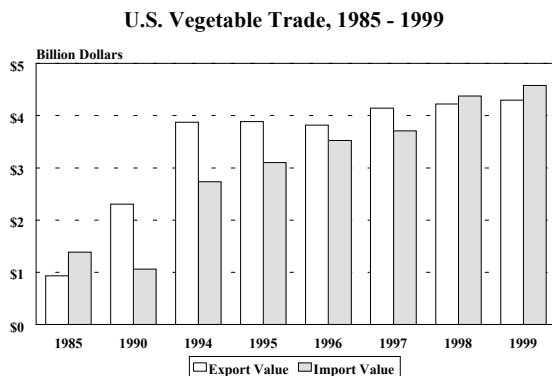


Leaflet 8. Vegetables and the World Trade Organization

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Trade Situation and Outlook

International trade in vegetables has taken on more significance over the last three decades as demand for fruit and vegetable products has increased and improved technologies have made the products more accessible. U.S. average annual imports of fresh vegetables increased from 1.44 billion pounds in the 1970s to 3.77 billion pounds in the 1990s, an increase of 161.8 percent. Average annual imports of frozen vegetables increased from 38.3 million pounds in the 1970s to 647.0 million pounds in the 1990s, an increase of 1589.3 percent.

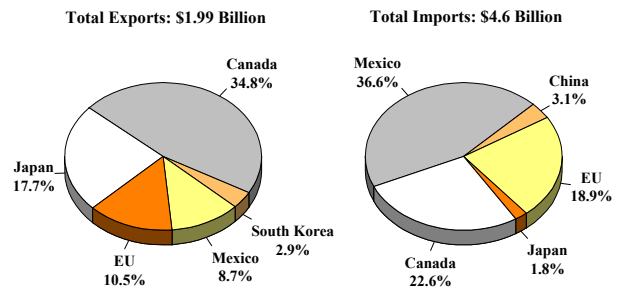


Imports of canned vegetables increased from \$262.5 million in 1970 to \$647 million in 1999, an increase of 146.5 percent. Exports have also become more important to U.S. vegetable producers as average annual exports of fresh vegetables increased from 1.26 billion pounds in the 1970s to 3.66 billion pounds in the 1990s, an increase of 190.5 percent. Exports of canned vegetables increased from 87.3 million pounds in 1970 to 881 million pounds in 1999, an increase of 909.1 percent.

Major Customers and Competitors.

Mexico remains the largest supplier of imported fresh and frozen vegetables to the U.S. market. Mexico accounted for 81.5 percent of the total value of fresh vegetable imports over the 1991 to 1997 period and 68.9 percent of the total value of frozen imports. The value of fresh and frozen vegetable imports from Mexico increased from \$749.7 million in 1991 to \$1.467 billion in 1999, a 95.6 percent increase. The top 5 fresh vegetable imports from Mexico in 1999 (in terms of value) were tomatoes (\$489.6 million), peppers (\$228.4 million), cauliflower and broccoli (\$138.0 million), cucumbers (\$122.8 million) and onions (\$106.4 million). The only other countries to account for more than \$50 million in import value for a fresh product were Canada with fresh tomatoes (\$119.6 million) and the European Union with fresh tomatoes (\$71.4 million) and peppers (\$50.8 million).

U.S. Vegetable Exports and Imports, 1999



The European Union and Canada are the largest suppliers of imported prepared and preserved vegetables, accounting for 53 percent of the \$1.99

billion prepared preserved imports. In 1999 imports from were \$709.8 million from EU and \$342.5 million from Canada. The top destination for U.S. fresh vegetable exports is Canada, accounting for a value of \$742.9 million, 71 percent of the total value of fresh vegetable exports in 1999. Lettuce is the leading U.S. export item with total export value of \$159.4 million in 1999. Tomatoes (\$122.6 million), broccoli (\$98.6 million), onions (\$81.3 million) and potatoes (\$85.2 million) are the next four ranked items in total export value. China is the world's leading producer of most vegetable products. The U.S. is the world's second leading producer of lettuce, tomatoes, carrots and mushrooms. The U.S. is the world's third largest producers of potatoes, dry onions, asparagus, watermelon and spinach.

Major Vegetable Trade Issues

NAFTA. The principle trade agreement that affects trade in the U.S. vegetable industry is the North American Free Trade Agreement (NAFTA). Most tariffs for vegetables are being phased out in NAFTA over a 10 year period. The significance of these tariffs varies by product, but generally represents a small part of the total cost of producing and marketing these products. Further reductions in these tariffs from the Millennium Round negotiations will be an issue hotly debated. Experiences following implementation of NAFTA left many producers doubting the credibility of analysts forecasting limited impacts from tariff reductions. Additional research will be critical to addressing these concerns and providing the knowledge necessary for producers

to have confidence in the outcome of the negotiations.

Perishability. Another issue of concern or the vegetable industry centers on trade dispute mechanisms. Many in the industry do not feel the rules for implementing trade relief under the 'escape clause' provisions of World Trade Organization (WTO) (Article XIX) work for the vegetable industry. Special provisions for perishable products produced in a seasonal market have been called for and will be presented as one of the issues to be addressed in the Millennium Round negotiations.

Environmental Concerns. A third issue of concern to the vegetable industry is the imbalance that has been created for U.S. producers who must comply with stricter environmental, labor and safety standards. A discussion of these standards has been called for to provide equivalency across borders with opportunities offset the cost of higher standards with production neutral policies.

Sanitary and Phytosanitary Concerns. Another critical issue to the vegetable industry is the valid application of the WTO Sanitary and Phytosanitary (SPS) Agreement. Enforcement of scientifically based SPS measures will be critical to maintaining open trade across borders. On the other side of this issue, increased trade in unprocessed products that can serve as vectors for invasive pests, increases risk to domestic producers of vegetables. Strengthening enforcement of valid WTO SPS measures will be critical to maintaining open borders for trade in vegetables, but they must remain a critical element in the protection of domestic industries against invasive pests.