The Export of California Specialty Crops: Current Situation and Future Prospects

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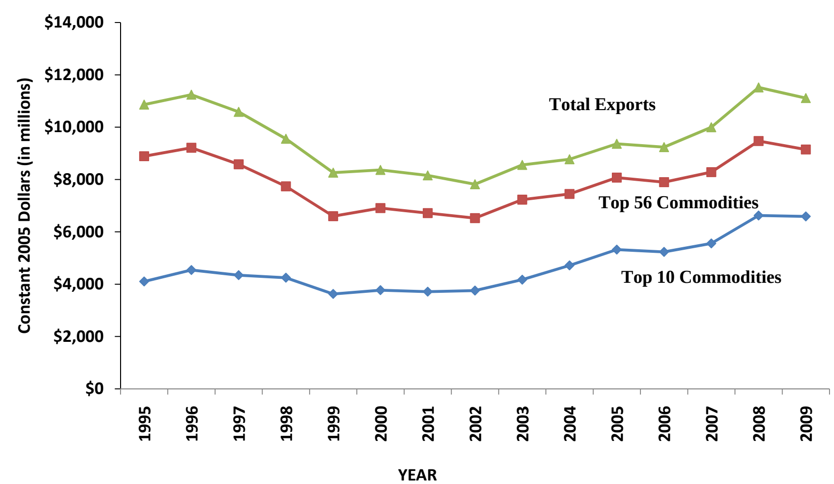
Talk will be in two parts

- Part 1: Results from AIC annual assessment of 2009 California International Agricultural Exports.
- Part 2: California Agricultural Exports and the Korea Free Trade Agreement.

Part 1: California Ag Exports Main Points

- **From 2008 to 2009 California agricultural exports declined about 5 percent.**
- **The total value of California ag exports fell from a record of $13.1 billion in 2008 to $12.4 billion in 2009.**
- **Even with the decline in value, the share of California farm production exported increased from 19.7 percent in 2008 to 22.3 percent in 2009.**
- **The value of tree nut exports increased 10 percent in 2009, while non-citrus fruit exports decreased 5 percent and vegetable exports decreased 3 percent from 2008 values.**

California's agricultural exports, 1995-2009



2009 Top Ten California Export Commodities

2009 Rank	Product	2007	2008	2009	Change in Value 2008 to 2009	Share of 2009 Export Value
		Export value ($ million)			*Percent*	*Percent*
1	Almonds	1,879	1,899	1,925	1	15.5
2	Rice	341	552	877	59	7.1
3	Wine	816	910	812	-11	6.5
4	Pistachios	364	581	682	17	5.5
5	Walnuts	444	491	666	36	5.4
6	Dairy and products	930	1,214	608	-50	4.9
7	Table grapes	558	618	594	-4	4.8
8	Tomatoes, processed	300	490	458	-7	3.7
9	Oranges and products	276	438	419	-4	3.4
10	Lettuce	291	338	321	-5	2.6
Total Top 10 Commodities		6,199	7,531	7,362	-2	59.4
Total All Agricultural Exports		11,148	13,090	12,401	-5	

California Tree Nut export values, 2007-2009 and 2009 ranking

2009 Rank	Product	2007	2008	2009	Change in Value 2008 to 2009	Share of 2009 Export Value
		Export Value in $millions			*Percent*	*Percent*
1	Almonds	1,879	1,899	1,925	1	16
4	Pistachios	364	581	682	17	6
5	Walnuts	444	491	666	36	5
	Total Tree Nut Exports	2,688	2,972	3,274	10	26
	Total Agricultural Exports	11,148	13,090	12,401	-5	

California non-citrus fruit export values, 2007-2009 and 2009 ranking

2009 Rank	Product	2007	2008	2009	Change in Value 2008 to 2009	Share of 2009 Export Value
		Export Value in $millions			*Percent*	*Percent*
7	Table grapes	558	618	594	-4	4.8
11	Strawberries	261	303	297	-2	2.4
12	Raisins	213	300	286	-5	2.3
15	Prunes	175	179	155	-14	1.2
17	Peaches & nectarines	132	174	124	-29	1.0
20	Raspberries	65	85	86	2	0.7
21	Cherries	86	121	85	-29	0.7
27	Plums	50	69	55	-21	0.4
28	Melons	48	51	50	-2	0.4
31	Grape juice	33	49	41	-17	0.3
36	Pears	23	31	28	-9	0.2
39	Apples	25	36	19	-47	0.2
40	Dates	18	20	21	2	0.2
42	Blueberries	15	19	19	0	0.2
43	Olives	17	19	18	-7	0.1
44	Figs	11	15	18	16	0.1
47	Apricots	14	18	11	-39	0.1
48	Kiwi	14	13	11	-17	0.1
	Total Fruit Exports	1,759	2,121	1,917	-10	15.5
	Total Agricultural Exports	11,148	13,090	12,401	-5	

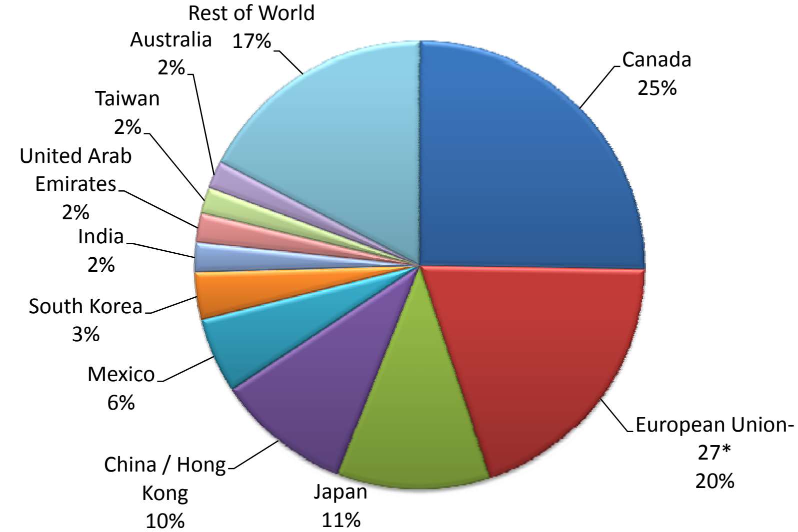
California citrus fruit export values, 2007-2009 and 2009 ranking

2009 Rank	Product	2007	2008	2009	Change in Value 2008 to 2009	Share of 2009 Export Value
		Export Value in $millions			*Percent*	*Percent*
9	Oranges and products	276	438	419	-4	3.4
16	Lemons	155	159	135	-15	1.1
32	Grapefruit	47	39	34	-14	0.3
33	Tangerines and Mandarins	12	31	33	7	0.3
	Total Citrus Fruit Exports	490	668	621	-7	5.0
	Total All Agricultural Exports	11,148	13,090	12,401	-5	

California vegetable export values, 2007-2009 and 2009 ranking

2009 Rank	Product	2007	2008	2009	Change in Value 2008 to 2009	Share of 2009 Export Value
		Export Value in $millions			*Percent*	*Percent*
10	Lettuce	291	338	321	-5	2.58
18	Broccoli	118	120	113	-6	0.91
19	Carrots	100	109	100	-8	0.81
23	Onions	71	75	72	-4	0.58
24	Cauliflower	54	65	72	11	0.58
25	Celery	55	60	59	-1	0.48
26	Tomatoes, fresh	45	48	59	22	0.47
30	Spinach	31	39	45	17	0.36
37	Bell & chili peppers	26	31	27	-16	0.21
52	Asparagus	16	11	8	-30	0.06
53	Mushrooms	4	4	4	4	0.04
54	Cabbage	5	4	4	1	0.03
55	Avocados	4	9	3	-62	0.03
56	Artichokes	4	3	3	-6	0.03
	Total Vegetable Exports	822	916	890	-3	7.17
	Total All Agricultural Exports[4]	11,148	13,090	12,401	-5	

Top-10 destinations for California Agricultural Exports in 2009, by Value



Percent of California Export Value Shipped to Major Markets, by Commodity Group, 2009[1]

	EU-27	Canada	Japan	China /HK	Mexico	South Korea	ROW	Total
Animal Products[2]	1.22	12.83	12.15	8.12	23.45	7.29	34.94	100
Field Crops[3]	5.89	12.63	27.21	6.31	4.45	3.67	39.84	100
Fruits[4]	10.70	39.86	8.81	6.64	3.52	2.59	27.88	100
Tree Nuts	37.51	5.29	4.92	17.22	3.06	3.11	28.89	100
Vegetables	1.84	83.18	5.99	0.47	6.75	0.14	1.63	100
Flowers and Nursery	6.39	65.16	2.34	2.37	16.16	0.33	7.26	100
Wine	44.24	25.30	9.04	6.79	0.95	1.37	12.32	100
All Commodity Groups	19.59	24.85	10.68	9.53	5.31	2.98	27.05	100

Source: University of California Agricultural Issues Center.
[1] Based on 50 individual products for which reliable destination data are available.
[2] Does not include chicken, eggs, or turkey because reliable data on destination of export is not available.
[3] Does not include wheat because reliable data on the destination of export is not available.
[4] Does not include apples because reliable data on the destination of export is not available.

Conclusions

- 2009 was a tough year for California agricultural exports.
- 32 of the top 56 export commodities experienced a decline of 5 percent or more from 2008 values.
- Early indications are that exports rebounded in 2010 and will continue to grow in value in 2011.

Part II: California Agriculture and the Korea Free Trade Agreement

The Prospective Free Trade Agreement with Korea:
Background, Analysis, and Perspectives
for California Agriculture

Hyunok Lee and Daniel A. Sumner

Giannini Foundation Information Series Report 09-2
June 2009

giannini.*ucop.edu/InfoSeries/092_KORUS_FTA.pdf*

University of California
Agriculture and Natural Resources

South Korea-U.S. free trade agreement will lower export barriers for California products

by Hyunok Lee *and* Daniel A. Sumner

The United States and South Korea negotiated a bilateral trade agreement in 2007. After final legislative approval, likely later this year, high tariffs on exports of most California agricultural products to South Korea will be gradually eliminated. Already, with the tariffs in place, South Korea ranks among the top six destinations for many California agricultural exports. More open access to the South Korean market will create significant opportunities for major commodities produced in California such as almonds and dairy products.

The Republic of Korea (South Korea) and the United States signed a free trade agreement (KORUS FTA) on April 1, 2007. In 2010, they negotiated a few adjustments to the agreement designed to facilitate approval by each country's

Tricia Berglund

The United States has negotiated a free-trade agreement with South Korea that will greatly reduce tariffs on many California crops. The U.S. Congress is expected to pass the implementing legislation this year. *Above,* a wholesale produce market in Anyang City, south of Seoul.

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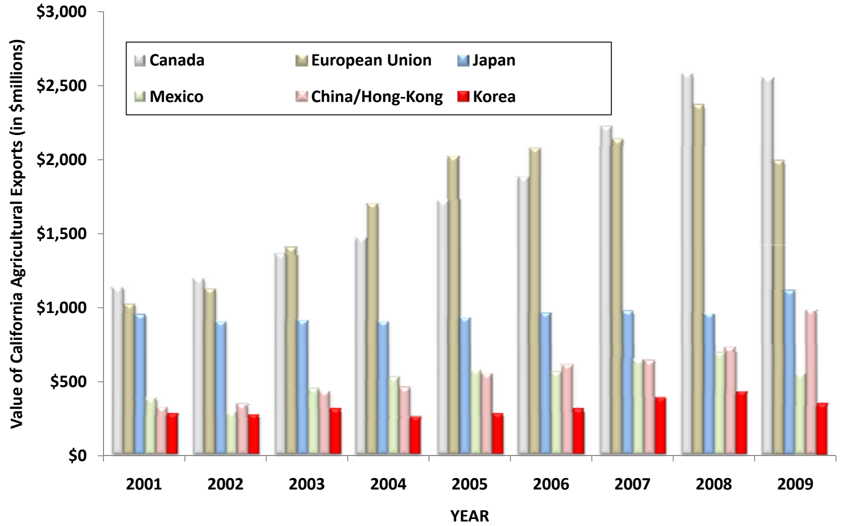
Part II: Korea FTA Main points

- **Korea has been a large and diversified export destination for US and California agriculture**
  - **In 2009, 33 commodities were exported from California to Korea**
- **With more open markets the potential is for exports to increase substantially**
- **Three main drivers of growth**
  - **Korea has a large, prosperous population with substantial income growth and a documented market demand for high quality goods**
  - **Korean trade barriers for food and related imports have come down some but remain high, and despite these barriers US exports have been successful**
  - **The KORUS trade agreement will eliminate many barriers and reduce others substantially**

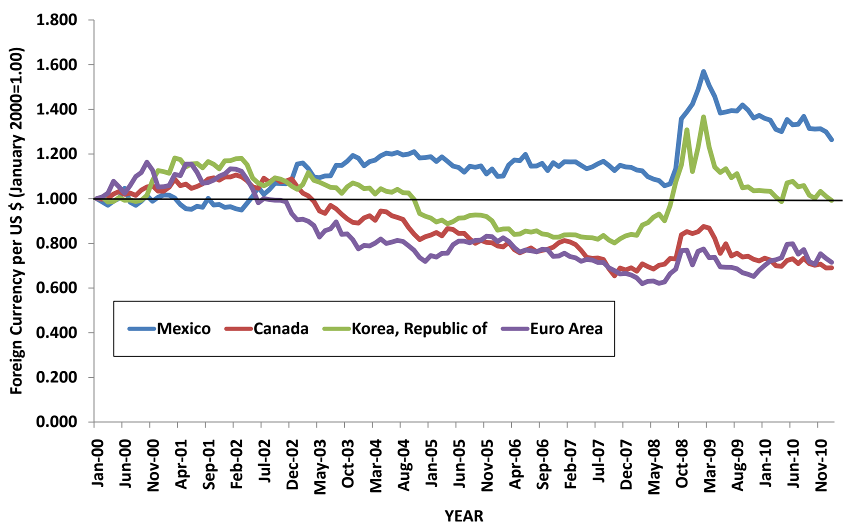
Value of California Agricultural Exports to Top 6 Destination Countries, 2001-2009



Current data

- **Price and export values were down some in 2009 and this includes California export to Korea**
- **But, now 2010 has been a very strong price and export year.**
- **Exchange rates also vary and exporters must know that predicting timing of exchange rate changes is just impossible.**

Nominal exchange rate indexes, monthly January 2000 to January 2011



Base tariffs in Korea for selected products

Base Tariff (percent)†	Commodity
1	Cattle hides and skins
8	Almonds (shelled and in-shell) Tomatoes (paste)
18-20	Plums (dried), olives, casein
21-24	Raisins, cherries (fr)
27-30	Artichokes, Chinese cabbage, broccoli, cauliflower, brussels sprouts, garlic (froz), garlic (pickled), pepper (froz), onions (froz), cucumbers (pickled), carrots (fr, froz, pres &dried)* Beef offal Lemons & limes, grapefruit (fr & Juice), wine, avocados, dates, pistachios, walnuts (shelled)
36-40	Cheese Beef (muscle cuts)
45-50	Apricots, cherries (canned), peaches, strawberries, other berries, peach (pres), grape juice, apple juice, lemon juice, lime juice, peach juice, strawberry juice, walnuts (in-shell) Lettuce, tomatoes Lactose, whey
54	Orange juice (froz. concentrate)
89	Butter
135**	Onions (fr & dried)
144	Korean citrus & mandarins
176	Skim & whole milk power
270	Peppers(fr & dried)
360**	Garlic (fr & dried)

Access improvement by general market access category

Immediate unrestricted opening: asparagus, cabbages, celery, cucumbers, eggplants, shallots spinach (fr&froz)*, tomato paste, cherries, olives, raisins, frozen orange concentrate, grape juice, wine almonds, pistachios, coffee, wine, cattle hides and skins, live livestock, feed whey

Tariff phase-out *(numbers indicate the years to complete the phase-out)*

2	Avocadoes, lemons, dried plums
5	Chinese cabbages, carrots(fr&froz), cauliflower, broccoli, peas, beans**, dried mushrooms**, tomato juice, Grapefruit, strawberries (froz), orange juice, various fruit juices
4	Off-season table grapes
6	Walnuts (shelled), Off-season fresh oranges
7	Tomatoes, ice cream, apricots
9	Strawberries
10	Artichokes, brussels sprouts, preserved cucumbers, lettuce, fresh mushrooms**, peaches, pears (excluding Asian pears), dates, persimmons, tangerine juice
12	Chicken meat, frozen onions, watermelons, various berries,
15	Korean citrus, kiwifruit, walnuts (in-shell), chestnuts, pine nuts, oak mushrooms (fr&dried), Beef offal
17	In-season table grapes
20	Asian pears

Competition with other exporters in crucial

- **The best opportunities are to expand in the Korean market for products where Korean production is small or potential for Korean supply expansion is limited**
- **One emphasis to use lower barriers to compete with other who already have trade deals (Chile) or may develop deals (Australia and the EU)**

Value of Korean imports and major competitors, 2007

	Total imports ($mil)†	Share of US origin in total imports (%)	Import share in domestic consumption (%)*	Major competitors and their percentage share of Korean imports
Fruits	852	27	n/a**	Philippines(30),China(9),Chile(7),NZ(7),Brazil(5)
Oranges, fresh	108	93‡	9.9	--#
Oranges, juice	71	24	100	Brazil(60)
Kiwifruit	70	4	100	NZ(77), Chile(14)
Table grapes	58	18	8.3	Chile(82)
Cherries, all	36	91	100	--
Grapes, juice	22	47	100	Spain(26)
Lemons	11	77	100	Chile(5), Italy(10)
Apple, processed	10	0	100	China(50), Chile(2)
Strawberries	10	26	3.7	China(57), Italy(3)
Peaches, processed	9	0	100	China(44), South Africa(20), Greece(14)
Grapefruits (incl.juice)	9	74	100	Japan(12)
Raisins	6	94	100	--

Value of Korean imports and major competitors, 2007

	Total imports ($mil)†	Share of US origin in total imports (%)	Import share in domestic consumption (%)*	Major competitors and their percentage share of Korean imports
Tree Nuts	76	94	93	--
Walnuts	38	91	100	Vietnam(9)
Almonds	35	100	100	--
Dairy, beef and products	1856	28	n/a	Australia(45), NZ(15)
All dairy products	438	19	n/a	NZ(24), Australia(15)
Beef	1,037	9	59	Australia(73), NZ(16)
Hides and skins	381	89	n/a	--
Others				
Cotton	305	40	100	Australia(13)
Hay	237	82	n/a	--
Wine	167	10	n/a	France(45), Chile(15)
Rice	137	31	5.4	China(61), Thailand(8)
Flowers	68	1	n/a	China(31), Taiwan(30), Netherlands(18)

Conclusions

- **The challenge for agricultural exports to Korea is to find those markets with strong potential growth**
- **For example, dairy products now face high barriers, has large growth potential and Korean supply expansion is difficult, so the KORUS trade agreement will help the US compete with New Zealand in the bulk market**
- **But, also, top quality branded and unique products are of much interest to Korea consumers**
- **Bottom line – the potential market is there but competition is never easy**

Thank you.
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