

KOREA- AUSTRALIA

FREE TRADE AGREEMENT



FRUIT, NUTS AND VEGETABLES TO KOREA

KAFTA BENEFITS FOR FRUIT, NUTS AND VEGETABLES

The Korea-Australia Free Trade Agreement (KAFTA) came into force in December 2014, bringing significant benefits for Australian exporters. When KAFTA is fully implemented, tariffs on 99.7 per cent of exports to Korea will be eliminated. The agreement helps level the playing field for Australian food exporters competing with companies from the US, EU, Chile and the Association of Southeast Asian Nations, which all benefit from existing trade deals with Korea.

This guide provides an overview of a select number of fruit, nut and vegetable categories that benefit from tariff reductions under KAFTA and have market access.



During the April to September period, Australian oranges have preferential tariff treatment – the 50 per cent tariff has been reduced to 20 per cent, and each year this will be reduced by a further 5 percentage points until oranges are duty free from 2020. Australian orange exporters also have access to a duty-free quota – currently 20 tonnes, growing to 30 tonnes in 2020. Table grapes attract a tariff of 45 per cent from 1 May though to 30 November. The tariff from 1 December through to 30 April is 12 per cent currently, will reduce to 6 per cent in 2017, and will be eliminated in 2018.

The tariff on cherries has been eliminated. Mangoes have a tariff rate of 21 per cent, which will reduce to 18 per cent on 1 January 2017, and will be eliminated by 1 January 2023. Shelled almonds (unroasted) are tariff-free. The 12 per cent tariff on both in-shell and shelled macadamias will reduce to 6 per cent in 2017 and be eliminated by 1 January 2018.

For an overview of snack-nuts and dried fruit, refer to Austrade's 'Snackfood to Korea' snapshot.

Asparagus became tariff-free on 1 January 2016. The tariff on brussels sprouts is 15.4 per cent, which will reduce to 11.5 per cent in 2017, and will be eliminated by 2020. The tariff on potatoes for chipping is duty-free from 1 December to 30 April. Outside of this period, check the tariff with Austrade.

These tariff cuts help improve Australia's competitiveness and make it an ideal time for exporters to enter Korea. Korean consumers have an appetite for imported premium products, and Australian companies offering high-quality fruit, nut and vegetable products will find a growing market for their goods. Australia has the benefit of counter-seasonal supply along with a reputation for safety and quality.



Australian Government

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This document provides an overview of the fruit, nut and vegetable market in Korea to help Australian companies plan their export strategy. Exporters are encouraged to undertake their own market research and refer to the Free Trade Agreement Portal (ftaportal.dfat.gov.au) developed by the Department of Foreign Affairs and Trade (DFAT) for more information on tariff cuts. Austrade can also provide insights and assistance to support a successful market entry.

MARKET SNAPSHOT

Korea imports more than 70 per cent of its food and agriculture products.¹ The market for imported premium fruit, nut and vegetable products is rapidly growing and diversifying. Consumer tastes are changing and demand for luxury and high-quality food products is increasing.

Local Korean production of fruit, nuts and vegetables is limited and on the decline, resulting in a heavy reliance on imported products. Korea is self-sufficient in producing apples, summer fruit and strawberries, even exporting pears to Australia. However, it is reliant on imports of tropical fruit, table grapes and cherries, to name a few. Local production of vegetables is focused on staples such as cabbage, radish and lettuce, importing a diverse range of vegetables to cater for the retail and food service markets.

Given Australia cannot compete on price with the Americas in this category, Australian companies need to provide a first-grade premium offering. Some premium fruit such as cherries, avocados and mangoes used to only be available at department stores; however, with improved market access for a number of countries, these products, along with oranges, bananas and table grapes, are now more broadly available at supermarkets.

Department stores and hypermarkets directly source certain fresh items to achieve cost savings and gain a larger market share. Korean Customs has strict import requirements for fruit, nut and vegetable products, so exporters should work closely with their importer or retailer to provide the necessary documentation and information required to meet the regulations.

FRUIT AND NUTS

In 2015, South Korea imported US\$1.7 billion of fruit and nuts.² The categories with current market access and the greatest export potential for Australian suppliers include oranges, table grapes, mangoes, cherries, almonds and macadamias. Citrus imports accounted for US\$249 million, dominated by the US (86.5 per cent), followed by South Africa (5 per cent) and Chile (5 per cent). Fresh grapes worth US\$201 million largely came from Chile (76.9 per cent), Peru (13.6 per cent) and the US (8.9 per cent). Cherries worth US\$126 million largely came from the US (95 per cent), with smaller amounts imported from Australia (3 per cent) and New Zealand (2 per cent). Mangoes worth US\$43 million largely came from Thailand (51 per cent), the Philippines (34 per cent) and Taiwan (13 per cent).³

The snack-nut market in Korea was worth US\$51 million in 2015.⁴ These snack-nuts are retail product, with the remaining nut imports being used in the food manufacturing sector. The US is the leading exporter of nuts to Korea, followed by India, Chile, Turkey and Australia. Unroasted nuts have a tariff advantage under KAFTA and Korean retailers prefer to import raw products and process them in-market. The majority of nut products are locally packaged.

Nuts were traditionally targeted at beer drinkers but there has been greater awareness of nuts' health benefits, which are now popular with young females. More single-portion options are becoming available to cater to this market (via online and home shopping). CJ CheilJedang has the largest share of Korea's snack-nut market.⁵

VEGETABLES

Potato imports of US\$21 million came from the US (60 per cent) and Australia (40 per cent). Brussels sprouts imports of US\$2.2 million largely came from Australia (38.4 per cent), Belgium (29.6 per cent), Mexico (14.7 per cent) and the US (9 per cent). Asparagus imports in 2015 worth US\$1.2 million largely came from Thailand (33.4 per cent), Mexico (31.5 per cent), Peru (23 per cent) and the Philippines (9 per cent).

Sources:

1. *Yonhap News*, 8 September 2014.
2. International Trade Centre, *Trade Map, Trade statistics for international business development*, 2015.
3. Korean Customs, 2015.
4. Euromonitor 2015.
5. *Sweet and Savoury Snacks in South Korea*, Euromonitor International, November 2015.

HOW TO USE KAFTA WHEN EXPORTING PRODUCTS TO KOREA

Preferential KAFTA tariffs are not applied automatically in Korea; follow the steps below to take advantage of KAFTA.

1. Read through the DFAT [Guide to using KAFTA to export and import goods](#) and the Austrade *Food and Beverage Market Entry Guide: Opportunities under the Korea-Australia Free Trade Agreement*.
2. Identify the correct HS codes for your product and cross-check with your freight forwarder.
3. Search the DFAT Free Trade Agreement Portal (ftaportal.dfat.gov.au) to check how your products will be treated under KAFTA in terms of tariff reduction, any tariff quota, and that they meet the criteria for 'Australian Origin'.
4. Prior to signing any contract with an importer or partner, you can cross-check your tariff reduction with them and seek legal advice if required. If necessary,

cross-check the HS codes and get an advanced ruling from Korea Customs Service (customs.go.kr) with the assistance of your importer.

5. Prepare FTA certification of origin for your products. You must have origin documents to claim FTA benefits.

KAFTA allows Australian exporters to self-certify the origin of their goods by preparing an Origin Certification Document (OCD).

You can also certify origin by obtaining a Certificate of Origin (COO) from the Australian Chamber of Commerce and Industry (ACCI) and Australian Industry Group (AIG), the accredited certifiers in Australia.

ACCI: acci.asn.au

AIG: aigroup.com.au

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