pest status, including fire blight, New Zealand apples could have been in Australia from about 2002. That would have exposed our industry to serious problems such as fire blight, European canker and apple leaf curling midge. The Australian government is currently opposing New Zealand's objections to the IRA protocols through the dispute resolution process within the WTO.

In 2010, APAL will continue to fight to protect its industry by ensuring that only disease free apples can be exported to Australia.

However as stated in the case of China, that country already exports pears to Australia and because of the similar disease profile for apples and pears, we have almost exhausted our options in fighting to prevent Chinese apples entering Australia on the basis of a disease risk.

APAL's Position on Apple Imports

Page 2



APPLE & PEAR AUSTRALIA LTD

Why do we have to have imports anyhow, we can supply enough fruit for the Australian market?

Australia has been a signatory to the World Trade Organization since its inception in 1995 and as a signatory, is bound by the rules and agreements of the WTO. A fundamental position of the WTO is that free trade should exist between countries unless there is the possibility of a damaging disease entering a country. (See the description of the WTO below).

Can APAL develop a campaign against apples from China or any other country?

This possibility has been discussed and needs to be carefully considered for a number of reasons.

Running a negative campaign against apples from other countries would certainly damage the reputation of entire apple category as many consumers would interpret the negatives as applying to all apples. This would reduce the apple category in Australian markets, not increase Australian apple sales.

While it may be possible to run a negative campaign about apples from other countries, it would bring into question the quality of Australian apples, which again would reduce Australian apple sales.

It is worth remembering the fire blight scare in Melbourne Botanic Gardens in May 1997. Publicity at the time highlighted that fireblight killed apple and pear trees and consumers automatically assumed that there would be some negative health effects in eating apples and pears. As a consequence, the sales of apples and pears were disastrous for the remainder of the year.

However, APAL is very supportive of promoting the quality, safety, value and benefits of eating Australian grown apples and will do what it can to ensure that wherever Australian grown apples are sold, they are labeled as such. We believe we will gain more benefit by promoting the benefits of Australian grown product and using our limited advertising and promotions budget on being positive about Australian apples. APAL will also ensure that labeling laws highlighting the country of origin are adhered to.

What is APAL doing to help Australian growers manage imports?

APAL has done much to prepare growers for the day when apples are imported into this country and will continue to do so through 2010 and beyond.

First and foremost, APAL secured more than \$1.4 million of government assistance to first analyse the Australian apple and pear industry and then develop actions to address issues. From that came the Future Orchards 2012 project which has had a major impact on improving the international competitiveness of the Australian industry.

This is a critical step. The more competitive Australian growers are, the less impact imports will have on Australian apples sales.

APAL has continued that program beyond the initial two years of government funding. APAL and the Apple & Pear Industry Advisory Committee (IAC) (a sub-committee of Horticulture Australia Ltd) continues to support a strong R&D program to assist the apple and pear industry to improve the quality of Australian apples and pears, reduce costs of production, improve pest and disease control and better manage fruit through the supply chain, all of which will increase the competitiveness of Australian grown fruit.

When does APAL expect that apple imports will start?

APAL has responded to the draft IRA for apples from China and the USA.

The Chinese IRA could be finalised in early 2010. We have not seen this final report yet.

The respective quarantine organisations have to develop a work plan to implement the quarantine protocols under which Chinese apples can be exported to Australia. APAL continues to lobby the federal government to allow industry to have input into these protocols. We believe that our practical, hands on experience will benefit the effectiveness of these protocols

However Australian growers should be aware that it is possible Chinese apples could be in the market in Australia by the end of 2010.



From the WTO Website: <http://www.wto.org/>

What is the World Trade Organization?

Simply put: the World Trade Organization (WTO) deals with the rules of trade between nations at a global or near-global level. But there is more to it than that.

Is it a bird, is it a plane?

There are a number of ways of looking at the WTO. It's an organization for liberalizing trade. It's a forum for governments to negotiate trade agreements. It's a place for them to settle trade disputes. It operates a system of trade rules.

Above all, it's a negotiating forum ... Essentially, the WTO is a place where member governments go to try to sort out the trade problems they face with each other. The first step is to talk. The WTO was born out of negotiations, and everything the WTO does is the result of negotiations. The bulk of the WTO's current work comes from the 1986-94 negotiations called the Uruguay Round and earlier negotiations under the General Agreement on Tariffs and Trade (GATT). The WTO is currently the host to new negotiations, under the "Doha Development Agenda" launched in 2001.

Where countries have faced trade barriers and wanted them lowered, the negotiations have helped to liberalize trade. But the WTO is not just about liberalizing trade, and in some circumstances its rules support maintaining trade barriers – for example to protect consumers or prevent the spread of disease.

It's a set of rules ... At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations. These documents provide the legal ground-rules for international commerce. They are essentially contracts, binding governments to keep their trade policies within agreed limits. Although negotiated and signed by governments, the goal is to help producers of goods and services, exporters, and importers conduct their business, while allowing governments to meet social and environmental objectives.

The system's overriding purpose is to help trade flow as freely as possible – so long as there are no undesirable side-effects – because this is important for economic development and well-being. That partly means removing obstacles. It also means ensuring that individuals, companies and governments know what the trade rules are around the world, and giving them the confidence that there will be no sudden changes of policy. In other words, the rules have to be "transparent" and predictable.

And it helps to settle disputes ... This is a third important side to the WTO's work. Trade relations often involve conflicting interests. Agreements, including those painstakingly negotiated in the WTO system, often need interpreting. The most harmonious way to settle these differences is through some neutral procedure based on an agreed legal foundation. That is the purpose behind the dispute settlement process written into the WTO agreements.