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Peru-Australia Free Trade Agreement

Report Categories:

Country/Regional FTA's

Agriculture in the Economy

Agriculture in the News

Trade Policy Monitoring

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Report Highlights:

Peru-Australia Free Trade Agreement (PAFTA) negotiations have now been concluded and the detailed text will be released once the agreement has been signed. PAFTA will provide greater market access for Australian farmers, making them more competitive with U.S. exporters in the Peruvian market. The main agricultural sectors affected by PAFTA are beef, grains, dairy and sugar. Both countries will now follow their own domestic treaty making processes before PAFTA can enter into force.

Overview

The Peru-Australia FTA ([PAFTA](#)) provides for elimination of tariffs and preferential access through new quotas and tariff reductions for Australian agricultural exports. The new trade agreement (PAFTA) will eliminate 99 percent of tariffs that Australian exporters have faced, within five years of entry into force. The agreement improves the competitiveness of Australian sugar, dairy, rice, almond, sheep meat, wine and beef farmers which compete with those from the United States into the Peruvian market. Both countries will now follow their own domestic treaty making processes before PAFTA can enter into force. The full text of the agreement will be released once the agreement has been signed and ratified in 2018.

In 2016, Peru imported over US\$4.5 billion worth of agricultural products, but only US\$5.3 million came from Australia. Before PAFTA, many of Australia's exports faced tariffs and other barriers to entry not encountered by Australia's competitors. Australian dairy and sugar exports, for example, were subject tariffs of up to 29 percent, while U.S. exporters enjoyed preferential treatment with Peru under a 2009 free trade agreement. On ratification, PAFTA will provide tariff free access under expanding quotas for Australian exports of sugar and dairy goods.

Meat Outcome

Beef tariffs of up to 17 percent will be eliminated within five years, so that Australian beef growers will have duty free access to the Peruvian market at the same time as U.S. farmers. Tariffs up to 9 percent on sheep meat will be eliminated on entry into force of the agreement. Most tariffs on pork, up to 17 percent, will be eliminated immediately, with the remainder phased out between five and ten years. The tariff on kangaroo meat of 9 percent will be eliminated upon entry into force.

Protocols and certification procedures still need to be established with Peru in order for bilateral trade to benefit from PAFTA. This process is underway with discussions between Australian and Peruvian government authorities to establish the required protocols for meat imports from Australia to Peru. According to Meat and Livestock Australia, beef consumption in Peru is forecast to triple by 2020.

Grains Outcome

Under PAFTA, Australian barley, oats, pulses, malt and canola oil will receive duty free access. Australian exporters will have duty free access of 9,000 MT of rice products into Peru, growing to 14,000 MT in five years. Duty free access of 15,000 MT is provided for sorghum exports to Peru, growing to 20,000 MT in five years. On entry into force of the agreement, tariffs on all wheat up to 9 percent will be eliminated on entry into force of the agreement.

Sugar Outcome

PAFTA will allow 30,000 MT of sugar to be exported immediately, which then doubles to 60,000 MT within five years. Within 18 years, sugar exports from Australia to Peru are expected to grow to 90,000 MT or around three percent of Australia's sugar exports and 30 percent of Peru's sugar imports.

Dairy Outcome

On entry into force of the agreement, Australia will have duty free access of 7,000 MT of dairy products into Peru, growing to 10,000 MT in five years.

Other Products

Details of reduced duties for other Australian exports into Peru are given in the table below.

Table 1: Provisions for select products under the Peru-Australia Free Trade Agreement

Product	Tariff	Impact of PAFTA
Seafood	Duty of up to 9%	Zero after entry into force of PAFTA
Almonds	Duty of up to 9%	Zero after entry into force of PAFTA
Wine	Duty of up to 9% on most goods with other duties phased out over 5 years	Zero after entry into force of PAFTA for most goods of commercial interest
Raw hides and skins	Various duties	Zero after entry into force of PAFTA
Horticulture products	Duty of up to 9 percent	Zero after entry into force of PAFTA

Note: Further details of the agreement are provided at: [Outcomes: Goods market access](#).

Possible Impact of PAFTA on U.S. Exports

Following PAFTA, Australian exporters of dairy, beef and beef products are expected to be stronger competitors in the Peruvian market. In 2016, U.S. exports to Peru totaled \$73 million. As a result of the agreement, agricultural exports from Peru such as avocados, table grapes, blueberries and citrus could be more competitive with U.S. exports to the Australian market. In 2016, the total value of U.S. agricultural exports to Australia was \$1.3 billion.