United States International Trade Commission

Monitoring of U.S. Imports of Peppers

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Preface

Section 316 of the North American Free-Trade Agreement Implementation Act (NAFTA Implementation Act), Public Law 103-182, requires the U.S. International Trade Commission (Commission) to monitor U.S. imports of "fresh or chilled tomatoes" and "fresh or chilled peppers, other than chili peppers," until January 1, 2009. In response, the Commission instituted investigation No. 332-350, Monitoring of U.S. Imports of Tomatoes, and investigation No. 332-351, Monitoring of U.S. Imports of Peppers, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)).[1]

This report on the Commission's monitoring investigation covers peppers for fresh-market use and for processing. The purpose of this monitoring, as expressed in the NAFTA Implementation Act, is to enable the Commission to conduct an expedited investigation concerning provisional import relief and, if appropriate, recommend to the President provisional relief should a petition for such relief be filed under section 202 of the Trade Act of 1974 with respect to imports from all countries, or a petition requesting such relief be filed under section 302 of the NAFTA Implementation Act with respect to imports from Canada or Mexico. Generally, such provisional relief would remain in effect, pending completion of the investigation by the Commission and the taking of final action by the President.

This report contains statistical information gathered by the Commission on the U.S. pepper industry in the course of its monitoring. This information includes (1) consumption and trade data (including U.S. imports and U.S. exports) and (2) other industry data (including U.S. production quantity, value, unit value, and harvested area; U.S. cost-of-production estimates; shipments; quantities available at major shipping points; and average U.S. shipping-point prices). The information presented in this report on the U.S. pepper industry was obtained from a number of sources, including the U.S. Department of Agriculture, the U.S. Department of Commerce, and various State agencies. This report principally includes 2001-05 data and partial-year data for 2005 and 2006.

[1] Nothing in this report should be construed to indicate how the Commission would find in an investigation conducted under other statutory authority covering the same or similar subject matter.

ABSTRACT

The imports of fresh-market peppers from Mexico and Canada have risen in recent years, in part as a result of the staged reduction and elimination through 2005 of the duties on fresh peppers under the North American Free Trade Agreement (NAFTA). Adding to the growth of trade among the three member countries has been the increase in greenhouse-growing facilities in each country, allowing for the production and shipments of fresh peppers during those seasons when outdoor production is usually reduced or non-existent because of weather. U.S. imports of fresh-market peppers amounted to $450.8 million in 2005, accounting for 53 percent of U.S. consumption of $843.4 million. U.S. exports amounted to $90.4 million in 2005 and remain small relative to production and consumption. The bulk of the imports are field-grown peppers from Mexico and enter principally through Arizona. By contrast, the bulk of the imports from Canada are greenhouse-grown peppers raised in Toronto and British Columbia, and enter mainly through U.S. Customs Districts nearest to those Canadian production areas. Grower prices for producing fresh peppers continue to lag far behind retail prices charged in grocery stores and at wholesale terminal markets.

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Highlights

The following are highlights of the statistical data collected on peppers for fresh-market use and for processing for the 2001-05 period.

Fresh-market Peppers

- Apparent U.S. consumption volume of fresh-market peppers fell in 2005 after rising steadily over the four previous years (table 1). Apparent U.S. consumption of fresh-market peppers amounted to 883,354 metric tons in 2005, down by 5 percent from 928,955 metric tons in 2004 (table 1). Apparent consumption was valued at $843.4 million in 2005, down by 7 percent from $907.8 million in 2004. In 2005, the ratio of import volume to consumption volume was 34 percent, up from 28 percent in the previous year. The ratio of import value to consumption value increased from 48 percent in 2004 to 53 percent in 2005 (table 1).

- U.S. production of fresh-market peppers fell by 12 percent from an estimated 743,892 metric tons ($558.9 million) in 2004 to 658,118 metric tons ($483.0 million) in 2005 (table 1). Unit values of production fell slightly from $750 per metric ton in 2004 to $730 per metric ton in 2005. Florida and California accounted for 44 percent and 39 percent, respectively, of total U.S. production value of fresh peppers in 2005 (table 9). U.S. harvested area for peppers totaled 57,000 acres in 2005, up from 52,900 harvested acres in 2004 (table 9), with much of the increase accounted for by a rise in acreage in California.

- U.S. exports of fresh-market peppers were down from 73,008 metric tons in 2004 to 70,757 metric tons in 2005 (table 1). The value of U.S. exports was up slightly from $88.0 million in 2004 to $90.4 million in 2005. Canada remained the leading foreign market for U.S. exports in recent years, accounting for 91 percent by volume and 93 percent by value of U.S. exports in 2005 (table 3). U.S. export volume was down by 17 percent and export value down by 19 percent during January-June 2006 as compared with January-June 2005 (table 3).

- U.S. imports of fresh-market peppers increased 15 percent in volume from 258,071 metric tons in 2004 to 295,993 metric tons in 2005 (table 1), and continued to rise significantly during January-June 2006 as compared with imports during January-June 2005. Mexico accounted for 71 percent by volume of total imports of fresh-market peppers in 2005. Other important foreign suppliers in 2005 included Canada and the Netherlands (table 4). The bulk of those imports from most major suppliers except Mexico are believed to be higher-value, greenhouse-grown peppers with average unit values often about two times the unit values of largely lower-priced, field-grown green peppers from Mexico.

- U.S. imports of fresh-market peppers from Mexico totaled 245,460 metric tons during July 2005-June 2006, a 26-percent rise from 194,968 metric tons during July 2004-June 2005 (table 5). During the July 2003-June 2004 through July 2005-June 2006 crop-years, the bulk of U.S. fresh-market peppers imported from Mexico entered through the Nogales, AZ Customs District, principally during November through the following June coincident with the peak production period in Florida. Recently, imports from Canada and the Netherlands were greatest during those months (June-October) when Florida production was normally low (tables 6-7), although imports from Canada are increasing during May-June when Florida is still producing and when domestic production in California and other states is usually high.

- Shipments from Florida were down considerably in 2005/06 from those in 2004/05 following severe weather damage to the crop during the production season, whereas shipments from Mexico were up by 26 percent from 2004/05 to 2005/06 (table 11). Average shipping-point prices for peppers of all sizes from Florida were up considerably during late-November 2005 through mid-January 2006 from levels in the same months of the previous crop-year (table 15) as a result of reduced production in late 2005.

Processed Peppers

- U.S. production of processed (i.e., canned) peppers fell by 12 percent from an estimated 22,317 metric tons in 2004 to 19,744 metric tons in 2005 (table 2). U.S. imports of processed peppers rose by 7 percent from 21,439 metric tons in 2004 to 22,968 metric tons in 2005 (table 2). Imports of processed peppers amounted to 11,667 metric tons during January-June 2006, up by 7 percent from those entered during the corresponding period of January-June 2005 (table 8). Throughout the 2001-05 period, Spain was the primary foreign supplier, accounting for 42 percent by volume of U.S. imports in 2005. Turkey, Peru, and Chile were other important suppliers in recent years.