International Trade Report

November 7, 2002

Opportunities for U.S. Horticultural Exports under a U.S./Australia Free Trade Agreement

Summary

Currently, Australia imports about $93 million of horticultural products annually from the United States. The U.S. market share of Australian horticultural imports has declined from 14.6 percent in 1994 to under 11.4 percent in 2001. Australia's imports of U.S. horticultural products might increase by as much as $30 million per year if certain phytosanitary barriers are lifted. Notwithstanding these restrictions, increased exports of U.S. horticultural products to Australia are limited by practical economic reasons to a select group of products, including table grapes, cherries, and, assuming access is eventually granted, peaches, nectarines and plums. Imports of these items would generally be expected to occur during Australia's off-season. Total 2001 worldwide U.S. exports of these items were valued at $835 million. Virtually all of the growth in U.S. imports from Australia has been in wine, which rose from $59 million in 1995 to $350 million in 2001.

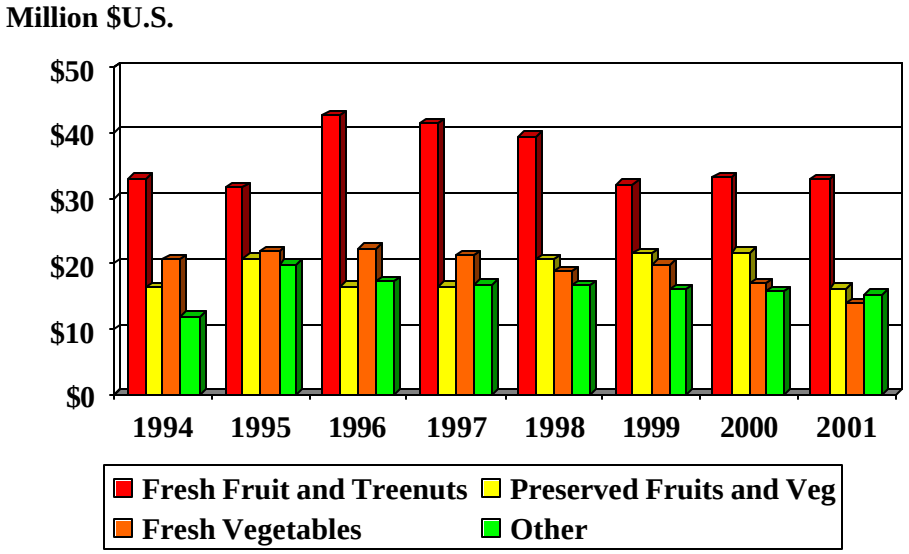
Australian Import Situation

Overall, Australia does not maintain many barriers to imports. Tariffs on fresh horticultural items are, for the most part, low. However phytosanitary restrictions limit the entry of certain commodities. Currently, the United States and Australia are working to find mutually acceptable methods to mitigate the risk associated with imported products. Historically, Australia has maintained a zero risk philosophy regarding phytosanitary issues, but this appears to be slowly evolving toward a policy that recognizes the concept of acceptable/manageable risk. The United States views the zero risk policy as being inconsistent with WTO requirements and as having enabled Australia to avoid taking many meaningful steps toward resolution of outstanding issues. Australia allowed imports of fresh cherries in 1994; fresh plums in 1999, and fresh table grapes just this year, (summer 2002). Since 1994 U.S. exports to Australia of fresh cherries have grown to over $3 million making Australia the sixth largest U.S. export market for cherries. United States exports of plums to Australia may reach $150,000 this year. The U.S. table grape industry estimates that the Australian market could over time reach $20 million annually, which would place Australia as the sixth or seventh largest U.S. table grape export market.

Assuming an open market for imports into Australia, the demand for U.S. commodities would be generally limited to periods when Australia's domestic supplies cannot meet its demand and by economic factors affecting the competitiveness of U.S. commodities. Australia's geographical

location allows it to produce most vegetables and many fruits throughout most of the year. Shortly after the production season ends in the southern provinces of Victoria, South Australia, and New South Wales, it begins in Queensland. Given a population of only 20 million, Australia has the physical capacity to produce sufficient quantities of fresh fruit and vegetable for domestic consumption and export. The number of months when domestic supplies are not available, i.e., the off-season, is fairly small. Advancing technology further narrows this off-season window. Cold storage and controlled atmosphere allow many items to be carried over into the new production year. Many perishable horticultural commodities, such as table grapes can be stored for three or four months, effectively extending the marketing season for domestic varieties such as Thompson Seedless, Red Globe, Red Emperor from May through August. Thus, lower cost domestic supplies may be on hand to compete with the more expensive imports.

Australian Horticultural Imports from the United States



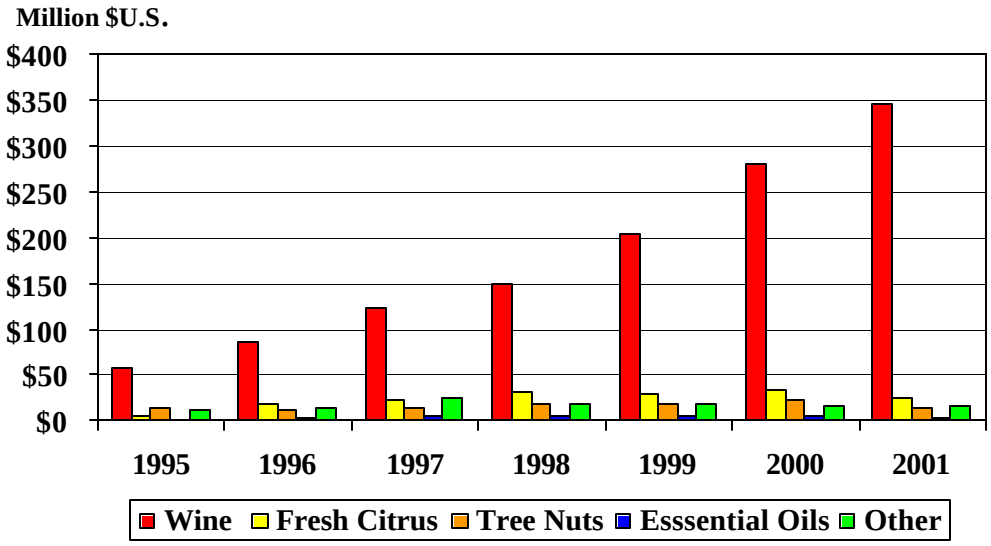
Source: World Trade Atlas

U.S. Import Situation

United States tariffs generally are bound at extremely low rates, if not at zero. As such, U.S. duties for most of the products of interest to Australia are already either at zero or very close to it. Virtually all of the growth of U.S. imports from Australia has been in wine, which rose from $59 million in 1995 to $350 million in 2001. The Australian market share of U.S. horticultural imports has grown from less than 1 percent in 1995 to over 2.6 percent in 2001. During that period U.S. wine imports doubled from $1.1 billion to $2.2 billion. Some growth occurred in the

citrus category. This is composed mostly of oranges but also a small amount of lemons entering during the months of June through October. Australia's market share of U.S. fresh orange imports varies from year to year depending upon supplies from competing countries. Some years it is as high as 80 percent (1994 and 1998) and other years it is as low as 31 percent (1999).

U.S. Imports of Horticultural Products from Australia



Source: World Trade Atlas

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