

The International Avocado Industry A Global Perspective

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Listening to speeches on the international avocado industry can be dull. In fact, the international trade lexicon is a confusing collection of numbers and initiatives...but for the California avocado industry, following the international avocado arena closely is essential if we are to keep up with changes around the world that may impact our business at home.

In fact, recent developments suggest we need to *accelerate* our efforts to monitor the key issues closely.

For perspective, my message today will begin with some background on global avocado production...the top five producers list reads like this:

- Mexico is the largest producer at 1 billion pounds,
- followed by Brazil at 600 million pounds,
- California at 400 million pounds,
- the Dominican Republic at 200 million pounds,
- and Israel at 150-200 million pounds.

The next six big producers produce about 60 million pounds each. They are:

Ecuador 66 million pounds

Chile 61 million pounds

El Salvador 60 million pounds

Colombia 60 million pounds

Spain 60 million pounds

Florida 57 million pounds

Avocados coming into the U.S. from abroad total about 5 to 7 million pounds each year. Last winter about 3 million pounds of Chilean Hass came into the U.S. when our supply was short and the price high. We're expecting about 5 million pounds of Hass from Chile in 1986-87, although our large crop may reduce the Chilean imports.

So right now, import volume coming in has *not* been producing *major* chaos or market instability. But even 3 million pounds of Chilean Hass last year had some negative impact on our market, and prices weakened.

The Chilean Hass deal requires about a \$17.00 per lug return in the U.S. to be profitable. Last winter, our prices were \$30.00 to \$35.00 per lug and provided a *very profitable* outlet for them since their labor and cultural costs are so low. It appears that Chilean Hass will come in when the price is right.

You can see that it is important for us to monitor production capabilities around the world so we are apprised of volume coming *in...before* it hits our shores.

Almost 100% of the huge Mexican avocado crop is consumed internally; but this season significant quantities of Mexican fruit found its way into Japan, since our volume was down and our price was up over recent years. The increase in Mexican shipments to Japan concerns us greatly, since we've spent \$2 million since 1975 building that market for *California* avocados.

Brazil consumes most of its crop internally, as well. However, Israel sends 80% of its avocados to Europe, with the remaining 20% consumed internally. If Israel can't service the European market, we step in if we have the fruit and fill the void.

In fact, in 1980 we shipped 13 million pounds to Europe because Israel had a crop failure. That was our biggest export year ever.

Most of the Dominican Republic crop is also consumed internally, but they have been shipping some fruit into the U.S. for several years—about 2 or 3 million pounds annually, mainly greenskins to the East coast. The Dominican Republic's access to our market is duty-free, a result of the Caribbean Basin Economic Recovery Act of 1983...a good example of a geopolitical trade agreement, which I'll elaborate on in a moment.

International trade is heating up, and geo-political objectives and strategies are taking the place of pure trade talk. We must keep an eye on the trade issues and get involved politically to protect our interests.

One good example of the geo-political influence was the Israeli free trade agreement signed in 1985 which removes the tariff on avocados imported from Israel. This

agreement was the result of political maneuvering between President Reagan and Israel. The commission's intense lobbying efforts helped put avocados in a gradual phase-out category spread over 10 years, but the tariff will eventually come off. This is an unfair advantage for Israel's highly subsidized avocado industry.

Another good example of geo-political maneuvering was last year's move by USD A to allow Hawaiian Sharwil avocados into the mainland *without* fumigation for medfly. This proposal to relax the current standards was based on USDA research which was questionable in terms of its scientific methodology.

Also, the procedural elements of the Hawaiian proposal did not provide sufficient safeguards to ensure medfly-free shipments of avocados would come to the mainland.

For example, the proposal said only Sharwil avocados would be picked, with stem attached, and no fruit would be picked up from the ground...and that fruit would be harvested and packed in 24 hours. I'm far from convinced these safeguards would be maintained.

The commission fought this proposal hard...lobbying in Washington, B.C., and testifying at two federal hearings. We were successful in convincing the USDA that there were legitimate flaws in the proposal, which has now been denied by USDA. But the Hawaiians want to strike a deal with USDA. They say they will not re-submit in the future their proposal to allow shipments to the mainland without fumigation...!/' USDA allows unfumigated shipments to Alaska. We'll fight that proposal hard, too, because it opens the door for expansion into other mainland ports. Our stand against medfly infestation must be tough. The memories of 1981's medfly eradication program in California — which cost \$100 million — are too vivid.

These political fights pale in comparison to our biggest concern, Mexico. With the Israeli free trade agreement in place, and work being done right now on a free trade zone with Canada, Mexico is positioning itself to be next in line. With the recent decline in oil prices and a need for dollars, we should be very concerned about a geo-political deal in this area.

Compounding our fears is the macro-economic concern that preferential trade arrangements have a tendency to proliferate, especially with developing nations that want free access, but cannot reciprocate.

Some of our South American neighbors, including Brazil and Argentina, may be next in line after Mexico. These developing countries all have fully developed agricultural sectors wanting free access. Yet, they resist opening their own borders to U.S. shipments.

The United States simply cannot engage in one-way free trade arrangements and expect its domestic avocado producers or any other agricultural industry to survive.

Of all the developing countries that have sought a free trade area with the United States, Mexico poses perhaps the greatest threat of all to the California avocado industry. As I said, that country is the world's leading producer of avocados.

Although access to the United States market has been closed since 1914, when the United States first imposed a seed weevil quarantine on fresh avocados, Mexico has

targeted the United States as a country with sizable market potential and has repeatedly requested that the quarantine be lifted.

On several occasions recently, USDA officials have examined Mexican avocado groves and have found the seed weevil pest is still present. Therefore, the quarantine remains essential for preventing the spread of the seed weevil within the United States. It should not be relaxed.

Under no circumstances — free trade area or otherwise — should the integrity of this quarantine be jeopardized. To do so would risk contamination of our entire U.S. production. It is also quite evident that a relaxation of this restriction would subject our industry to an onslaught of additional avocado imports that we are ill-suited to accommodate.

Another area of great concern is Mexico's recent acceptance into the GATT —The "General Agreement on Tariffs and Trade."

The commission would expect that GATT accession for Mexico would bring with it increased disciplines in its agricultural sector. Yet, it has not been evident during the accession process.

If Mexican avocados received preferential treatment over U.S. products, Mexico's avocado production and exports would inevitably expand to the detriment of the United States industry.

Mexico's involvement in the GATT must be watched carefully to make sure access to our market does not become a bargaining chip in future trade talks.

Free trade is OK, but it must be fair trade.

Yet another serious concern regarding Mexico has just surfaced. Incredible as it may sound, the Mexican government has requested that its 6 cents per pound tariff be eliminated — even though the seed weevil quarantine prohibits shipments of fresh avocados into the U.S.

This move is an obvious precursor to future overtures that would attempt to remove the seed weevil quarantine. I will be testifying against the proposal in Washington, B.C., on September 30.

Here is a short excerpt from my testimony:

"The fact that Mexican avocados are prohibited entry into the U.S. raises the question of why Mexico has sought zero-duty treatment on this item. Although its sketchy petition offers no explanation, Mexico is undoubtedly hoping that zero-duty treatment would lend support to its next request to eliminate the seed weevil quarantine.

"Under no circumstances should the existing tariff be allowed to interfere with the integrity of plant health and safety laws. More significantly, the United States must exercise care not to undercut its quarantine law by eliminating the duty on a product that is barred access for health and safety reasons.

"Beyond our serious quarantine concerns, I would note that Mexico's avocado production already has a sizable edge over U.S. production and does not warrant a tariff preference. Mexico is the world's leading producer of avocados. Its production has

skyrocketed in recent years.

"As with most of Mexican agriculture, avocados have been made competitive largely as a result of production subsidies — principally, reduced input costs and preferential financing. With the help of these aids, the Mexican avocado industry has become technologically advanced..."

My testimony continues with this theme and ends with a strong assertion that the zero-duty request be denied.

The commission, along with its legal counsel in Washington, monitors developments on the Mexican avocado issue closely. We aren't happy about the cost of fighting the many proposals that emerge every year, but it's a necessary investment in our future.

We've fought hard to build a solid foundation that will enable us to grow, and it's important to protect our industry from geo-political deals and unfair trade practices.

We're operating in a global avocado industry now, and we must never lose sight of that fact.

Thank you very much.