

# US faces shrinking vegetable exports to Asia



Japan is planting more broccoli each year as consumers seek to buy locally-grown product

There was a time when western US vegetable growers and marketers saw Asia as the answer to their chronic overproduction problems. Things are different now.

**Jeff Long** reports

**I**n the late 1980s and early 1990s, trade barriers began dropping in Asian countries such as Japan and Taiwan thanks to the dictates of the General Agreement on Tariffs and Trade (GATT). That allowed US growers to introduce their fresh products to these and other countries at a time when local supplies were least available.

What followed was an explosion of exports, especially broccoli to Japan, which carried through to the end of the century.

Japan ignited the vegetable exporting boom when that country liberalised its phytosanitary regulations in 1989 that caused broccoli sales to quadruple from US\$8.9m to US\$39m by the following year. Sales of California-grown broccoli eventually peaked in 1999 at US\$60m.

Taiwan began to liberalise its import regulations by the early 1990s and started importing an array of row crops that included broccoli, celery, onions, potatoes and lettuce. By 2000,

Taiwan emerged as the second leading destination in Asia for US vegetables. Between 2002 to 2004, sales of US-grown vegetables in Asia averaged US\$169m in farmgate value. The future seemed bright.

The market landscape in Asia began to change in the late 1990s for US producers with the emergence of China as a competing source of fresh vegetables. Thanks to cheap labour and improving technology that enhanced quality, China managed to steadily gain market share in Japan at the expense of the US.

By 2002, the USDA estimated that China had captured at least 20 per cent of Japan's fresh broccoli business, increasing to over 26 per cent by 2005. China's share of the onion market in Japan was even greater at nearly 50 per cent. The USDA estimates that China had captured around 37 per cent of the imported vegetable market in Japan by 2003.

Rising concerns among Japanese

consumers regarding the safety of imported produce had already begun to undermine China's reputation early in this decade. In 2002, detection of unacceptably high pesticide residues on imported Chinese vegetables caused sales to plummet.

In 2004, a scandal involving repacking of Chinese broccoli crowns into cartons marked from a different origin further served to erode consumer confidence in Chinese produce. According to data provided by industry sources, imports of Chinese broccoli to Japan fell by more than 36 per cent between 2005 and 2006.

Japan's food xenophobia has taken its toll on all imported produce – not just product sourced from China.

"The broccoli business to Japan for the California industry as a whole is down by about 50 per cent over the last five years," says Bonipak Produce export manager Max Matsuura. "We used to see steady ocean container ▶



Max Matsuura, Bonipak Produce shipments from between 120 to 140 loads per week. Now it's more like 60 to 80 loads."

Exports of California broccoli to Japan dropped by over 10 per cent in 2006 from the previous season according to industry sources. However, Japan wasn't necessarily discriminating against US produce as broccoli imports from all sources fell by 17 per cent for the same period.

"California vegetable exports to Asia are definitely shrinking," says Mr Matsuura. "The Japanese are more and more starting to buy home-grown produce whenever it is available. That is driving Japanese to plant more broccoli acreage every year."

Japan is not the only country where US grown vegetables are facing challenges. Taiwan has been throwing down roadblocks to California vegetable imports for the last four years. Thanks to the western flower thrip – a tiny bug that is endemic to California – Taiwan has become a veritable nightmare for California broccoli growers to obtain a phytosanitary certificate for these days.

"Taiwan has become more strict than ever on its quarantine procedures," admits one Santa Maria exporter. "Currently you have to pack an entire load of Taiwan-style broccoli crowns before a shipment is inspected. If the USDA inspector finds anything at all, they won't issue the phyto certificate and you're stuck with a load that is difficult to sell anywhere else. Some companies are beginning to turn down Taiwan business as it's too expensive if you get rejection."

As if trade barriers and international competition weren't enough to discourage California growers, Mother Nature has been less than cooperative lately. The January freeze that struck the state causing widespread damage citrus and avocados also caused considerable problems with California row crops. The prolonged cold snap resulted in widespread die off of vegetables transplants in Santa Maria delaying the start to the California vegetable season by at least a month.

"The problems lasted through March," says Yutaka Kubota of Freitas Brothers – a major Santa Maria grower of export broccoli at the beginning of May. "We're beyond the production gap now and there are plenty of supplies of broccoli – too much, really. However, celery still has problems."

Some in the industry remain upbeat about the prospects for California vegetable exports to Asia, however.

"Our volume was up 10 per cent for 2006," says Chuck Schreiber of Tanimura & Antle. "We're shipping sweet Italian red onions to Japan and getting a great response there. In Taiwan, our romaine hearts business is taking off, as value-added categories continue to catch on there. We've gone from shipping a pallet or two by air every so often to four ocean containers a week now."

A pleasant surprise for Tanimura & Antle has been the unexpected development of the Philippines as an export destination for California fresh vegetables.

"We're working with actual vegetable growers there that want to keep a continuity of supply to their customers during their off-season," says Mr Schreiber. "We are sending mixed loads of celery, broccoli, lettuce and cauliflower during the summer when it's too hot and humid to grow their own product. The programme is working very well so far." ■

## Beijing hosts 25th World Union of Wholesale Market Congress

**T**HE 25th World Union of Wholesale Market (WUWM) Congress will be held in Beijing, China from 3-6 September 2007.

The congress will be hosted by the Chinese National Agricultural Wholesale Market Association (CAWA). This association, approved by the Chinese Ministry of Civil Affairs, has the mission to support and promote the national and international development of the agricultural wholesale markets of China.

CAWA chairman, Zengjun Ma (right of picture with WUWM chairman Donald Darnall), recently informed WUWM members that the Congress Organising Committee, consisting of CAWA and related departments of the Chinese government "will work to ensure the congress is a valuable exchange of information, friendship and international cooperation."

"This 25th WUWM Congress in 2007 will provide an international platform for the food markets of the world to join



together to discuss a common theme: The Emerging Strategic Role of Modern Food Markets in the Global Food Supply Chain" he said.

"This congress will allow us to discuss developments within the global food market; to study the most topical issues challenging us today; to promote the latest in technological and managerial best practice and achievements; and to

strengthen international cooperation and exchange in order to accelerate the rapid development of the market role in the global food chain and distribution," Mr Ma added.

The World Union of Wholesale Markets (WUWM) is a non-profit association that aims to promote the international exchange of information on wholesale and retail markets, with a view to improving their construction, organisation and management.

WUWM pursues its aims through: the organisation of conferences and specialised meetings; the global collection and registration of data on markets; through the publication of reports and studies; and by exchanging experience, knowledge and expertise for the overall benefit of the membership. A further WUWM objective is to pool this expertise and provide the authorities responsible for the establishment and management of new markets with the necessary professional advice. ■