# WORLD MARKETS AND TRADE

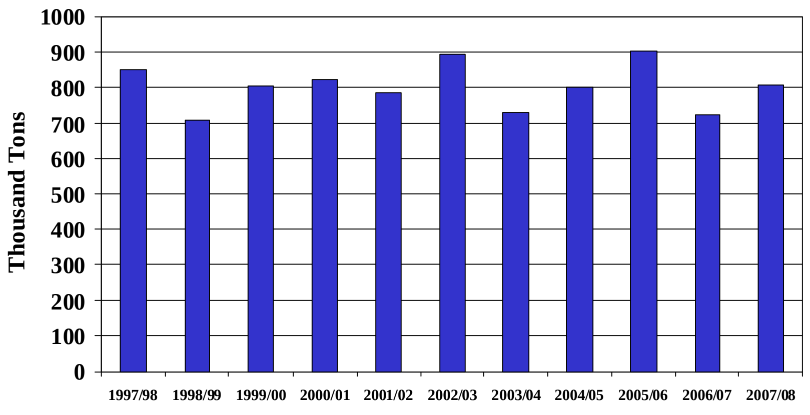
**January 2008**

## Fresh Table Grapes

### Summary

U.S. fresh table grape production for marketing year (MY Jun-May) 2007/08 is forecast to be 805,000 metric tons, up 11 percent from last season's crop. Exports are expected up 16 percent based on higher production and strong first quarter movement. As year round domestic demand grows, U.S. table grape imports exceed exports. Expanding world trade is driven by the United States and Chile. Although China is the largest grape producer and their acreage is expanding, so are their imports.

### U.S. Fresh Table Grape Production Higher



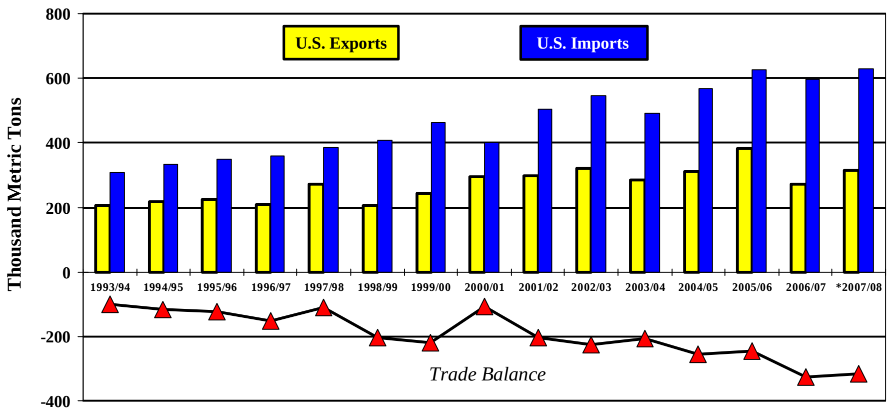

Nearly all of U.S. fresh table grapes are grown in, and exported from, California and account for about 13 percent of the total utilized U.S. grape crop, including wine and raisin grapes. Yields are expected to be up 11 percent over last year's lower yield due to favorable weather conditions and fewer pest and mildew problems.

Source: National Agricultural Statistics Service, USDA

## As Year-Round Demand Grows, U.S. Table Grape Imports Continue to Exceed Exports.

During 2006/07 season, the United States imported nearly $1 billion mostly from Chile, Mexico, Peru, Brazil, and South Africa. The trade deficit continues to grow as demand year round keeps product on the move. In recent years, the marketing season has widened with more late-season varieties planted and becoming available. Early season grapes are negatively impacted by marketing overlap from grapes out of Mexico and Chile. On October 25, the Agricultural Marketing Service proposed a new rule in the Federal Register that would change the regulatory period of grapes grown in a designated area of Southeastern California (early-season grapes) and imported table grapes. Approval of this change could ease some of the early season pressure on domestic growers. California grapes makes up 88 percent of all grapes grown for fresh consumption and exports continue to boom during the July through mid December period. July through November exports are up 18 percent compared to the same period a year ago and are forecast to be up 16 percent for this 2007/08 season. Total export values were $473 million (MY Jun/May) last year.

U.S. Table Grape Trade Balance




*Source: U.S. Bureau of the Census*

**Forecast*
*Years shown on a June – May Marketing Year*

## Expanding World Trade Driven By Chile And The United States.

Specific to fresh table grapes, Chile is the top exporting country, with most shipped to the United States during the off season. Total production is expected to be higher due to more favorable weather during the past winter, and more exports are expected in 2008 with good quality. Table grapes are imported into Chile during the off-season in small amounts. A weaker dollar is expected to bolster imports, but transportation costs remain high due to low volumes. Ample supplies of competing low priced fruits available year round also hinder additional growth of imported table grapes.

The United States is the second largest exporter, with top markets including Canada, Mexico, Hong Kong, China, and Malaysia. Sales into growth markets like China, Taiwan, Australia, and Indonesia continue to fuel the industry's export expansion and while the expansion has been slow and steady, it is often driven by supply. Export values have gone from the low to mid $300 million in the late 1990's to the mid to upper $400 million in recent years. In MY 2005/06 values topped $556 million.

South Africa ranks third in the world's export market and sends most of their production to the EU-27 in the off season. Production is expected up less than one percent in 2008 while harvest of early season grapes is expected to be off by two weeks this year.

China is the world's largest producer, but only a small exporter. However, with improved quality and handling capacity, industry sources believe China's grapes will be much better positioned on the world market.

## The EU-27 Dominates World Production of Land Under Vine As China Continues Its Expansion.

The EU-27 accounts for nearly 40 percent of the 69 million tons of all grape types produced in the world. China, for the first time, ranks second but still grows fewer grapes than Italy, France, or Spain individually. The United States, surpassed by China, is the fifth largest grape grower in the world.

## While China's Table Grape Acreage grows, So Do Their Imports.

Total grape production is forecast to increase 10 percent to nearly 7 million tons. Fresh table grapes represent about 70 to 80 percent of this total and consist of mostly Kyoho varieties, although the share of Red Globe is rapidly growing. The main approach to grape growing is still focused on quantity, not quality, and the lag in development of post-harvest handling technology continues. Although trade data shows that import levels are declining, industry sources indicate that the use of less expensive, unofficial channels for imports is actually growing. Demand for U.S. fresh table grapes remains strong with their high and consistent quality.

## Update on Foreign Trade Barriers.

Port of Shenzhen, China

China granted access in spring 2006 to the port of Shenzhen, specifically Yantian and Shekou ports. However, the volume of all fruit entering through Shenzhen is quite limited and China continues to acknowledge concerns over disruption to anti-smuggling efforts at the port facilities. Importers still seem to prefer Hong Kong because of the established logistical network, handling flexibility, and lower costs.

Indonesia's Lack of Recognition of Pest-Free Areas (Decree 37)

Over the past year, the USG has tried to work with Indonesia in recognizing U.S. fruit-fly free areas which conform to guidelines outlined in the International Standards for Phytosanitary Measures. Because of Indonesia's failure to recognize this status, U.S. fruit shipments are subject to in-transit cold treatment aimed at killing fruit-fly larvae inside the fruit, as well as fruit-fly pests that do not occur in the United States. The issue was raised during bilateral meetings held between the United States Trade Representative (USTR) and their Indonesian counterparts in September 2007. The Animal Plant Health Inspection Service (APHIS/USDA) continues to wait for a written reply to its scientific data. Bilateral discussions were favorable providing optimism on future technical discussions. As a market for U.S. fresh table grapes, Indonesia ranked 10$^{th}$ during the 2006/07 season at a value of $11 million and volume of 6,900 tons.

South Korea Free Trade Agreement (KORUS)

On April 1, 2007, the United States concluded negotiations on a free trade agreement (FTA) with the Republic of South Korea. Should the agreement be ratified, U.S. agricultural producers will have improved access to an additional 48 million consumers. If fully implemented the FTA will give U.S. exporters expanded access by removing restrictions due to South Korea's import policies as well as providing a competitive advantage over other suppliers.

Australian Import Requirements

Methyl Bromide (MB) fumigation is still required for California grapes shipped to South Australia and Tasmania. MB fumigation remains an option for grapes shipped into Queensland, New South Wales, Victoria and the Northern Territory. Following years of negotiating market access to Australia, the first consignments of California table grapes arrived in Australia in July 2002. The work plan required that grapes could only be fumigated in the United States before being shipped to Australia. Australia reviewed the 2002 workplan after the completion of the first shipping and modified the work plan for 2003 to allow for fumigation of grapes at the port of destination. Delaying fumigation significantly enhances the shelf life of grapes. Industry continues to investigate packaging alternatives to MB. The U.S. industry surpassed its original export expectations of $11 million in grapes and reached $16 million during both 2006 and 2007.

United States-Australia FTA

The U.S.-Australia Free Trade Agreement (FTA) entered into force on Jan. 1, 2005. Since implementation, the U.S.-Australia FTA has provided America's farmers, ranchers, food processors, and the businesses they support with improved and new access to Australia's 20 million consumers. Table grape exports are expected to be bolstered by this agreement.

Implementation on Japan Maximum Residue Limits (MRL) Requirements

Japan's Ministry of Health, Labor and Welfare's (MHLW) maximum residue level (MRL) enforcement policy imposes costly "test and hold" measures on exporters, particularly for highly perishable products. The current MHLW policy calls for increased testing (30 percent country-wide for the affected commodity) after the first MRL violation. If a second violation, involving the same substance and commodity, occurs within a year, a 100 percent test-and-hold policy is implemented industry-wide for shipments originating from the same country. This sanction policy is overly-restrictive by international standards and has the potential to cause great losses to U.S. exporters. The U.S. goal is to limit sanctions to the violating producer/exporter of these products and avoid punishing suppliers that are in compliance with

Japan's MRL standards.  Japan’s MRL sanctions policy has been addressed bilaterally in the 2006-2007 Regulatory Reform Initiative (RRI), and MHLW has been unwilling to develop an MRL monitoring policy that reflects internationally accepted standards.

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*The FAS Attaché Report search engine contains reports on Fresh Deciduous fruit for more than 18 countries and can be found on the FAS home page at http://www.fas.usda.gov.  Also visit our Production, Supply and Demand on line at http://www.fas.usda.gov/psdonline/psdHome.aspx*