

EU and New Zealand's free trade agreement (FTA) to build robust sustainable agri business

18 August 2023 | News

Key to reducing agricultural emissions by building efficiency; New Zealand's blue print to foster Horticulture sector



Key to reducing agricultural emissions by building efficiency; New Zealand's blue print to foster Horticulture sector

New Zealand's government has an ambitious plan for its agricultural sector to be "the world's most sustainable provider of high-value food and fiber products." The roadmap for the sector includes targets such as adding \$44 billion to food and fiber exports by 2030 while slashing sector emissions by 10%.

New Zealand's sustainability commitments also provided the basis for a robust free trade agreement with the European Union that aims to improve the sustainability of both New Zealand and EU food systems. The deal was signed in July 2023 and includes standards for climate impact, labor and gender equity, as well as subsidy provisions for sustainable fisheries.

Trade between the EU and New Zealand is projected to grow by 30% as a result of the agreement, according to the European Commission. The EU and New Zealand free trade agreement (FTA), will deliver significant gains for the EU. The deal will cut some \$140 million a year in duties for EU companies from the first year of application. As a result, bilateral trade is expected to grow by up to 30% within a decade, with EU annual exports potentially growing by up to \$4.5 billion.

EU investment into New Zealand has a potential to grow by up to 80%. This landmark agreement also includes unprecedented sustainability commitments. The agreement is now sent to the European Parliament for its consent. Following the completion of the ratification process in both the EU and New Zealand, the deal enters into force.

The EU-New Zealand FTA will provide new opportunities for businesses by:

- eliminating all tariffs on EU exports to New Zealand
- ensuring non-discriminatory treatment to EU investors in New Zealand and vice versa

- improving access for EU companies to New Zealand government procurement contracts for goods, services, works and works concessions
- facilitating data flows, predictable and transparent rules for digital trade and secure online environment for consumers;
- preventing unjustified data localisation requirements and maintaining high standards of personal data protection;
- dedicating chapter to assist Small and medium businesses to export more
- significantly reducing compliance requirements and procedures to allow for quicker flow of goods
- significant commitments by New Zealand to protect and enforce intellectual property rights, aligned with EU standards

Ursula von der Leyen, President of the European Commission, says: "New Zealand is a key partner for us in the Indo-Pacific region, and this free trade agreement will bring us even closer together. With today's signature, we have taken an important step in making the agreement a reality. This modern free trade agreement brings major opportunities for our companies, our farmers and our consumers, on both sides. With unprecedented social and climate commitments, it drives just and green growth while reinforcing Europe's economic security".

The EU-New Zealand FTA is the first one to integrate the EU's new approach to trade and sustainable development announced in the Communication "The power of trade partnerships: together for green and just economic growth". For the first time ever in an EU free trade agreement, the deal has a dedicated sustainable food systems chapter.

Stimulating agri-food exports by EU trade

EU farmers will have much better opportunities to sell their produce in New Zealand immediately upon application of the agreement. Tariffs will be eliminated as of day one on key EU exports such as, wine and sparkling wine, chocolate, sugar confectionary and biscuits.

EU farmers will see benefits beyond the tariff cuts. The FTA will protect the full list of EU wines and spirits (close to 2,000 names) such as Prosecco, Polish Vodka, Rioja, Champagne and Tokaji. In addition, 163 of the most renowned traditional EU products (Geographical Indications), such as Asiago, Feta, Comté or Queso Manchego cheeses, Istarski prhut ham, Beck's Marzipan, Elia Kalamatas olives will be protected in New Zealand.

The agreement takes into account the interests of EU producers of sensitive agricultural products: several dairy products, meat, ethanol and sweetcorn. For these sectors, there will be no liberalisation of trade. Instead, the agreement will allow zero or lower tariff imports from New Zealand only in limited amounts (through so-called Tariff Rate Quotas).

Boost to Horticulture sector: Future of regenerative agriculture across New Zealand farms

New Zealand is the sixth largest global exporter of wine by value; Kiwifruit are New Zealand's biggest horticultural crop by economic value.

Wine grapes are New Zealand's largest horticultural crop by area. And almost all wine in New Zealand comes from farms that participate in "Sustainable Winegrowing New Zealand", an industry-wide certification program. The program covers all aspects of sustainability, from climate to chemical use to labor rights for workers.

New Zealand has a strong culture in wine grape cultivation, and maintains a vineyard with around 16 different species that are under the vineyards. New Zealand wine exports have surged to new record levels with their largest ever one-year growth, lifting 25% in value to NZD\$2.4 billion (about \$1.5 billion). New Zealand grows wine grapes using regenerative methods such as intercropping, the practice of growing cover crops between rows of cash crops, and composting, using the spent grape skins from the winery to mulch the vines.

The New Zealand wine sector has set sustainability goals that are critical to the future success of the industry. New Zealand wine is differentiated by the country's cool climate and water supply, meaning that working to mitigate climate change is in the best interest of vintners and other industry stakeholders. Research is currently underway to identify vines resilient to disease and pest pressure and that are more drought tolerant, says Edwin Massey, general manager sustainability for New Zealand Winegrowers, the national organization for the country's grape and wine sector

Strong consumer demand for sustainably certified wines is growing in New Zealand. Having a robust sustainability certification process helps assure these consumers that New Zealand wine is the right choice for them. Although New Zealand produces less than 2 % of global supply, the country is now the sixth largest exporter of wine by value.

Similarly, while wine grapes are New Zealand's biggest horticultural crop by area, kiwifruit are its biggest horticultural crop by economic value. Kiwifruit is a \$2.6 billion sector in New Zealand, with most of the farms found in the Bay of Plenty. Zespri is the marketer for the country's kiwifruit industry and handles exportation, marketing, and distribution of New Zealand

