World Trade Situation and Policy Updates

California Avocado Commission Sues USDA for Expanding Avocado Imports from Mexico

On December 18, 2001, the California Avocado Commission filed a lawsuit in federal court against USDA, challenging the department's decision to expand the number of states into which avocados grown in Mexico can be imported and the length of time during which those imports are allowed. In 1997, USDA decided to allow Mexican avocados to be imported to 19 states during a four- month period. After the review in November 2001, Mexican avocados were allowed into 31 states and were permitted to be marketed until April 15. The lawsuit claims that USDA did not properly evaluate the risk of allowing importation of avocados from areas in Mexico known to be infested with fruit flies and other pests. The suit alleges that these pests threaten not only the domestic avocado industry, but also domestic apple, citrus, cherry, peach, plum and other crops. The United States is Mexico's top export market for fresh avocados. U.S. imports were valued at $15 million in MY2000/01 (November-October), down by 33 percent from 1999/2000.

Mexico Moves to Limit Use of High Fructose Corn Syrup

On January 1, 2002, Mexican legislators approved a new 20-percent tax on sales of soft drinks using any sweetener other than cane sugar. This will principally affect U.S. shipments of high fructose corn syrup (HFCS) and corn used for the production of HFCS. Mexico consumes about 600,000 tons of HFCS annually, of which about 80 percent is used by the beverage industry. The United States annually supplies to Mexico about 250,000 tons of HFCS, and about 700,000 tons of corn which is converted into 350,000 tons of HFCS. The new tax is expected to generate about $7.5 billion in annual revenues. In response, bottling companies are examining whether it is profitable to exchange HFCS priced at $392/ton for domestically-produced raw sugar at $522/ton or refined sugar at $392/ton. Although Mexico's anti-dumping duties on U.S. HFCS have been ruled illegal by WTO and NAFTA panels, the Mexican government has yet to take remedial action. The American Farm Bureau Federation has indicated it expects the new tax to shut down HFCS exports to Mexico and severely hamper future corn shipments as well.

ITC to Conduct Full "Sunset" Review on Mexico Tomato Imports

On January 4, 2002, the U.S. International Trade Commission (ITC) voted unanimously to conduct a full review to determine whether termination of the suspended investigation on fresh tomatoes imported tomatoes from Mexico would likely lead to the continuation or recurrence of material injury within a reasonably foreseeable time. A suspension agreement on fresh tomatoes from Mexico was established in 1996 as a result of a dumping case filed against imported Mexican tomatoes. The agreement ran from November 1, 1996 through November 1, 2001, and established a reference price system for tomatoes imported into the United States. The ITC will issue a report following the completion of its review. U.S. imports of tomatoes from Mexico in FY2001 were valued at $515 million, up 32 percent from the preceding year.

U.S. Lettuce Exporters See New Opportunity to Expand Sales to Japan

U.S. lettuce producers/exporters are hopeful that ongoing negotiations between USDA/APHIS and MAFF officials will result in the approval of a pilot program that would bring MAFF plant health officials to the United States, possibly as early as Fall 2002, for pre-clearance of fresh lettuce exports to Japan. In the past, a large percentage of U.S. lettuce exports arriving in Japan were fumigated (damaging quality and reducing shelf life) for aphids, thrips and leaf miners, the three pests that most concern Japanese officials. U.S. exporters hope that a preclearance program in the United States will lessen the risk associated with exporting to Japan and potentially boost sales by more than $100 million per year. In FY 2001, U.S. exports of lettuce to Japan were valued at $9.2 million, up 42 percent from the previous year.

Philippines Lifts Ban on Chinese Fruits and Nuts

On January 3, 2002, FAS/Manila reported that the Philippine Department of Agriculture has lifted the ban on apples and other fruits from China. The temporary ban was removed after China successfully addressed Philippine concerns regarding the introduction of *carposina*, the pest found in a shipment of Chinese apples in October 2001. *Carposina* is an actionable pest that is not present in the Philippines. A new agreed-upon work plan requires that fruit from China be treated at origin. The Philippines is a major market for Chinese apples. In calendar year 2000, China's apple shipments to the Philippines were valued at $16 million and accounted for nearly 20 percent of total Chinese apple shipments. This compares with U.S. apple shipments to the Philippines totaling $5 million in the same year.

Extreme Weather in Greece Causes Major Crop Destruction

Reports from the Agricultural Counselor indicate that the recent extreme weather--snow storms and low temperatures--has resulted in major crop damage. Up to 530,000 tons of oranges have been destroyed, out of an estimated total crop of 1.0 million tons. Approximately 35,000 tons of lemons were destroyed, out of an estimated total of 115,000 tons. Millions of olive trees were damaged. Field vegetables, grape orchards and kiwis were also affected. Spinach fields in central Greece were totally destroyed. Indoor vegetable crops (greenhouses) were also damaged in the Attica area (Metropolitan Athens) and the Island of Crete. No indication of the magnitude of the loss was given at this time. The Ministry of Agriculture estimates that the compensation to citrus farmers this year will be near $27 million. For other crops it will be near to $8 million. Additional damage is expected from the flooding that will be caused by the melting snow.

Korea's Plans for 2002 Orange Imports Expected to Lead to Unfilled Quota

According to reports from FAS/Seoul, the Cheju Citrus Grower's Agricultural Cooperative (CCGAC) has decided it will use quota auctions to administer the calendar year 2002 Minimum Market Access (MMA) quota for oranges, with the first auction expected some time in March. This will be after the peak marketing season for Korea's domestic orange production and will mean higher prices for the imported product, since supplies of California's navels are down this year. If, as expected, the CCGAC falls short of filling the 2002 MMA quota, this would mark the fourth year in a row that Korea has failed to import the quantities specified under the Uruguay Round agreement. Under Korea's import regime, oranges may enter within the quota with a tariff of 50 percent, or outside the quota (as of July 1997) at a 2002 duty rate of 59.8 percent. The out-of-quota duty is being phased down and will reach the in-quota rate of 50 percent in 2004, effectively terminating the quota regime. As the out-of-quota duties have approached the in-quota duties, U.S. orange exports to Korea out-of-quota have jumped sharply, exceeding the in-quota volumes for each of the past two years. The merging of the duty rates has also made it more difficult for the CCGAC to capture the dwindling quota rents, eroding the organization's competitiveness in the market and greatly reducing its incentive to purchase the import quantities specified under the MMA quota schedule. Korea has emerged as a leading market for U.S. oranges, with exports through the first 10 months of 2001 totaling nearly $50 million.