An Outlook for California Specialty Crops in the Global Economy

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Today’s Discussion

- Export of California agriculture.
- Current and future projections of the global economy.
- Future trade potential for California agriculture.
Export of California Agriculture Production

- Value of California Exports
- Destination for Exports
Annual Value of California Agricultural Exports, 1995–2008

(base year = 2005)

(base year=2005)

Share of Annual California Tree Nut Export Values by Variety

- **Year**: 1995 to 2008
- **Varieties**: Almonds, Pistachios, Walnuts
- **Export Value Distribution**
  - **Almonds**: Dominant share in all years
  - **Pistachios**: Moderate share in all years
  - **Walnuts**: Smaller share in all years
Annual Net Trade of Almonds with Spain, 1996–2009

Net Value of Almond Trade (in $millions)

YEAR
Value of California Fruit Exports by Crop, 1995–2008
(base year=2005)

Table Grapes
Oranges
Strawberries
Rasins
Wine

Value of California Fruit Exports (in $millions)
Share of 2008 Export Value of California Fruit by Crop

Total Fruit Exports = $3.4 billion

- Wine: 24%
- Other Fruit: 26%
- Table Grapes: 17%
- Oranges: 11%
- Raisins: 8%
- Strawberries: 9%
- Peaches/Nectarines: 5%
Value of California Vegetable Exports by Crop, 1995–2008

- Lettuce
- Broccoli
- Carrots

Export Value (in $millions)

YEAR

Share of 2008 Export Value of California Vegetables by Crop

Total Vegetable Exports = $835 million

- Lettuce: 35%
- Broccoli: 13%
- Carrots: 12%
- Tomatoes, Fresh: 8%
- Celery: 7%
- Other Vegetables: 25%
Value of California Agricultural Exports to Top Destination Countries, 2001–2008

- **Canada**
- **European Union**
- **Japan**
- **Mexico**
- **China/Hong Kong**
- **Korea**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Value of California Agricultural Exports (in $billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$2.0</td>
</tr>
<tr>
<td>2002</td>
<td>$1.5</td>
</tr>
<tr>
<td>2003</td>
<td>$1.0</td>
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<tr>
<td>2004</td>
<td>$0.5</td>
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<tr>
<td>2005</td>
<td>$0.0</td>
</tr>
<tr>
<td>2006</td>
<td>$0.5</td>
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<tr>
<td>2007</td>
<td>$1.0</td>
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<tr>
<td>2008</td>
<td>$3.0</td>
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<tr>
<td>Product Category</td>
<td>European Union</td>
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<tr>
<td>------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Animal Products</td>
<td>$50.51</td>
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<tr>
<td>Field Crops</td>
<td>$54.73</td>
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<td>Fruits</td>
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<td>Tree Nuts</td>
<td>$1366.61</td>
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<tr>
<td>Vegetables</td>
<td>$15.71</td>
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<tr>
<td>Flowers and Nursery</td>
<td>$9.20</td>
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<tr>
<td>Wine</td>
<td>$423.90</td>
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</table>

<table>
<thead>
<tr>
<th>Product Category</th>
<th>European Union</th>
<th>Canada</th>
<th>Japan</th>
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</thead>
<tbody>
<tr>
<td>Animal Products</td>
<td>$49.9</td>
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<td>$140.6</td>
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<tr>
<td>Field Crops</td>
<td>$127.9</td>
<td>5.4%</td>
<td>$256.7</td>
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<td>Fruits</td>
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<td>$988.6</td>
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<td>Tree Nuts</td>
<td>$1,414.5</td>
<td>60.0%</td>
<td>$196.1</td>
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<td>Vegetables</td>
<td>$14.4</td>
<td>0.6%</td>
<td>$677.5</td>
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<tr>
<td>Flowers and Nursery</td>
<td>$7.9</td>
<td>0.3%</td>
<td>$24.1</td>
</tr>
<tr>
<td>Wine</td>
<td>$437.6</td>
<td>18.6%</td>
<td>$206.9</td>
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</table>
Global Macroeconomic Issues and the Recession
## Current and Projected Changes in Real GDP

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010 projection</th>
<th>2011 projection</th>
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<tbody>
<tr>
<td>World</td>
<td>3</td>
<td>-0.8</td>
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<tr>
<td>Developed economies</td>
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<td>2.1</td>
<td>2.4</td>
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<tr>
<td>United States</td>
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<td>-2.5</td>
<td>2.7</td>
<td>2.4</td>
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<td>Euro area</td>
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<td>-3.9</td>
<td>1</td>
<td>1.6</td>
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<tr>
<td>Japan</td>
<td>-1.2</td>
<td>-5.3</td>
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<td>2.2</td>
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<td>Developing economies</td>
<td>6.1</td>
<td>2.1</td>
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<td>6.3</td>
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</table>

Source: International Monetary Fund World Economic Outlook database, January 2010.
Annual GDP growth rates and projections for selected countries, 2003–2011

Source: International Monetary Fund, World Economic Outlook Database, January 2010
Nominal exchange-rate indexes for largest trading partners, monthly January 2004 to February 2010

Source: ERS
Annual nominal and real exchange rates, 1990–2010
(Euro/$)

Note: local currency per $US
Trade-weighted export exchange-rate indexes, monthly January 1999 to February 2010

Source: Export data from FAS, exchange-rate data from ERS
Potential for California Agricultural Exports: The Korea Free Trade Agreement
Rapid Change in Korea

- In 2 generations Korea’s economy went through changes that took 100 years in the U.S. and Europe.

- In 1970 Korea Agriculture = 30% of Korea Economy. In 2007 Agriculture = 3% Korea Economy.
Selected Age Distribution of Korean Farm Population

Percentage Share of Korea Agricultural Tariff Lines by Tariff Rate Bracket

Agricultural Tariffs in Korea

- Average Agricultural Tariff in Korea = 62%
- Average Agricultural Tariff applied by U.S. = 12%
- In many cases, potential imports from California agriculture face tariffs of more than 30 percent.
  - Table grapes, Almonds, Lettuce tariff rates = 45%–50%
## 2008 Value Share of California Exports to Korea for Select Commodities

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Rank</th>
<th>Share of Export Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oranges</td>
<td>2</td>
<td>22%</td>
</tr>
<tr>
<td>Grape Juice</td>
<td>2</td>
<td>41%</td>
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<tr>
<td>Grapefruit</td>
<td>3</td>
<td>12%</td>
</tr>
<tr>
<td>Walnuts</td>
<td>4</td>
<td>9%</td>
</tr>
<tr>
<td>Cherries</td>
<td>5</td>
<td>8%</td>
</tr>
<tr>
<td>Lemons</td>
<td>5</td>
<td>5%</td>
</tr>
</tbody>
</table>
Market Potential For California Agriculture with Passage of Korea FTA

- **Citrus:**
  - No current import competition.
  - Expected domestic price decrease by 20%-30%.
  - Expected demand would increase equally.

- **Grape Products:**
  - Table grapes could compete better with Chile.
  - Grape Juice and Raisins: Expand greatly due to lack of significant import competition.
  - Wine could compete better with Chile.
Market Potential For California Agriculture with Passage of Korea FTA

- Fruits and Berries
  - Currently stone fruits and cherries are not a significant part of Korean market.
  - Elimination of 24%–50% tariff would greatly expand market potential.
    - Canned peaches are big part of Korean diet. Elimination of 50% tariff would allow California peaches a significant price advantage over current imports from South Africa, Greece, and China.
    - Same for Pears.
Market Potential For California Agriculture with Passage of Korea FTA

- **Vegetables**
  - Even with 45% tariff Korea still imports Lettuce from California.
  - Elimination of tariff could expand greatly the export of lettuce and other leafy greens to Korean Market.

- **Tree Nuts**
  - Already big presence in Korea market, could potentially expand rapidly with elimination of tariffs.
Office of United States Trade Representative:

“For agricultural products, the FTA would immediately eliminate or phase out tariffs and quotas on a broad range of products, with almost two-thirds (by value) of Korea's agriculture imports from the United States becoming duty free upon entry into force.”
Conclusions

- California continues to be competitive in international agricultural trade.

- Despite recent economic issues, the future for California exports remains positive.

- Ratification of Korea FTA could have significant economic impact for California agriculture.
Thank You