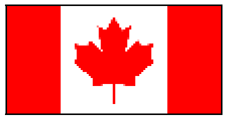
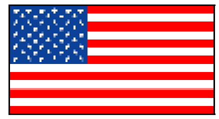
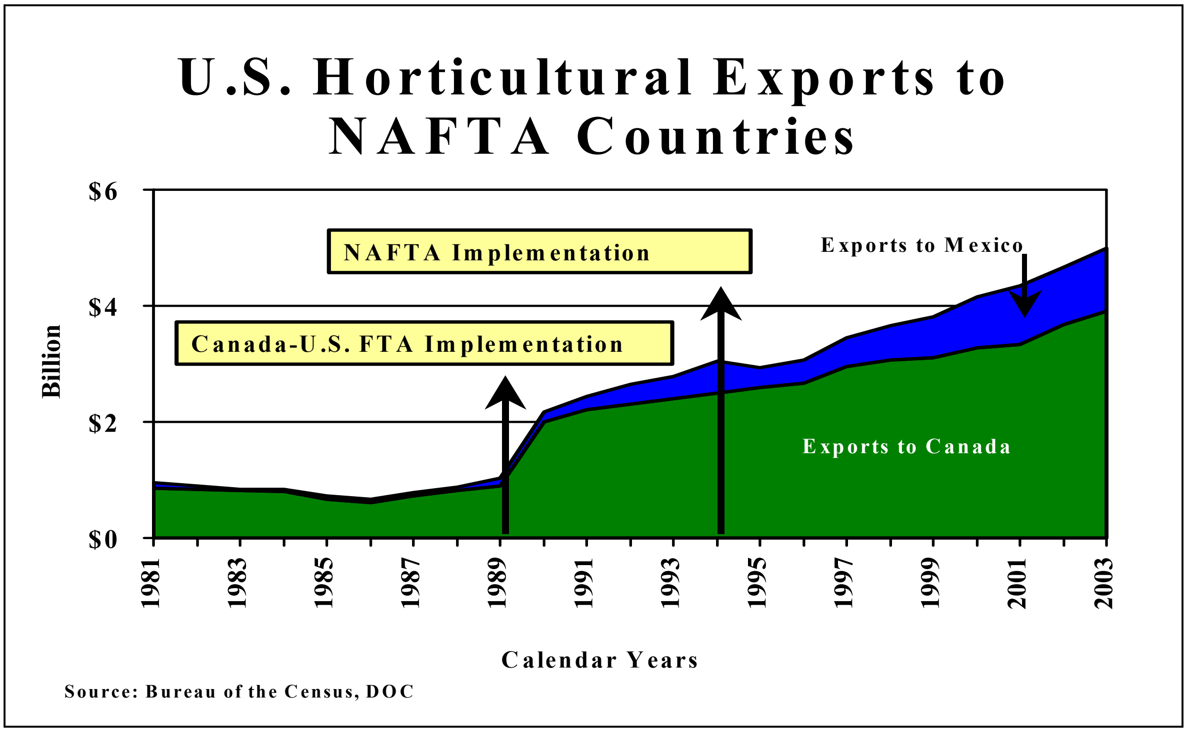
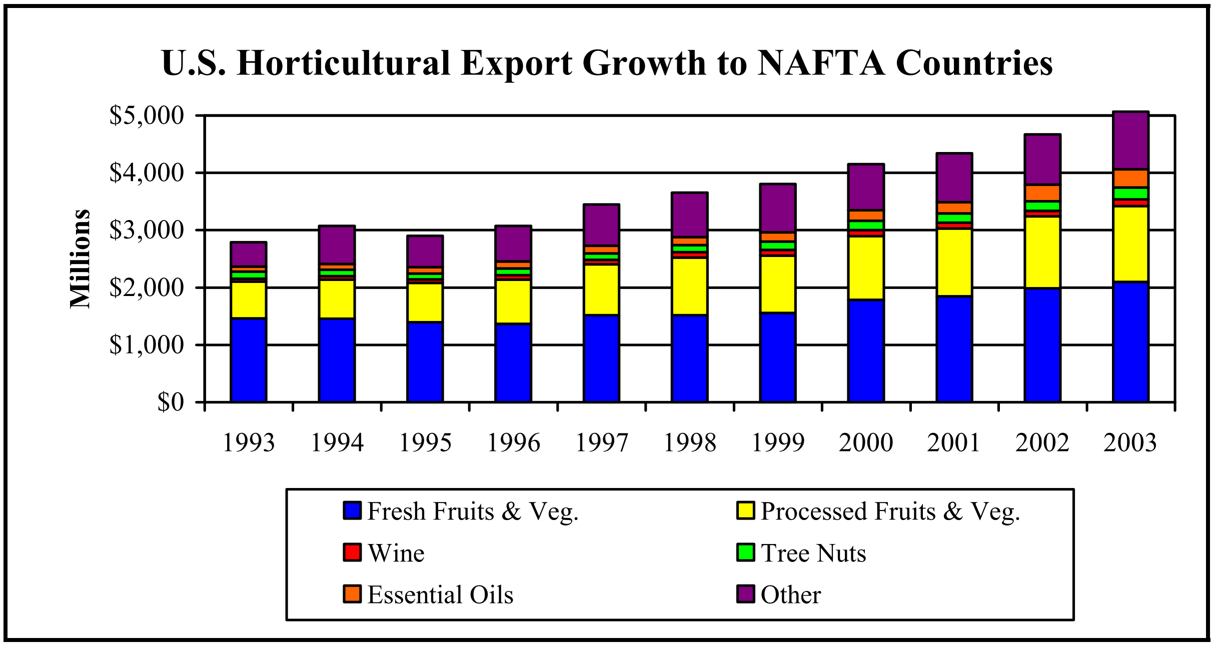
NAFTA Still Boosting U.S. Horticultural Exports



The North American Free Trade Agreement (NAFTA) took effect on Jan. 1, 1994, and incorporated provisions of the 1989 U.S.-Canada Free Trade Agreement. As its guiding principle, NAFTA calls for the elimination of most trade barriers among the United States, Canada and Mexico. The phasing out of trade restrictions has created new and expanded market opportunities for U.S. horticultural farmers and exporters. In 2003, U.S. exports of horticultural products to Canada totaled $3.9 billion, while the total to Mexico was $1.1 billion. These two countries are now the first- and third-largest markets, respectively, for U.S. horticultural exports.

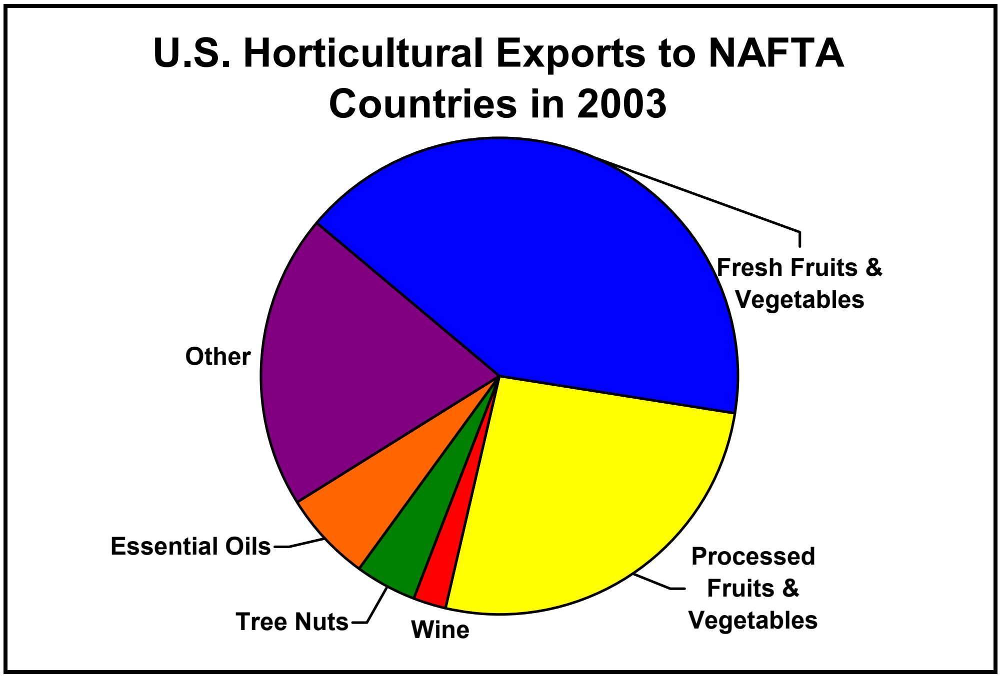
In 1993, U.S. horticultural exports to Canada and Mexico totaled $2.8 billion. By 1997, after 4 years of NAFTA, our sales had jumped by more than 23 percent to $3.5 billion. In 2003, exports continued their strong performance, reaching $5.1 billion, approximately an 8-percent increase from the previous year, and an 82-percent increase over the 1993 level.



Source: U.S. Department of Commerce, Bureau of Census

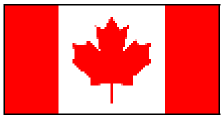
Many of the products that have benefited most from NAFTA already had an established market presence before NAFTA was implemented. This was the case for U.S. exports of fresh and processed fruits and vegetables, tree nuts, and wine. Although markets previously existed, gains in these groups can be attributed to many NAFTA accomplishments, such as lower tariffs, the elimination of import licenses, and a more transparent business environment.

In 2003, fresh produce exports contributed approximately 42 percent of all U.S. horticultural sales to Canada and Mexico. Apples, table grapes, oranges, lettuce, tomatoes, and potatoes are some of the top earners. Nearly one-fifth of the U.S. pear crop goes to our two NAFTA partners, creating significant gains for Washington and Oregon, the leading pear producing and exporting states.

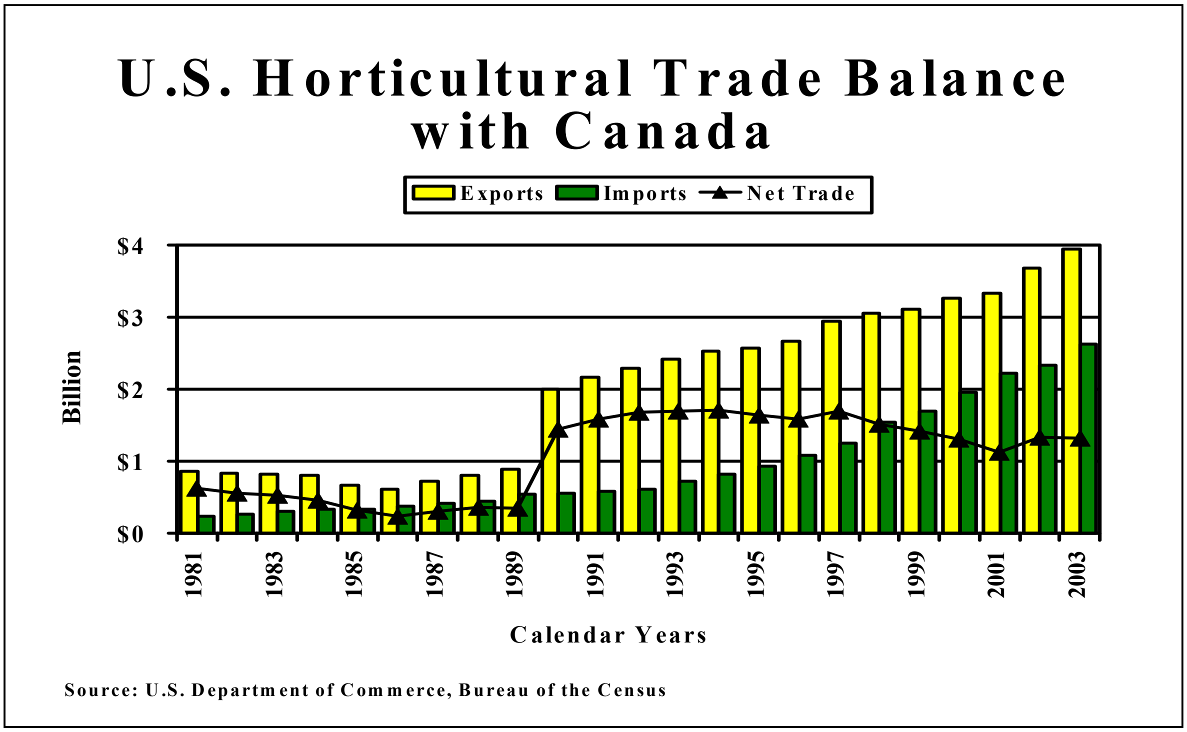


Source: U.S. Department of Commerce, Bureau of Census.

Under NAFTA, all agricultural tariffs are to be phased out over 5-, 10- or 15-year periods. However, the agreement does provide special safeguards for horticultural products considered especially sensitive to import competition, such as particular fresh and processed fruits and vegetables. For example, the United States may apply "Snapback" (most-favored-nation) tariff rates to imports of fresh produce products from Canada if certain price and acreage conditions prevail. In addition to these safeguards, NAFTA includes tough rules of origin to ensure that its benefits accrue only to the citizens of signatory countries.



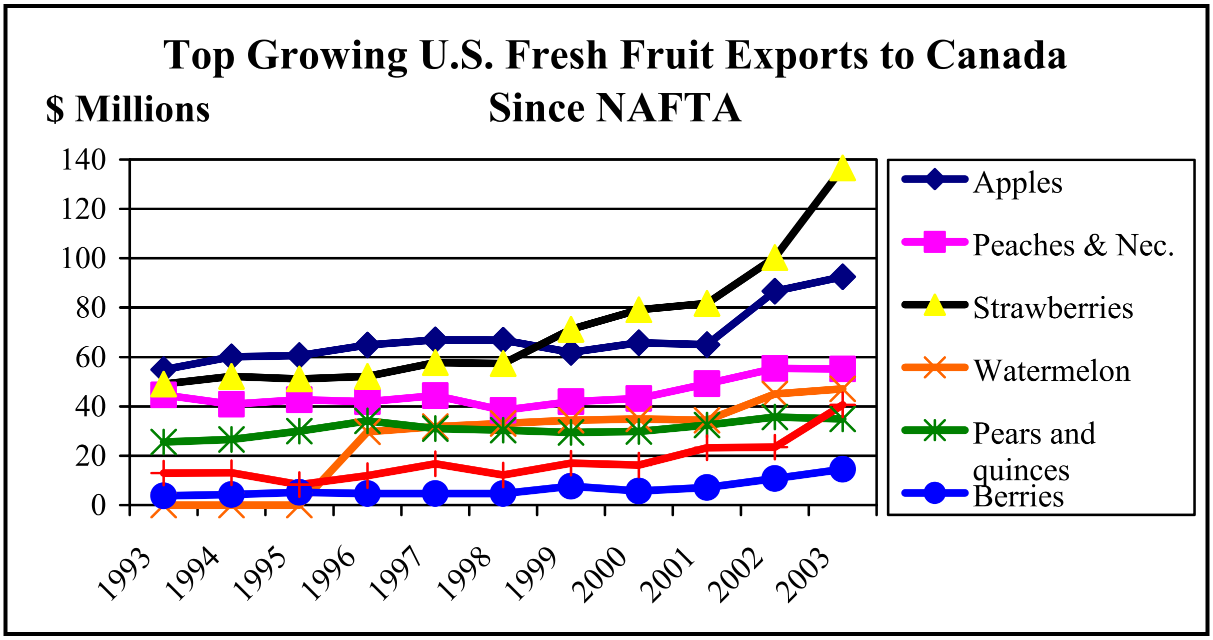
Canada's Market Is Growing Strong



U.S. horticultural sales to Canada, the leading market for U.S. horticultural exports, have risen steadily under NAFTA. U.S. sales to Canada approached $4 billion in 2003, compared with $2 billion in the 1992 pre-NAFTA period.

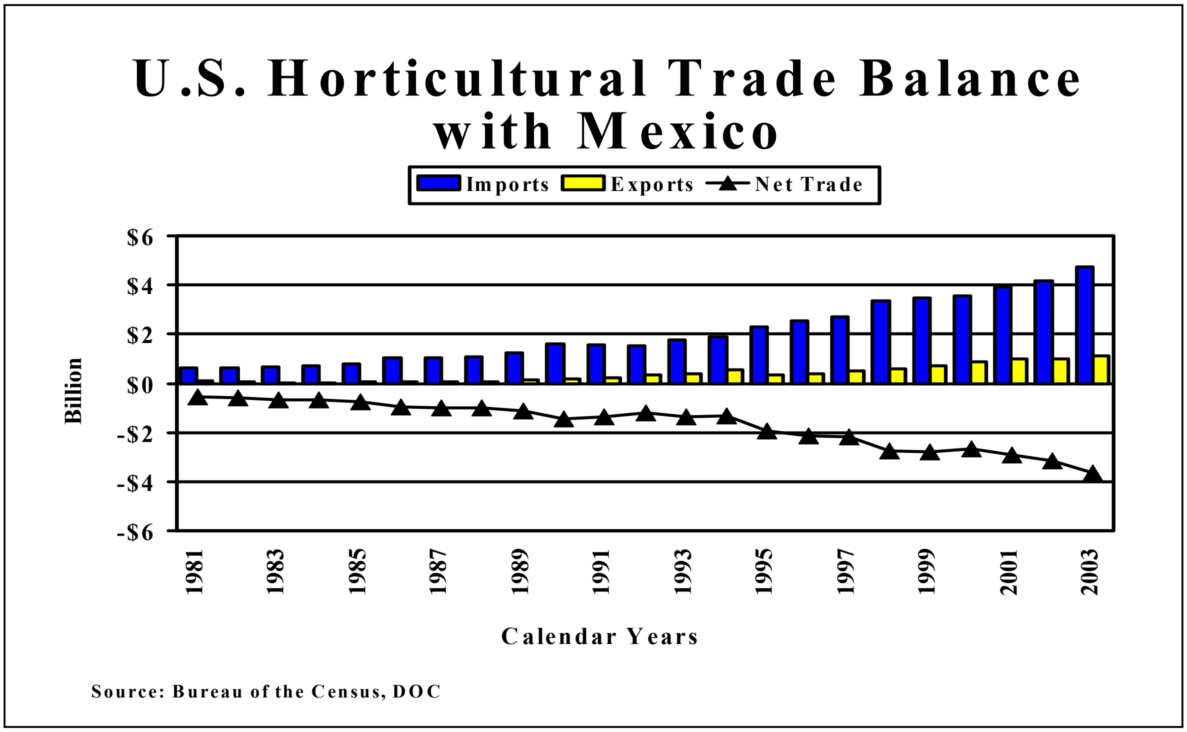
Almost half of all U.S. exports of fresh fruits and vegetables are sold to Canada. The United States supplies Canada with approximately 60 percent of its fresh-fruit imports (except for bananas) and about 80 percent of its fresh-vegetable imports (except potatoes). In 2003, strawberries ($137 million), table grapes ($120 million), oranges ($94 million), apples ($92 million), peaches and nectarines ($55 million), watermelon ($47 million), and sweet cherries ($41 million) were the leading fresh-fruit exports to Canada. Lettuce ($212 million), tomatoes ($115 million), and carrots ($84 million), were the top earners among fresh vegetables.

U.S. exports of fresh citrus fruits to Canada have increased steadily in recent years. In 2003, total U.S. citrus exports to Canada were valued at $149 million. U.S. orange sales reached $94 million in 2003, an 8-percent increase from last year. This achievement is particularly significant because the Canadian market is replete with other citrus items, including exotic options such as: Israeli sweeties, Moroccan and Spanish clementines, and ortaniques (orange-tangerine hybrids) imported from Jamaica.



Source: U.S. Department of Commerce, Bureau of Census.

Mexico's Imports on the Rebound

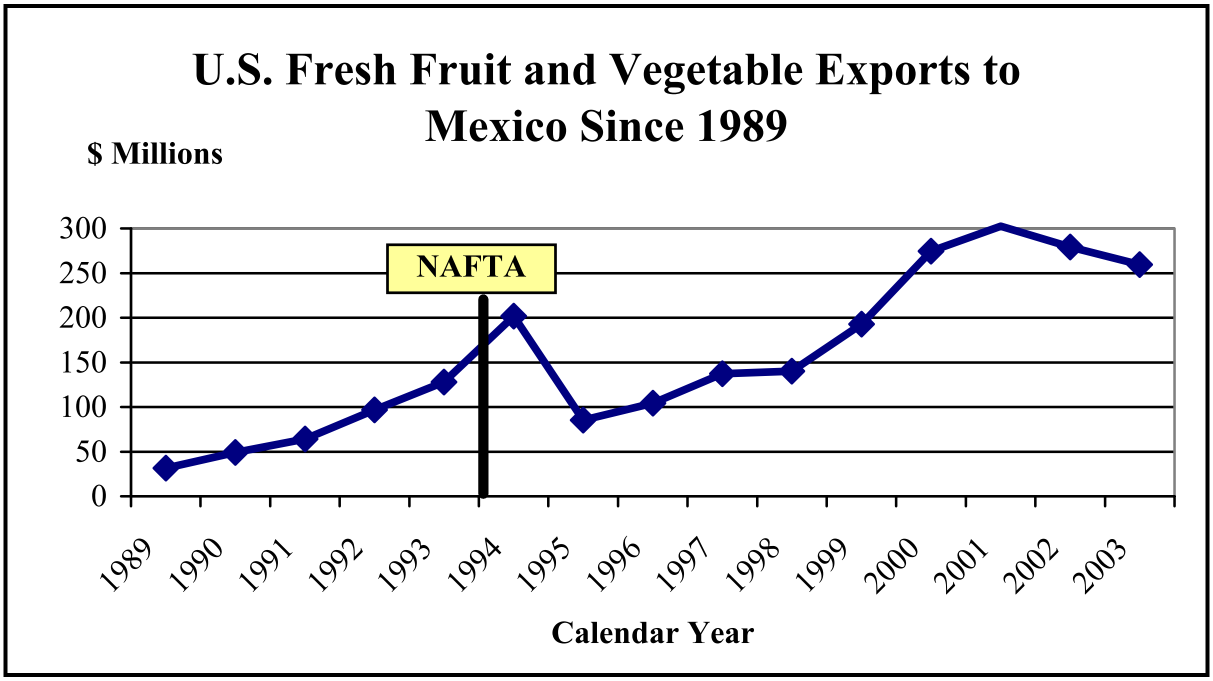


U.S. horticultural exports to Mexico posted impressive increases in the run-up to and the first year of NAFTA. Currently, the United States supplies Mexico with approximately 70 percent of its fresh fruit imports (except for bananas) and supplies over 80 percent of its fresh vegetable imports (except potatoes). But the first few years of the agreement were not without their ups and downs. The 1995 peso devaluation and ensuing recessions drastically cut Mexican consumers' purchasing power. Declines in U.S. horticultural exports followed.

However, U.S. exports bounced back quickly, registering strong gains in 1996 and picking up speed through 2003. Total U.S. horticultural exports to Mexico were $403 million in 1996 and grew to $1.1 billion in 2003, a 176-percent increase in sales.

Fresh fruits and vegetables, which account for about a third of all U.S. horticultural exports to Mexico, were valued at $97 million in 1992. Ten years later, in 2002, NAFTA had helped U.S. fresh fruit and vegetable exports to Mexico grow by an impressive 188 percent to reach $279 million. In 2003, apples ($71 million), pears ($44 million), and table grapes ($36 million) were the stars in this category, accounting for over 58 percent of U.S. sales.

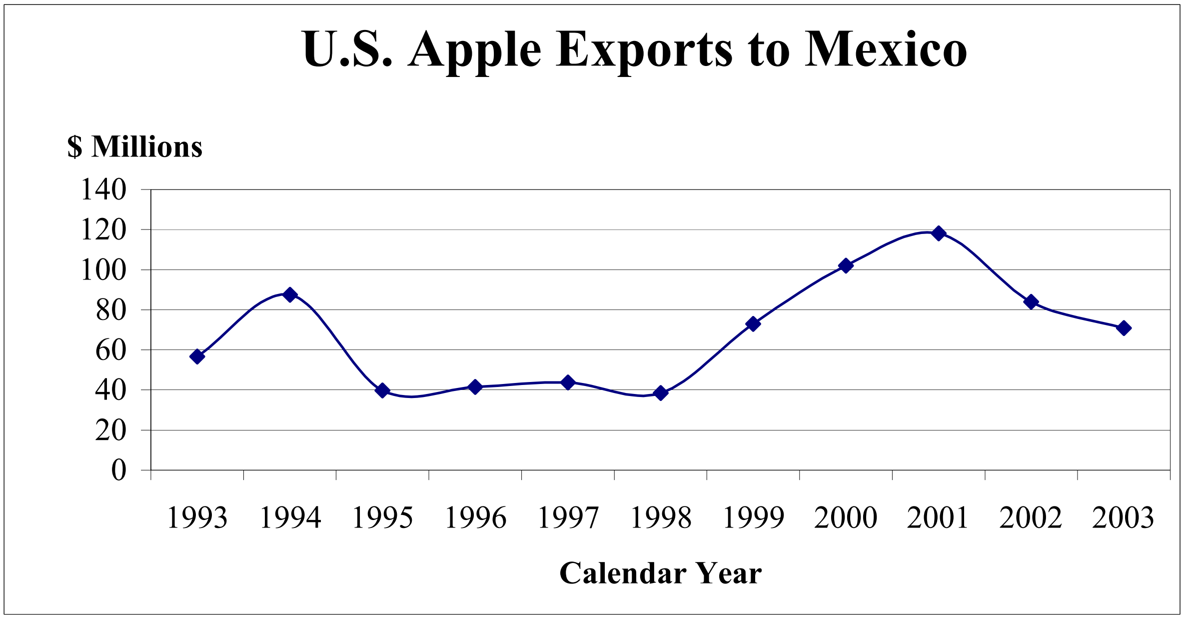
When the market first opened to U.S. table grapes in 1994, growers had high hopes that Mexico, with its close proximity, market potential, and declining tariffs, would become a major customer for California grapes, which make up over 90 percent of U.S. production. By 1997, those hopes had become a reality. Table grape exports reached a record $22 million, up 6 percent from the previous record set in 1994 and more than double the 1996 total. In 2002, table grape exports reached another record of $42 million. However, U.S. grapes, like many other horticultural products, face strong competition for Mexico's market from domestic competition and other foreign producers like Chile. In 2003, exports totaled $36 million.



Source: US Department of Commerce, Bureau of Census

Edible tree nuts have also seen great increases since NAFTA. Valued at $27 million in 1994, exports rose by 160 percent to reach $70 million in 2003.

Apples are the largest U.S. fresh produce export to Mexico. Apple exports climbed steadily from 1991 through 1994, spurred by the removal of import licensing and implementation of a phytosanitary protocol. Along with many other products, apples were hard-hit by Mexico's economic crisis of the mid-1990s. Although exports quickly recovered after 1995, recent years have seen slight declines in exports as well. Calendar year exports in 2003 were 40 percent lower than the record high of $118 million in 2001.



Source: US Department of Commerce, Bureau of Census

NAFTA's Opportunities Will Continue To Expand

NAFTA has already expanded market access for a broad range of U.S. horticultural products, and it paves the way for further export gains. With the full implementation of NAFTA over the next few years, it is expected that exports of traditional products will continue to strengthen their market presence, while new and nontraditional products will also find improved market opportunities as the NAFTA countries continue to transition to their respective comparative advantages.

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