

Highlight: Fruit and Tree Nut Exports

Fruit Exports are of Increasing Importance for Favorable Agricultural Trade Balance

The fruit industry has become increasingly important for creating a favorable trade balance in the agricultural sector over the past decade. While the export value of many of the major bulk commodities, wheat, feed grains, and rice have declined over the last 10 years, the value of all fruit products (including fresh, processed, tree nuts, and wine) has shown steady growth (fig. 5). Animal product exports, however, account for the largest share of the total value.

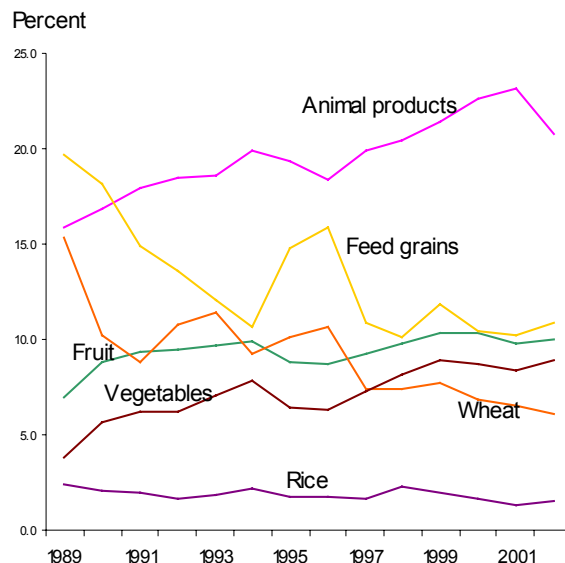
All fruit exports as a share of the value of all agricultural exports grew from an average of 8 percent from 1989-91 to 10 percent in 1999-2001. Wine was the fastest growing sector, followed by fruit juices. Growth in these two sectors was aided not only by increased shipments, but also by the very high value of these commodities, particularly wine and chilled juices.

Fresh Fruit Lead All Fruit Exports

Fresh fruit accounts for the largest share of total agricultural export value, about 4 percent. The share of the total has remained the same at the beginning of the new decade as it was at the beginning of the nineties. Nuts have the second largest share, about 2 percent of the total, also staying fairly stable over time. Both of these sectors are fairly mature exporters, and although their export value has increased over the past several years the value of their shipments has remained proportionately the same.

Asia is the leading destination for fresh and processed fruit (frozen and canned). Its share of the export market, however, has been declining as the importance of Latin America to fruit exports has increased. Canada leads all other countries in purchases of fresh and processed U.S. fruit. This is not surprising since it is our closest neighbor with an income level similar to ours. Japan is the next in importance. While Canada's share of exports has remained fairly constant, accounting for 29 percent of the value of exports, Japan's importance has been declining. In its place, Mexico's share of exports has been growing steadily. While in 1989-91, the value

Figure 5
Share of the value of all agricultural exports, by commodity, 1989-2001 1/



1/ Includes the commodity and its products.

Source: U.S. Dept. of Commerce, Bureau of the Census.

of fresh and processed fruit shipments to Mexico accounted for only 2 percent of all such shipments, by 1999-2001 it had risen to 8 percent and became the third major country receiving U.S. product. The North American Free Trade Agreement (NAFTA) has been very successful in opening the Mexican market for many commodities. While barriers such as licensing and high tariff limited trade, NAFTA opened access to its market with the removal of some barriers and lower tariffs. Higher disposable income in Mexico has also increased their demand for American goods and this element is likely to drive increased demand for some time to come. Growth is also likely to be seen in the presently smaller Asian markets, such as Malaysia, South Korea, and Indonesia.

Fruit Juice Shipments Largest To Canada and Japan

Canada and Japan are again the largest markets for U.S. fruit juices. While Canada's demand has remained fairly constant over the past decade, Japan's share of the market, in value terms, has declined. Both the Netherlands and Belgium have been rapidly increasing their share of the market, especially with

improvement in the shipment of chilled orange juice. The value of chilled juice is higher than for concentrated forms and the strong demand in the European Union (EU) for this product has helped drive the increase.

EU Increasing Its Demand for U.S. Wine

The EU plays a major role in U.S. wine shipments, receiving about 60 percent of the total in recent years, up from 40 percent in the early nineties. Together, the Netherlands and Belgium import about 20 percent of the value of the shipments. They in turn, ship much of what they import into other European countries. The number one market, however, is Canada, which along with Japan have been losing market share in recent years as European demand grows.

Almonds Lead Horticultural Exports

Canada and Germany are the major markets for U.S. tree nuts, which include the number one horticultural export, almonds. Americans consume less than a pound of almonds a year, leaving about 75 percent of the production for export. Almond consumption is much higher in many European countries. As a result, Spain, also a major producer, needs to import in order to meet demand. Almonds are used in many products in Europe, including marzipan, an almond

paste. India is a rapidly growing market for U.S. tree nuts, although it is still small relative to the EU and Canada. India purchases the nuts in shell for domestic consumption and to re-export as a shelled product. The low cost of labor in India makes this a viable industry. The United States continues to work towards opening new markets, including new free trade agreements with individual countries around the world as well as through the World Trade Organization.

While general free trade agreements are successful at lowering tariffs and eliminating some of the other obstacles to trade, the biggest obstacle facing the U.S. fresh fruit industry is phytosanitary barriers in other high-income countries and low incomes in the general populations of many of our present trading partners.

Due to the nature of production, phytosanitary issues are more difficult to solve and are more likely to be the major impediment to opening new markets in the future. The other major obstacle is the low incomes in many of the countries from which we already receive fresh and processed fruit. Cost of production and quality are often higher in the United States than in many of our present trade partners, such as those in South America. As a result, the balance of trade for fruit will likely continue to tilt in their favor since large portions of their populations cannot afford to buy many U.S. fruit products.

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