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## WTO and Agriculture

# What's at Stake for Citrus?

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Future prospects for the U.S. citrus sector will continue to depend greatly on its ability to maintain and expand export markets. The World Trade Organization (WTO) and trade negotiations offer comprehensive new trade agreements aimed at achieving these objectives.

### Why Trade Matters for U.S. Fresh and Processed Citrus

U.S. fresh and processed citrus exports were valued at \$1.14 billion in 1998, an increase of 41 percent since 1990. Exports of orange juice have expanded 69 percent from \$177 million in 1990 to \$299 million in 1998. Fresh grapefruit exports increased from \$179 million in 1990 to \$193 million in 1998, and lemons expanded from \$99 million in 1990 to \$116 million in 1997, though somewhat lower in 1998 due to a poor harvest.

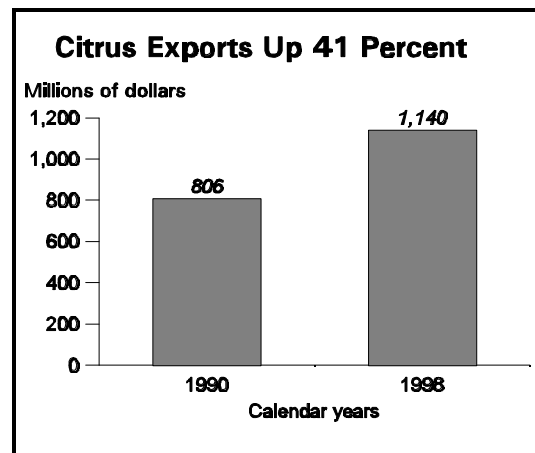
Exports have become critical to the success of the U.S. citrus fruit industry. Fresh and processed citrus exports are rising faster than production. If this trend continues as expected, exports will become even more important to U.S. fruit producers' overall sales.

### How Trade Agreements Expand Market Opportunities

The United States is a leading exporter of fresh and processed citrus. The citrus sector has benefitted, and is expected to benefit further, from the tariff cuts and market-opening provisions of trade agreements, such as the Beef and Citrus Agreement with Japan, the Uruguay Round Agreement, and the North American Free Trade Agreement. Agreements to remove technical barriers to trade have also opened markets for a range of U.S. fresh and processed citrus.

# The 1988 U.S.-Japan Beef and Citrus Agreement provided for the liberalization of fresh and processed citrus and beef imports. Today, Japan is the largest market for U.S. grapefruit, with 1998 shipments valued at \$97 million, 11 percent above exports before the agreement. U.S. orange juice exports to Japan have increased from \$2.7 million in 1987 to \$29 million in 1998. The United States is Japan's major supplier of fresh and processed citrus.

# As a result of the 1994 Uruguay Round Agreement, the EU reduced the tariff for single-strength orange juice from 19 percent to 12.1 percent. U.S. exports of single-strength orange juice to the EU were valued at \$34 million in 1998, compared to \$10 million in 1990. The U.S. orange juice industry has also benefitted from agreements such as the U.S.-Canada Free Trade Agreement, which subsequently was folded into the North American Free Trade Agreement. Today, Canada is by far the largest market for U.S. orange juice, with exports in 1998 valued at \$133 million, up from \$80 million in 1990.



# The Uruguay Round also opened other markets for U.S. fresh and processed citrus. South Korea established a quota for oranges of 15,000 tons in 1995, 20,000 tons in 1996, 25,000 tons in 1997, and 33,271 tons in 1998. Today, Korea is the fourth largest market for U.S. oranges, with exports in 1998 valued at \$19 million, compared to \$2 million in 1994. Moreover, the United States supplies about 95 percent of the Korean orange market.

### **Why Further Trade Negotiations Are Needed**

Key markets around the world still apply high tariffs and other trade restrictions to U.S. fresh and processed fruits. The reduction of these tariffs would contribute to the global success of the U.S. fruit industry. A few examples follow:

- # The duty imposed on fresh oranges by Japan is 40 percent in the winter months and 20 percent in the summer months. The impact of this duty can be quantified by the fact that California-Arizona citrus shippers pay Japan around \$38 million in tariff fees annually.
- # The Philippines maintains high tariffs for citrus fruit. These duties range from 20-30 percent. U.S. citrus fruit exports could increase by \$50 million if tariffs were reduced.