BEFORE THE OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

U.S.-EU HIGH LEVEL WORKING GROUP ON JOBS AND GROWTH
Docket No. USTR-2012-0001

WRITTEN COMMENTS OF SUNKIST GROWERS

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The following comments are submitted by Sunkist Growers in response to the *Federal Register* notice of January 11 2012, (77 *Fed. Reg*. 1778) seeking comments on options for advancing U.S.-EU trade and investment opportunities, including a possible U.S.-EU bilateral free trade agreement.

Sunkist Growers is a non-profit, non-stock membership cooperative marketing association owned and operated for the benefit of its farmer-owners, who produce approximately 65% of Arizona and California citrus. Sunkist was formed to market its grower-owners' produce, develop and maintain reliable domestic and export markets that yield the best return for its fruit, and to consistently supply consumers with premium quality fresh citrus fruit and processed citrus products. Sunkist's principal products are fresh oranges, lemons, grapefruit, and tangerines, citrus juice and other processed citrus products. Sunkist's products are marketed under the SUNKIST ® trademark. Sunkist exports approximately 33% of its fresh citrus production, which accounts for about 45% of its farmers' fresh fruit revenue.

Sunkist has consistently supported U.S. bilateral, regional, and multilateral trade initiatives aimed at increasing access to export markets for U.S. fresh citrus and citrus products. While our highest market access priorities are Japan's inclusion in the Trans Pacific Partnership agreement, and better access into China and India, a U.S.-EU trade initiative that addresses the EU's high citrus tariffs and entry price system, and the non-transparent nature of the EU's large citrus subsidies is also of interest to Sunkist.

I. <u>U.S. Citrus Exports to the EU Are Limited by High EU Tariffs and Large EU Citrus Subsidies, Which are a Risk to U.S. Citrus Sales in U.S. and Third Country Markets as Well</u>

Spain and Italy are large producers of oranges, mandarins, and lemons. Most of that production is sold to consumers in other EU Member States. The EU is also a net importer of citrus from non-EU countries. In 2010, the EU imported $741 million of oranges, $394 million of mandarins, $537 million of lemons, and $334 million of grapefruit from outside the EU. EU imports of oranges and mandarins are principally from South Africa, Morocco, Egypt, Turkey, Argentina, and Uruguay; its lemon imports from Argentina, Turkey, South Africa, and Brazil; and its grapefruit imports from South Africa, the United States, Turkey, China, and Israel.

U.S. citrus exports to the EU consist primarily of fresh grapefruit. U.S. exports of oranges and lemons are limited by competition from subsidized EU citrus, the EU's high seasonal citrus tariffs and entry price system, and preferential imports from Mediterranean citrus producing countries. If the EU's high tariffs and entry price system (discussed below) were eliminated for U.S. oranges and lemons, U.S. citrus exporters would have opportunities to compete in the EU market on a more level playing field with preferential third country suppliers.

U.S. fresh oranges, mandarins, and lemons are subject to the EU's Entry Price System (EPS) under which the EU imposes a specific duty in addition to its ad valorem tariff if the imported price is below the established EU entry price. The system ensures that imported products are priced above EU domestic production. The EU's ad valorem tariff on oranges during the peak U.S. season of December through March, even without the additional EPS duty, is 16%. The EU's ad valorem tariff on fresh mandarins is 16%, 6.4% on fresh lemons, and between 1.5% and 2.4% on grapefruit. South Africa benefits from preferential EU tariffs on tangerines and grapefruit and certain Mediterranean citrus producing countries enter the EU under preferential tariff arrangements. In contrast, EU citrus exports to the U.S. market face U.S. ad valorem equivalent citrus tariffs of only 1% to 2%.

The EU's non-transparent citrus subsidies for producers in Spain, Italy, and other EU citrus producing countries are another significant barrier for U.S. citrus exports in the EU market, and a risk to our sales in the U.S. and third country markets as well. Under the EU's single payment scheme (SPS), Spain, Italy, and other EU Member States receive a single lump-sum payment of aid equivalent to past EU sector-specific subsidies. The Member States pay their farmers through Producer Organizations, which also receive EU aid for their operational funds. Because the SPS subsidies are not technically "reserved" for any specific product, and the EU does not track Member State payments to Producer Organizations, it is not possible to track the level of aid benefitting EU citrus producers. EU producers are also believed to receive aid through the EU's regional development fund. Subsidized, low-priced Spanish clementines that enter the U.S. market during the peak U.S. season are putting U.S. clementine and orange sales at risk.

II. Any U.S.-EU Bilateral FTA Should be WTO-Consistent and Remove All EU Tariff and Other Barriers for U.S. Citrus Exports

The EU has notified over thirty "FTA" agreements to the WTO, is negotiating FTAs with India and Canada, and is about to start negotiations with Japan. In many cases, these EU FTAs exempt sensitive EU agriculture sectors from liberalization and fall short of the WTO's GATT Article XXIV standard of eliminating barriers on "substantially all trade" between the FTA parties. Any U.S.-EU bilateral FTA would need to ensure full coverage of the EU's sensitive agriculture sectors, including citrus, eliminate the EU's ad valorem and entry price tariffs, and address all non-tariff barriers that restrict U.S. citrus exports.

A U.S. FTA with Europe should also address the non-transparent nature of the EU's current fruit and vegetable subsidy arrangement, which has made it impossible to track the full measure of financial support benefitting EU citrus producers. At a minimum, better information is needed about the level and type of EU subsidies provided to EU citrus producers.

III. Conclusion

For the reasons discussed above, Sunkist supports a bilateral U.S.-EU trade initiative that is comprehensive in nature; WTO-consistent; ensures unencumbered duty-free access to the EU market for U.S. fresh oranges, lemons, and other fresh citrus; and addresses the EU's non-transparent subsidy arrangement.