Trade Issues Facing U.S. Horticulture

Barry Krissoff and Jason Donovan

The WTO and International Trade Prospects

UC - Executive Seminar on Agricultural Issues

December 10, 2001
Preliminary ruling finds Canadian hothouse product was sold at nearly 51% below market. *The Packer* 10.8.01

Court suspends Argentine citrus imports. *Produce News* 10.8.01

ITC rules in favor of Chile, Mexico in anti-dumping case. *Produce News* 06.16.01

US apple industry wants to extend dumping duties on Chinese apple juice concentrate. *The Packer* 4.30.01
Fruit and Vegetable Market Shares of Global Food and Animal Product Trade

Fruits & Vegetables
- 21%
- $33.3 Billion

1989

Other food & animal products

Gaining respect for f&v

26%
$53.0 Billion

1999

Source: FAO
Fruit and Vegetable Market Shares of U.S. Food and Agricultural Trade

Source: Economic Research Service, USDA

- **Imports**
  - Fruits & Vegetables: 23% (9 Billion)
  - Other food & agriculture

- **Exports**
  - Fruits & Vegetables: 18% (9.3 Billion)
  - Other food & agriculture

Source: Economic Research Service, USDA
Foreign Country Shares of U.S. Fruit and Vegetable Exports

Other 30%
Canada 29%
Japan 17%
EU 16%
Mexico 9%

Source: Economic Research Service, USDA
Foreign Country Shares of U.S. Fruit and Vegetable Imports

- Mexico: 29%
- Canada: 16%
- EU: 12%
- Chile: 8%
- Other: 36%

Source: Economic Research Service, USDA
Exports as a Share of Production

- Oranges
- Asparagus
- Cauliflower
- All grapes
- Pears
- Lemon
- Raisins
- Grapefruit
- Walnuts
- Dried prunes
- Almonds

Source: Economic Research Service, USDA
Imports as a Share of Consumption

- Orange juice
- Tomatoes
- Fresh grapes
- Fresh Cucumbers
- Apple juice
- Frozen Broccoli
- Canned pineapples
- Limes
- Mangos
- Bananas

Source: Economic Research Service, USDA
Four key factors contributing to smooth sailing

- Consumer demand
- Technological innovation
- Globalization of the grocery industry
- Global and regional trade liberalization
while there have been some reductions in tariffs, domestic support, and export subsidies, barriers often remain quite high.
Frequency Distributions of Fruit and Vegetable Tariffs

Source: Economic Research Service, USDA
Frequency Distributions of Fruit and Vegetable Tariffs

Source: Economic Research Service, USDA
# Tariffs Faced by Top US Vegetable Products

<table>
<thead>
<tr>
<th>Select Items</th>
<th>Average</th>
<th>Maximum</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frozen Potatoes</td>
<td>64</td>
<td>544</td>
<td>41</td>
</tr>
<tr>
<td>Canned Sweet Corn</td>
<td>62</td>
<td>343</td>
<td></td>
</tr>
<tr>
<td>45 Fresh Tomatoes</td>
<td>71</td>
<td></td>
<td>706</td>
</tr>
<tr>
<td>46 Fresh Broccoli</td>
<td>83</td>
<td></td>
<td>756</td>
</tr>
<tr>
<td>48 Fresh Onions</td>
<td>90</td>
<td></td>
<td>1473</td>
</tr>
<tr>
<td>50</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Economic Research Service, USDA
## Tariffs Faced by Top US Fruit & Nut Products

<table>
<thead>
<tr>
<th>Select Items</th>
<th>Average</th>
<th>Maximum</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shelled Almonds</td>
<td>55</td>
<td>200</td>
<td>34</td>
</tr>
<tr>
<td>Apples</td>
<td>67</td>
<td>553</td>
<td>45</td>
</tr>
<tr>
<td>Grapes</td>
<td>62</td>
<td>349</td>
<td>40</td>
</tr>
<tr>
<td>Oranges</td>
<td>49</td>
<td>318</td>
<td>28</td>
</tr>
<tr>
<td>Grapefruits</td>
<td>59</td>
<td>318</td>
<td>36</td>
</tr>
<tr>
<td>Raisins</td>
<td>52</td>
<td>340</td>
<td>35</td>
</tr>
<tr>
<td>Orange juice</td>
<td>58</td>
<td>225</td>
<td>36</td>
</tr>
</tbody>
</table>

Source: Economic Research Service, USDA
The Difference Between Selected Developing Countries’ Bound and Applied Tariffs on Fruits & Vegetables

Source: Economic Research Service, USDA
In- and Out- of Season Tariff Rates
For Select Vegetables

<table>
<thead>
<tr>
<th></th>
<th>Out</th>
<th>In</th>
<th></th>
<th>Out</th>
<th>In</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Head lettuce</strong></td>
<td></td>
<td></td>
<td><strong>Fresh tomatoes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>1</td>
<td>6</td>
<td>United States</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>0</td>
<td>12</td>
<td>Czech Republic</td>
<td>0</td>
<td>13</td>
</tr>
<tr>
<td>EU</td>
<td>10</td>
<td>12</td>
<td>EU</td>
<td>54</td>
<td>60</td>
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<tr>
<td>Norway</td>
<td>89</td>
<td>293</td>
<td>Norway</td>
<td>0</td>
<td>178</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>0</td>
<td>12</td>
<td>Romania</td>
<td>90</td>
<td>120</td>
</tr>
<tr>
<td>Switzerland</td>
<td>10</td>
<td>475</td>
<td>Slovak Republic</td>
<td>0</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Switzerland</td>
<td>5</td>
<td>404</td>
</tr>
</tbody>
</table>

Source: Economic Research Service, USDA
## Domestic Support & Export Subsidies: European Union Budget Appropriations

( $ millions, year 2000)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export refunds</td>
<td>48</td>
</tr>
<tr>
<td>Compensation for withdrawals</td>
<td>153</td>
</tr>
<tr>
<td>Operational funding for producer organizations</td>
<td>282</td>
</tr>
<tr>
<td>Compensation for nuts</td>
<td>94</td>
</tr>
<tr>
<td>Compensation for bananas</td>
<td>246</td>
</tr>
<tr>
<td>Production aids for processed</td>
<td>692</td>
</tr>
<tr>
<td>Compensation for restructuring &amp; other interventions</td>
<td>23</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,538</strong></td>
</tr>
</tbody>
</table>

Source: Foreign Agricultural Service, USDA
Sanitary and Phytosanitary Agreement - improved transparency

Number of Regulatory Measures Notified to WTO

<table>
<thead>
<tr>
<th></th>
<th>Fresh</th>
<th></th>
<th>Processed</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fruit</td>
<td>Vegetables</td>
<td>Both</td>
<td></td>
</tr>
<tr>
<td>Food safety</td>
<td>37</td>
<td>40</td>
<td>60</td>
<td>26</td>
</tr>
<tr>
<td>Plant health</td>
<td>61</td>
<td>38</td>
<td>26</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>98</td>
<td>78</td>
<td>86</td>
<td>29</td>
</tr>
</tbody>
</table>

Source: WTO notifications, Economic Research Service, USDA
What would happen if the barriers were removed?

ERS study examines full liberalization for all agriculture and considers fruits and vegetables as an aggregate.

Study found produce prices and trade would each rise 8% benefiting US growers.

Developing models for key fresh and processed fruits and vegetables.

* reduction in bound or applied tariffs
* reduction in domestic support, export subsidies
* regional free trade agreements