
BEFORE THE OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

**COMMENTS CONCERNING PROPOSED TRANSATLANTIC TRADE AND
INVESTMENT AGREEMENT
Docket No. USTR-2013-0019**

**COMMENTS OF THE
CALIFORNIA AVOCADO COMMISSION**

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The following comments are submitted by the California Avocado Commission (CAC) in response to the *Federal Register* notice of April 1, 2013 (78 *Fed. Reg.* 19566) inviting comment on the proposed Transatlantic Trade and Investment Partnership (TTIP) agreement between the United States and European Union, including U.S. industry priorities to be considered for developing U.S. negotiating positions.

The California Avocado Commission represents the nearly 6,000 avocado growers in the state of California. Many of these growers are small-family-owned businesses, whose farms have been handed down to family members for generations. Ninety percent of the United States' avocado crop is grown in California. Most of California's commercial avocado production is grown in the coastal regions of central to southern California from Morro bay to San Diego. The principal variety grown in California is Hass. More than ninety percent of California's annual avocado crop is sold in the U.S. market. As U.S. avocado imports steadily increase, California growers are seeking better access to export markets. The CAC was created in 1978 to support California avocado growers. Its principal mission is to increase demand for premium-quality California avocados in the U.S. market and in export markets through advertising, promotion, and public relations activities. CAC also represents growers on trade policy issues affecting the California industry.

The California avocado industry's principal request for a U.S.-EU trade agreement is that California fresh avocados (classified under H.S. 0804.40) receive immediate duty-free access into the EU market on a year-round basis. As discussed below in detail, California avocado growers are losing sales in their principal U.S. market to Mexican avocados, which now have year-round access, and to avocados from Chile and Peru, and are in need of additional market outlets to remain competitive in years when U.S. production and U.S. imports are both high. The European Union is the second largest import market for avocados worldwide after the United States, and offers good market opportunities for California avocados if the EU's seasonal 4% and 5.1% duties are eliminated. Almost all other avocados entering the EU market from outside the EU already enter duty free under the EU's GSP+ program or preferential FTA arrangements.

I. With an Extremely Fluid U.S. Avocado Market, California Avocado Growers Need Additional Market Options in Export Outlets Like the EU

Depending on the production year, the U.S. is the third or fourth largest avocado producer globally. Historically, ninety to ninety-five percent of California's annual avocado

crop is sold in the U.S. market. Small volumes, in recent years averaging around 13,000 mt of a total average annual crop of about 195,000 mt, are exported, principally to Canada and Japan.

Today, the United States is the largest importer of avocados globally accounting for over 40% of total world imports. In the last five years, with Mexican avocados gaining full year-round duty-free access into the U.S. market, the United States has become a net importer of avocados, with imports averaging 70% of net avocado supplies available for U.S. domestic consumption. Mexico is the largest global producer and exporter of avocados to the U.S. market and benefits from close proximity to the United States.

The increased presence of Mexican avocados in the U.S. market and avocados from Chile, and more recently Peru, is changing the dynamics of the U.S. market for California growers. Although U.S. consumption of avocados is large, and per capita consumption in the market is expected to grow, U.S. imports are increasingly displacing California-origin sales. As imports increase, it is becoming more difficult for California avocado growers to maintain their U.S. market share at prices to cover their costs. These market pressures will continue as California production is expected to modestly increase due to moderately expanded acreage and new high-density plantings and modified cultural practices that are expected to increase yields per acre.

Because avocado production fluctuates from year-to-year and at different years for different producing countries due to the alternate bearing tendency of the trees, the volume and share of U.S. production and U.S. imports in any given year is difficult to predict. In years of high U.S. production and high U.S. imports, California avocado growers are especially in need of market options outside the United States to sell their avocados. For this reason, the California industry is interested in developing the EU market, as well as other export markets including Japan and China.

II. As the World's Second Largest Avocado Import Market, the European Union is an Attractive Export Market for Premium-Quality California Avocados

The European Union is the second largest import market for avocados globally after the United States. In 2011, the EU imported nearly \$400 million, or 184,000 mt, of fresh avocados. The Netherlands and France are the top EU avocado importing countries. The Netherlands in particular acts as a distribution center for the rest of the EU. Hass avocados and Fuerte avocados are the two most popular varieties of avocados imported into the EU.

The EU produces avocados principally in Spain. Spain's average annual production of around 80,000 mt supplies only about one-third of EU consumer demand. EU imports average around 200,000 mt annually in recent years. Peru, South Africa, Israel, and Chile are the top exporters of avocados to the EU. Mexico, the world's largest producer of avocados, also exports to the EU market, but its exports to that market have steadily decreased as Mexico has shipped more avocados to the U.S. market now that Mexican avocados have year-round, duty-free access into all 50 United States.

In the 1990's, in different years, the U.S. exported roughly \$3 million of fresh avocados to the Netherlands, \$3.7 million to France, and \$2 million to the United Kingdom. Later for several years in the mid-2000's, the U.S. exported about \$1.5 million of fresh avocados to the United Kingdom. Today, California avocado growers essentially export no avocados to the EU.

The market was lost when lower-cost suppliers that enter the EU market duty-free like South Africa, Peru, Chile, Mexico, and Israel began shifting their production to the EU market, displacing U.S.-origin avocados. With the EU market for avocados larger today and growing, and Mexico diverting its exports to the U.S. market, California avocado growers should be able to regain EU market share if they can enter duty-free on a level playing field with other third-country suppliers. California would supply avocados between March and September during part of Spain's off season. Spain's main production period is October to June. Moreover, California avocados are considered premium quality and could meet EU food safety and retail outlet quality requirements.

III. The California Avocado Industry's Priority For TTIP is That California Avocados Receive Immediate Duty-Free Access into the EU Market Upon TTIP's Entry Into Force

The EU has a seasonal tariff on imports of fresh avocados (classified under H.S. 0804.40) of 4% from January 1 through May 31, 5.1% from June 1 to November 30, and 4% from December 1 to December 31 of each year. The California industry's highest priority is to receive immediate duty-free access to the EU on a year-round basis upon entry into force of a U.S.-EU agreement.

Most third-country suppliers of avocados to the EU, including Peru, South Africa, Israel and Chile, already have duty-free access into the EU under the EU's GSP+ program or preferential FTA access. As discussed above, even though Spain is a producer of avocados, it supplies only about one-third of EU consumer demand. EU demand is expected to steadily grow in the coming years as the healthy aspects of avocados are promoted and consumer awareness is raised in EU countries where per capita consumption is low. As EU demand rises, so will the need for imports.

To ensure that California avocado growers benefit from the market access gains expected from tariff elimination, the United States should seek a commitment from the EU that it will not use unjustified SPS measures to nullify the increased access expected with tariff elimination on products like California avocados that have been granted access to the EU market. Given California's strict growing and handling requirements, SPS issues should not be a problem.

Finally, CAC notes that the U.S. Department of Agriculture in January 2013 published a proposed rule that would lift the restrictions on Spanish avocados that had been in place to avoid the introduction of plant pests based on a systems approach. The U.S. Government's commitment to follow science-based SPS rules in considering access for Spanish avocados and other SPS access issues should be reciprocated by the EU.

IV. Conclusion

The California avocado industry is in need of export markets especially in years when U.S. production and U.S. imports are both high. The EU, as the world's second largest importer of avocados, offers good opportunities for California avocados. Because most EU imports of avocados already enter the EU duty-free, the California avocado industry is asking for immediate duty-free access for its avocados into the EU upon entry into force of a U.S.-EU agreement. We are also asking that TTIP include EU commitments that will discourage the use of unjustified phytosanitary measures that could unjustly disrupt California avocado exports to the EU market.