
Fruits and Fruit Juices

Fresh Citrus

Policy Changes Resulting from NAFTA

United States. Before the Canada-U.S. Free Trade Agreement (CFTA), the general U.S. tariff on fresh oranges was 2.2 cents per kilogram. For fresh grapefruit, the general tariff was 2.2 cents per kilogram from August through September, 1.8 cents per kilogram during October, and 2.9 cents per kilogram during the rest of the year. The general tariff on limes was 2.2 cents per kilogram.

In accordance with the Uruguay Round Agreement on Agriculture (URAA), the United States decreased its tariff on fresh oranges and grapefruit by 15 percent and its tariff on fresh limes by 20 percent. These reductions took place over the 6-year period that ended on January 1, 2001. The tariff now equals 1.9 cents per kilogram for fresh oranges and 1.8 cents per kilogram for limes. In addition, the United States reduced its seasonal tariffs for grapefruit under URAA. These tariffs fell to 1.9 cents per kilogram for August 1 to September 30, 1.5 cents per kilogram for October, and 2.5 cents per kilogram for November 1 to July 31.

Under CFTA, which was subsumed into NAFTA, the United States gradually reduced its tariffs on fresh oranges and fresh grapefruit from Canada over a 9-year period, until they reached zero on January 1, 1998. Under NAFTA, the United States immediately eliminated its tariff on Mexican oranges during the June-November period, and it phased out the December-May tariff over the 4-year period that ended on January 1, 1998. For Mexican grapefruit, the United States immediately eliminated the August-September tariff on January 1, 1994, and it is phasing out the other tariffs over the 9-year period that ends on January 1, 2003.

Mexico. Prior to 1994, Mexico levied a tariff of 20 percent on fresh oranges, grapefruit, and limes. Under NAFTA, Mexico immediately eliminated its tariffs on oranges, tangerines, and limes from the United States on January 1, 1994. Mexico imposes a seasonal tariff on grapefruit similar to that of the United States.

Canada. Prior to 1989, Canada had no tariff on fresh citrus. This policy has continued under CFTA and NAFTA.

Fresh Citrus Trade Since NAFTA

The United States is a net exporter of fresh oranges and grapefruit and a net importer of limes. Almost all U.S. lime imports originate in Mexico. Historically, U.S. exports of fresh citrus to Mexico have been quite small and variable. During the 1990's, Mexico accounted for less than 1 percent of total U.S. citrus exports.

In 2000, the United States shipped 8,860 metric tons of fresh oranges and tangerines to Mexico, up 1,577 percent from very low levels in 1993. Export value in 2000 was \$5 million, about 1 percent of total fruit and vegetable exports to Mexico. In 1998, the United States exported 369 metric tons of grapefruit to Mexico, up 361 percent from 1993 and valued at \$122,991. However, increasing Mexican grapefruit production reduced this trade in 1999 and 2000. Under NAFTA, U.S. grapefruit exports to Mexico have ranged from 75 metric tons in 2000 to 1,735 metric tons in 1995.

In the first years of NAFTA, Mexico allowed citrus imports only from producing areas in California that are not regulated for fruit fly. In January 1996, the United States and Mexico finalized a phytosanitary protocol to allow the export of citrus products from producing areas in Texas that are not regulated for fruit fly. The ban on Arizona citrus was lifted in 1997. Florida is still trying to gain approval for exports of its citrus fruits to Mexico.

U.S. imports of fresh citrus from Mexico consist mostly of limes. In 2000, these imports were valued at \$54 million, about 3 percent of total fruit and vegetable imports from Mexico. Fresh citrus imports from Mexico reached 211,197 metric tons in 1999, a 92-percent increase from 1993, but slipped to 191,697 tons in 2000. Imports of fresh limes, grapefruit, and oranges must meet U.S. marketing order minimum requirements.

U.S. lime consumption has more than doubled since the 1980's, but domestic production has decreased. Lime-bearing area in Florida began declining from a high of 7,300 acres in the 1982/83 growing season

(October 1, 1982 to September 30, 1983). After Hurricane Andrew in August 1992, this area fell to 1,900 acres in 1993. During the 1993/94 and 1994/95 seasons, U.S. lime production accounted for only 3 percent of domestic consumption. Replanting slowed substantially after a high rate of activity immediately following the hurricane. Production, however, has been increasing slowly. In 1999/2000, domestic production of 44 million pounds accounted for 12 percent of consumption.

Mexico is the main supplier of limes to the U.S. market, accounting for 99 percent of total U.S. lime imports in 2000. Imports from Mexico have grown steadily over the last decade and first exceeded U.S. production in 1991. Part of the increase in this trade is due to the decline in U.S. production following Hurricane Andrew. In 1993, the first full year after the hurricane, imports from Mexico were up 37 percent from the 1990-91 average. Imports of Mexican limes have continued to increase under NAFTA. Between 1993 and 2000, they increased 74 percent to 179,002 metric tons in 2000.

Except for limes, Mexican fresh citrus from areas other than Sonora must be treated for fruit flies before shipment to the United States. Methyl bromide is the primary treatment. Citrus from the fruit-fly-free areas of Sonora requires only a certificate from the Mexican government that notes the place of origin. New protocols for treatment available under certain circumstances for other citrus fruits are being discussed, as producers search for cheaper and less damaging treatment processes. Mexican producers are currently experimenting with treating fresh citrus in a hot air chamber before shipment to the United States. Mexico has proposed a systems approach that includes trapping pests as an alternative to spraying. This proposal is under review. Limes are resistant to fruit flies, and no treatment is required before export to the United States.

Canada is a mature market, representing about one quarter of all U.S. fresh citrus exports in the 1990's. U.S. orange and grapefruit exports to Canada are relatively stable but sensitive to the U.S.-Canada exchange rate. During 1994-2000, U.S. orange exports to Canada averaged 174,911 metric tons per year, down slightly from an average of 180,457 metric tons during 1990-93. U.S. grapefruit exports to Canada have averaged 63,961 metric tons under NAFTA (1994-2000), compared with 68,536 metric tons during 1990-93. Although trade data occasionally show U.S. imports

from Canada, these are thought to be re-exports of specialty citrus purchased elsewhere.

Trade Issues

There have been no trade disputes involving fresh citrus. However, Florida has been unable to gain export approval for its citrus fruits under Mexico's phytosanitary standards.

NAFTA's Impact on Fresh Citrus Trade

NAFTA has helped facilitate the resolution of concerns regarding phytosanitary barriers. Elimination of these barriers probably will have a greater impact on U.S. exports of fresh oranges and grapefruit than tariff reductions, since the barriers limit U.S. exports from Florida, a major citrus producer.

Lime imports continue to increase, following a trend that was well established before NAFTA. Ignoring other changes that have occurred since 1993, tariff changes under NAFTA and URAA are estimated to have boosted U.S. lime imports from Mexico by 2 percent above what would have been otherwise. Had only URAA been implemented, tariff changes would only account for an increase of less than 1 percent. The long-term decline in the Florida industry, accelerated by Hurricane Andrew, has had a greater impact on U.S. lime trade than NAFTA's tariff reductions.

Karen Ackerman and Agnes Perez (202-694-5255, acperez@ers.usda.gov)

Orange Juice

Policy Changes Resulting from NAFTA

United States. Prior to 1995, the most-favored-nation (MFN) tariff on frozen concentrated orange juice (FCOJ) was 35.02 cents per single-strength equivalent (SSE) liter. With URAA, the United States gradually reduced this tariff by 15 percent over the 6-year period that ended on January 1, 2001. Now, the general tariff equals 29.72 cents per SSE gallon.

Under the U.S. tariff-rate quotas (TRQ's) established by NAFTA, about 40 million SSE gallons of FCOJ and about 4 million gallons of single-strength orange juice (SSOJ) may enter the United States from Mexico each year at preferential tariff rates, while over-quota imports are subject to higher tariff rates (table L-1). All U.S. tariffs on Mexican orange juice are to be phased out

Table L-1—U.S. orange juice imports from Mexico and transitional restrictions on that trade under NAFTA

	Imports of frozen concentrated orange juice (FCOJ)							Imports of single-strength orange juice (SSOJ) subject to TRQ**					
	Total orange juice imports		Actual trade		TRQ	Within-quota tariff	Over-quota tariff (or tariff, if no TRQ)	Actual trade		TRQ	Within-quota tariff	Over-quota tariff (or tariff, if no TRQ)	
	Value	Volume	Value	Volume				Value	Volume				Value
	<i>Million dollars</i>	<i>Gallons</i>	<i>Million dollars</i>	<i>Gallons</i>	<i>Gallons</i>	<i>Cents/gallon</i>	<i>Gallons</i>	<i>Million dollars</i>	<i>Gallons</i>	<i>---Gallons---</i>		<i>Cents/gallon</i>	
1989	57.5	45,260,660	45.3	36,220,405	n.a.	n.a.	35.02	10.4	7,510,257	n.a.	n.a.	20.06	
1990	88.6	63,415,487	66.0	44,910,918	n.a.	n.a.	35.02	15.3	14,053,696	n.a.	n.a.	20.06	
1991	45.0	49,459,231	41.5	46,596,260	n.a.	n.a.	35.02	3.5	2,862,971	n.a.	n.a.	20.06	
1992	7.0	6,603,425	6.2	5,835,119	n.a.	n.a.	35.02	0.8	766,982	n.a.	n.a.	20.06	
1993	14.3	20,986,762	13.8	20,359,095	n.a.	n.a.	35.02	0.5	625,693	n.a.	n.a.	20.06	
1994	43.1	45,984,971	40.6	43,670,048	40,081,647	17.51	34.14	2.4	2,293,509	4,071,140	10.03	18.72	
1995	62.7	68,869,050	57.5	63,728,818	40,081,647	17.51	33.26	5.2	5,104,734	4,071,140	10.03	17.39	
1996	54.8	49,812,801	50.2	46,236,628	40,081,647	17.51	32.39	4.5	3,559,284	4,071,140	10.03	16.05	
1997	42.6	51,062,993	39.5	48,397,517	40,081,647	17.51	31.51	3.1	2,659,340	4,071,140	10.03	14.71	
1998	65.3	67,945,071	63.6	66,640,599	40,081,647	17.51	30.64	1.6	1,285,479	4,071,140	10.03	13.37	
1999	49.4	48,730,322	44.6	45,545,282	40,081,647	17.51	29.76	4.2	2,708,507	4,071,140	10.03	12.04	
2000	39.8	43,586,246	37.6	42,312,290	40,081,647	17.51	29.72	2.2	1,266,104	4,071,140	10.03	10.70	
2001	--	--	--	--	40,081,647	17.51	29.72	*	--	--	End of quantitative restrictions	n.a.	9.36
2002	--	--	--	--	40,081,647	17.51	29.72	*	--	--	n.a.	n.a.	8.03
2003	--	--	--	--	40,081,647	17.51	29.72	*	--	--	n.a.	n.a.	6.69
2004	--	--	--	--	40,081,647	17.51	23.81	--	--	--	n.a.	n.a.	5.35
2005	--	--	--	--	40,081,647	17.51	17.86	--	--	--	n.a.	n.a.	4.01
2006	--	--	--	--	End of quantitative restrictions	n.a.	11.91	--	--	--	n.a.	n.a.	2.68
2007	--	--	--	--	n.a.	n.a.	5.95	--	--	--	n.a.	n.a.	1.34
2008	--	--	--	--	n.a.	n.a.	Duty-free	--	--	--	n.a.	n.a.	Duty-free

*As mandated by the Uruguay Round Agreement on Agriculture (URAA)

**Several tariff lines corresponding to SSOJ are not subject to the TRQ. In most years, the volume of this trade is relatively small

n.a. = not applicable

All volumes are expressed in single-strength equivalent (SSE) gallons.

Sources: For trade data, Foreign Agricultural Trade of the United States database; for TRQs, NAFTA tariff schedule of the United States.

over the 14-year period that ends on January 1, 2008. For 2001, the within-quota tariff for FCOJ equals 17.51 cents per SSE gallon, while the over-quota tariff equals 29.71 cents per liter. This over-quota rate is slightly lower than what NAFTA originally specified, due to U.S. reductions in its MFN tariffs under URAA. Both the within-quota and over-quota tariffs for SSOJ equal 9.36 cents per gallon for 2001. Since the over-quota tariff has fallen to the same level as the in-quota tariff, the over-quota rate applies to all SSOJ imports from Mexico and the TRQ for that product is no longer in effect. In addition, all Mexican citrus juice exported to the United States must be made entirely of fruit produced in the NAFTA countries, in accordance with the agreement's rules of origin.

NAFTA includes a snapback provision to protect U.S. producers from sudden surges in FCOJ imports from Mexico. If imports exceed a certain volume and if the domestic price falls below a certain level, the MFN tariff rate is automatically re-instated. The volume threshold is set at roughly 70 million SSE gallons for 1994-2002 and about 90 million SSE gallons for 2003-07.

The definition of the price threshold is far more complex. If for 5 consecutive days, the daily closing price of FCOJ on the New York futures market falls below the most recent 5-year average of the market's monthly closing price of FCOJ for the month in question, the price threshold is triggered. This calculation, however, excludes the highest and lowest monthly closing averages for the 5-year period. The price trigger has been met several times, but the volume threshold has never been met. Thus, the snapback provision has not been put into effect.

Under CFTA and NAFTA, the U.S. tariff for Canadian orange juice fell to zero on January 1, 1998, following a 9-year period of gradual reductions.

Mexico. Prior to 1994, Mexico levied a tariff of 20 percent on imported orange juice. Under NAFTA, Mexico is generally matching U.S. tariff changes for each tariff line over the 14-year transition period. However, Mexican tariffs on U.S. orange juice may not exceed their pre-NAFTA level of 20 percent. As part of this transition, Mexico instituted TRQ's of about 194,000 SSE gallons for FCOJ and about 34,000 gallons for SSOJ. The TRQ for FCOJ expires on January 1, 2006, and the TRQ for SSOJ ended on January 1, 2001.

Canada. Prior to 1989, bulk FCOJ entered Canada duty-free, but retail-ready orange juice was subject to a tariff of 3 percent. Under CFTA and NAFTA, the tariff for U.S. orange juice was reduced 10 percent per year, until it reached zero on January 1, 1998.

Orange Juice Trade under NAFTA

Most of the U.S. orange juice supply is from Florida. After several hard freezes during the 1980's, Florida's production plummeted and imports increased. As the industry rebuilt, reliance on imports declined. In the 1999/2000 production season, imports accounted for 20 percent of the FCOJ consumed in the United States, compared with 40 percent during 1985/86 to 1989/90.

The freezes of the 1980's also damaged the Mexican citrus industry. Like their counterparts in Florida, Mexican producers expanded production to warmer areas further south during the rebuilding process. As prices were high following the freezes, Mexico invested heavily in the citrus industry. Between 1980 and 1995, the country's orange-producing area increased from 350,000 to 765,700 acres. However, much of the new production area is in small holdings, and yields are often much lower than in the older production regions. High production costs and interest rates have slowed the planting of orange acreage. Some growers have found it advantageous to plant other crops, such as limes, in place of oranges.

Mexican processing facilities also increased in number during the 1980's, although most Mexicans consume fresh oranges or prepare juice from fresh oranges at home rather than buy prepared orange juice. The Mexican FCOJ market is a residual market, and almost all juice is exported. While processors buy most of their oranges on the market, some are now beginning to plant orange groves to ensure adequate supply. In 1989/90, processed utilization reached more than 60 million SSE gallons of orange juice.

In the early 1990's, Mexico appeared poised to expand its orange juice exports. However, as Florida's citrus industry recovered from the freeze and world prices declined, Mexican opportunities in the U.S. market also declined. Mexican exports to the United States averaged 52 million SSE gallons per year during 1989-91 but equaled less than 7 million SSE gallons in 1992 and about 21 million SEE gallons in 1993. Under NAFTA, this trade has continued to fluctuate while experiencing little growth. During 1994-2000, exports averaged 54 million SSE gallons - just 2 percent above

the 1989-91 level. In 2000, this trade totaled 44 million SSE gallons, with a value of \$40 million.

Mexican exports to the United States of both FCOJ and SSOJ have fluctuated under NAFTA, and it is difficult to discern a general trend in this trade. So far, Mexico's FCOJ exports to the United States have filled the TRQ for that product every year, and this trade came fairly close to the volume threshold of the snap-back provision in 1995 and 1998. In 1995, Mexican orange juice exports to the United States were unusually high due to exceptionally good production and quality in Mexico during the 1994/95 growing season. In 1998, Mexico's share of the U.S. market increased at the expense of Brazil. In contrast, Mexico filled the SSOJ quota only once - in 1995 - during the 7-year existence of that TRQ.

Once small in volume, Mexican orange juice imports from the United States have grown substantially in recent years, from 763,972 SSE gallons in 1997 to 3.7 million SSE gallons in 2000. However, the previous pattern of trade was one of high variability, so it remains to be seen whether the recent expansion in trade is a lasting development. Nevertheless, Mexican imports of U.S. FCOJ exceeded the TRQ in 1996, 1998, 1999, and 2000, and corresponding imports of SSOJ always filled the quota during the 7-year existence of the TRQ for that product.

The volume of U.S. orange juice exports to Canada has changed little under CFTA and NAFTA. Exports equaled 47 million SSE gallons in 2000, compared with 48 million SSE gallons in 1990. However, the structure of this trade has changed profoundly, reflecting Canada's elimination of its tariff on retail-ready orange juice from the United States and technological changes in the packaging and marketing of orange juice. Between 1990 and 2000, FCOJ exports to Canada dropped from 47 million to 3 million SSE gallons, while SSOJ exports climbed from 1 million to 45 million SSE gallons. In contrast, the United States imports relatively little orange juice from Canada, but this trade also has expanded, from 384,456 SSE gallons in 1989 to 1.8 million SSE gallons in 2000.

Trade Issues

There have been no trade disputes involving orange juice.

NAFTA's Impact on Orange Juice Trade

Early ERS estimates suggested that NAFTA and URAA tariff reductions would have a limited impact on U.S. orange juice imports from Mexico. So far, developments have borne out this prediction, and the average annual volume of this trade during 1994-2000 was just 2 percent higher than in 1989-91. However, the potential for increased imports from Mexico always remains, should U.S. growers or other foreign suppliers experience production problems. With respect to U.S. orange juice exports to Canada, CFTA and NAFTA have helped to shift the composition of this trade from FCOJ to SSOJ.

Susan Pollack (202-694-5251, pollack@ers.usda.gov) and Steven Zahniser (202-694-5230, zahniser@ers.usda.gov)

Fresh Apples

Policy Changes Resulting from NAFTA

United States. Prior to 1989, all apples entered the United States duty-free. There has been no change in this policy under the Canada-U.S. Free Trade Agreement (CFTA) and NAFTA.

Mexico. Prior to 1994, Mexico imposed a tariff of 20 percent on fresh apples. Import licenses were eliminated in 1991. As part of NAFTA, Mexico established a tariff-rate quota (TRQ) for U.S. apples. The TRQ was initially set at 55,000 metric tons, somewhat below pre-NAFTA levels, but it increases at an annual rate of 3 percent. The within-quota tariff is being phased out over the 9-year period that ends on January 1, 2003. Over-quota apples enter at the lower of Mexico's most-favored-nation (MFN) duty in 1993 (20 percent) or the MFN rate in effect when the over-quota apples are imported.

Phytosanitary certificates are required to export U.S. apples to Mexico due to concerns regarding oriental fruit moth and apple maggot. Both pests can inflict major damage to apple crops, as their larval stages feed on the flesh of the fruit and cause the fruit to rot internally. Most countries accept U.S. systems approaches for pest management as adequate protection against the threat of apple maggot. However, Mexico requires cold treatment for its imported fruit. At the beginning of the shipping season, Mexican inspectors examine the storage/treatment facilities to

ensure that temperature probes are approved and properly calibrated. After the cold treatment is over, treatment records are reviewed. Apples destined for Mexico are treated either at 32 degrees Fahrenheit for 40 days or at 37.9 degrees Fahrenheit for 90 days.

Due to this requirement, most U.S. apples exported to Mexico are marketed later in the season, when much of the Mexican harvest has already been sold. The 40-day treatment carries a greater risk of damage to the fruit, but it is attractive from a marketing perspective. Exports to Mexico must also be free of plant debris and soil. There is a maximum average tolerance of 2 leaves per box, which is more problematic for Golden Delicious apples than for Red Delicious apples. This requirement is unique to Mexico.

Currently, U.S. apple exports to Mexico are limited to apples from Washington State, Oregon, California, Idaho, Colorado, Utah, Michigan, New York, Pennsylvania, Virginia, and West Virginia, with the exception of any area regulated for fruit flies of quarantine importance. Within these areas, only storage/treatment facilities that have been inspected and cleared by Mexican phytosanitary officials may take part in the export program, which is expensive to producers. To date, only producers in Washington, Oregon, and Idaho have participated. Producers in these States are able to spread the costs of inspection over a large volume of apples. The Northwest apple industry is charged for the cost of the Mexican inspectors, who are in residence during the entire shipping season to monitor the program. The industry collects money from shippers throughout the season to pay for the phytosanitary requirements.

In November 1998, Mexico agreed to end its supervision of this inspection program. The State of Washington's Department of Agriculture and USDA's Animal and Plant Health Inspection Service (APHIS) will supervise the program, beginning with the 2001 harvest.

Canada. Prior to 1989, Canada did not levy a tariff on U.S. apples, and this policy has remained unchanged under CFTA and NAFTA. Canada generally restricts bulk sales in large, nonstandard containers such as bins or trucks, which makes trade more difficult for U.S. producers. Sales of apples in containers over 25 kilograms are prohibited, unless the Canadian government grants an easement. In October 1997, the Canadian Food Inspection Agency (CFIA) initiated a 2-year trial allowing inter-provincial shipments and imports of bulk fresh apples in bins with a net weight of up to

200 kilograms. In addition, the CFIA removed all weight restrictions for apples destined for processing. The test market for bulk fresh apples is still valid until the regulatory package is incorporated into the Fresh Fruit and Vegetable Regulation. The test market for processing apples was discontinued on April 27, 1998.

Apple Trade under CFTA and NAFTA

The United States is a net exporter of apples. In 2000, Mexico accounted for 19 percent of U.S. apple exports, and Canada purchased 13 percent. While Canada's share has been fairly constant under NAFTA, Mexico's share has slipped from a high of 21 percent in 1994. In 2000, U.S. apple exports to Mexico equaled \$102 million, 14 percent of total fruit and vegetable exports to that country. In the same year, U.S. apple exports to Canada totaled \$66 million, 4 percent of U.S. fruit and vegetable exports to Canada.

Mexico was far and away the largest market for U.S. apples in the 1999/2000 marketing season. U.S. exports to Mexico were almost double the volume of exports to Canada and Taiwan, the next largest foreign customers for U.S. apples. Mexico's removal of its import licensing requirement in 1991 was the first step towards increasing U.S. apple exports. As a result, U.S. apple exports to Mexico grew dramatically, from 12,027 metric tons in 1990 to 108,380 metric tons in 1993. In 1994, exports rose 29 percent to a record 153,003 metric tons. U.S. apple prices were quite low in 1994 due to a record crop, which helped to boost Mexican demand.

In 1995, U.S. apple exports to Mexico fell to 74,370 metric tons, as Mexican demand collapsed amidst various economic problems. Exports increased somewhat in 1996 and 1997, as economic conditions improved. However, this trade totaled only 87,837 metric tons in 1997, still below 1993 levels. Mexico imposed antidumping duties in September 1997, which reduced exports in the fall of that year. In March 1998, Mexico replaced these duties with a minimum price floor. U.S. apple exports to Mexico dropped another 22 percent in 1998, to 68,918 metric tons. Further reductions in the minimum floor price boosted exports to 132,105 metric tons in 1999 and 185,200 metric tons in 2000.

U.S. apple exports to Canada have increased under CFTA and NAFTA, even though this trade was duty-free prior to the two agreements. During the first 2 years of CFTA, exports grew substantially, from

47,101 metric tons in 1988 to 80,191 metric tons in 1990. Trade expanded at a slower pace during 1992-96, with exports ranging from 71,901 metric tons in 1992 to 82,449 metric tons in 1994. Over the last 4 years (1997-2000), exports have been relatively constant, averaging 91,304 metric tons per year.

U.S. apple imports from Canada have varied widely under CFTA and NAFTA, ranging from 37,193 metric tons in 1994 to 78,661 metric tons in 1996. During 1998-2000, this trade averaged 40,731 metric tons, reflecting the record-large U.S. apple crop in 1998 and above-average crops in 1999 and 2000. The United States imports few apples from Mexico.

Trade Issues

Canadian Antidumping Investigation. U.S. Red Delicious apples faced antidumping duties in Canada from 1989 until February 8, 2000 when the antidumping duty on Red Delicious apples was revoked. The original antidumping case expired in early 1994, but growers filed a new complaint. In October 1994, Revenue Canada made a preliminary determination that dumping was occurring and imposed temporary duties on Red and Golden Delicious apples from the United States. The final determination in January 1995 concurred with the preliminary finding. The Canadian International Trade Tribunal (CITT) found that there was material injury to the Red Delicious apple industry but not the Golden Delicious industry, so the antidumping duty on Golden Delicious apples was dropped. It is too early to tell how much the lifting of the antidumping duty has affected U.S. exports to Canada.

Mexican Antidumping Investigation. On March 6, 1997, Mexico initiated an antidumping investigation against U.S. apples. The Secretariat of Commerce and Industrial Promotion (SECOFI) made a preliminary determination of dumping and imposed a preliminary, compensatory import duty of 101.1 percent on Red and Golden Delicious apples, effective September 1, 1997. On March 19, 1998, the U.S. apple industry and SECOFI signed an agreement suspending this duty, and the U.S. industry agreed to comply with a minimum-price scheme. This minimum price is based on the 3-year weighted average of the Washington Growers Clearing House Association's freight-on-board price for those 2 varieties. Starting in 1999, the minimum price is adjusted every November 1, using the average of the 3 previous crop years. The

minimum price for 2001 (set in November 2000) is \$11.48 per standard 42-pound carton.

Alleged Non-Compliance with U.S. Labor Law. Mexican unions, along with the International Brotherhood of Teamsters, the United Farm Workers of America, and the International Labor Rights Fund, have filed a complaint against the U.S. apple industry, mainly in Washington State. The complaint alleges that the Washington apple industry does not comply with U.S. labor laws. The Teamsters and United Farm Workers are currently cooperating in efforts to unionize Washington fruit warehouse and fieldworkers. Many laborers in the Washington apple industry are Mexican or of Mexican descent.

This complaint marks the first time that Mexico has used the provisions of the North American Agreement on Labor Cooperation (NAALC)—NAFTA's labor accord—to allege violations of U.S. labor law. To deal with such complaints, the NAFTA labor accord specifies a lengthy 10-step process that offers numerous opportunities for the government against which a complaint is filed to resolve the issue satisfactorily. However, the accord provides for the imposition of stiff penalties, should this fail to happen. If a final ruling in the apple labor complaint should go against the United States, the U.S. Government could be fined and the U.S. apple industry could lose NAFTA tariff concessions.

The first hearing took place in Mexico City on December 2, 1998, before the Mexican National Administrative Office of the Labor Secretariat. This hearing led to the signing of a joint declaration by the U.S. Department of Labor (DOL) and the Mexican Secretariat of Labor and Social Welfare on May 18, 2000, to carry out ministerial consultations on this issue in accordance with the provisions of the NAALC. Hopefully, these consultations will result in the satisfactory resolution of the complaint.

Under the joint declaration, officials of both governments will meet to exchange information regarding the role of Federal and State agencies in the protection and promotion of the rights of migrant workers in the United States and to explore potential avenues of cooperation regarding the protection of migrant workers. In late May, DOL hosted a government-to-government session in Washington, D.C. to provide Mexican government officials information about the application of U.S. law. Topics that are to be discussed include union organizing and bargaining rights, the elimination of employment discrimination, minimum conditions of employment, and occupational safety

and health. In addition, DOL conducted public outreach sessions at various sites within the United States to educate migrant agricultural workers about their rights in the workplace, as well as public forums regarding agricultural-worker issues.

Discontent with the Mexican Inspection Process. Shippers in Washington State were unhappy with the cost of the phytosanitary inspection process. In 1998, they refused to sign the financial plan that authorizes payment for the Mexican inspectors in their State. There were no apple shipments to Mexico from October 1 until early November, when Mexico agreed to end its supervision of the phytosanitary program. Mexico and the United States agreed to a transition from Mexican inspectors to supervision by the State of Washington's Department of Agriculture and APHIS representatives, beginning with the 2001 harvest. Officials from both countries are continuing to iron out the details of this transition.

NAFTA's Impact on Apple Trade

NAFTA is one of several factors that boosted U.S. apple exports to Mexico over the last decade. Mexico's lifting of its import licensing requirements in 1991 was a major development, and continuing economic growth in Mexico following the painful recession of 1995 certainly has helped U.S. exporters. Resolving phytosanitary issues with Mexico ought to further boost this trade. However, a number of factors have worked to limit U.S. apple exports to Mexico, including antidumping duties and the minimum price arrangement described above.

CFTA and NAFTA have not had a direct influence on U.S.-Canada apple trade, since this trade was free of tariffs prior to the two agreements, although Canada did impose antidumping duties on U.S. Red Delicious apples from 1989 to February 2000.

Karen Ackerman and Agnes Perez (202-694-5255, acperez@ers.usda.gov)

Fresh Pears

Policy Changes Resulting from NAFTA

United States. The United States does not impose a tariff on fresh pears during the months of April, May, and June. Prior to 1995, the general U.S. tariff for other months was 1.1 cents per kilogram. Under the Uruguay Round Agreement on Agriculture (URAA),

this tariff was gradually reduced to 0.3 cents per kilogram over the 6-year period that ended on January 1, 2001.

Under NAFTA, the United States immediately eliminated its import tariff on fresh Mexican pears on January 1, 1994. With CFTA and NAFTA, the U.S. tariff on Canadian pears declined 10 percent per year until January 1, 1998, when it fell to zero. Under certain price and acreage conditions, the United States and Canada may implement a snapback to MFN tariff rates. This authorization expires in 2008.

Mexico. Prior to NAFTA, Mexico levied a tariff of 20 percent on U.S. pears. Under NAFTA, this tariff was immediately cut to 15 percent on January 1, 1994. The remainder of the tariff was phased out over the 4-year period that ended on January 1, 1998.

For U.S. pears to enter Mexico, a USDA phytosanitary export certificate must be obtained from APHIS. Before issuing this certificate, APHIS must confirm that oriental fruit moth and plum curculio, two pests that feed on the fruit, are not present. In addition, it must ensure that the pears come from Washington State, Oregon, or California and are not produced in areas regulated (quarantined) for fruit flies of quarantine importance. Shipments must be substantially free of leaves (a limit of 2 leaves per box) and debris. U.S. pear exports to Mexico are not required to be examined by Mexican inspectors in the United States.

Canada. Before CFTA, Canada levied a seasonal tariff on fresh pear imports of 3.31 cents per kilogram, but not less than 12.5 percent ad valorem. This tariff was imposed during the marketing season, but it could not be in effect for more than 24 weeks during any 12-month period ending March 31. For the purposes of the tariff, Canada was divided into three regions, and the timing of the tariff differed according to region. Under CFTA and NAFTA, the tariff declined 10 percent per year until it fell to zero on January 1, 1998.

Pear Trade under CFTA and NAFTA

The United States is a net exporter of pears. In 2000, Canada purchased 28 percent of U.S. pear exports, and Mexico bought 50 percent. In that year, the United States exported \$42 million of pears to Mexico, 6 percent of total U.S. fruit and vegetable exports to Mexico.

U.S. exports of fresh pears to Mexico began to grow rapidly in the late 1980's. From 1989 to 1993, these exports expanded from 20,784 to 38,653 metric tons. In 1994, they increased 68 percent to a record 65,112 metric tons. U.S. pear production for the fresh market reached record levels that year, and U.S. prices were very low, which probably contributed to strong Mexican demand.

In 1995, U.S. pear exports to Mexico dropped 61 percent, largely due to the recession that followed the peso crisis. Following 2 years of reduced exports, exports began rising in 1998 to a new high of 82,332 metric tons in 2000. Mexican pear exports to the United States are very small in number.

U.S. pear exports to Canada have increased during the CFTA-NAFTA era. Exports climbed from 51,093 metric tons in 1989 to 80,191 metric tons in 1990 and then ranged from 71,901 to 84,229 metric tons during 1991-96. Over the last 4 years (1997-2000), this trade has averaged 91,304 metric tons per year. U.S. pear imports from Canada are small in comparison. Between 1989 and 2000, they ranged from 68 to 837 metric tons.

Trade Issues

There have been no trade disputes involving fresh pears.

NAFTA's Impact on Pear Trade

Despite NAFTA tariff reductions, U.S. pear exports to Mexico fell sharply in 1995 due to the painful recession that followed the Mexican peso crisis of December 1994. However, this trade increased substantially with sustained improvements in the Mexican economy and the elimination of Mexico's tariff on U.S. pears. In 2000, U.S. pear exports to Mexico equaled 82,332 metric tons, 26 percent higher than in 1994, when Mexico cut its tariff on U.S. pears from 20 to 15 percent, and more than double their 1993 level.

Karen Ackerman and Agnes Perez (202-694-5255, acperez@ers.usda.gov)

Fresh Peaches

Policy Changes Resulting from NAFTA

United States. Peaches enter duty-free from December through May. At other times, imports are subject to a tariff. Before URAA, the general tariff was 0.4 cents per kilogram. Under URAA, the United States gradually reduced this tariff to 0.2 cents per kilogram over the 6-year period that ended on January 1, 2001.

Under NAFTA, the United States eliminated its duty on Mexican peaches. With CFTA and NAFTA, the tariff on fresh peaches from Canada declined 10 percent a year until it fell to zero on January 1, 1998. The United States and Canada each have a snapback to MFN tariff levels until January 1, 2008.

Mexico. Prior to 1994, Mexico charged a tariff of 20 percent on fresh peaches from the United States. Under NAFTA, Mexico immediately cut this tariff to 15 percent. The remainder of the tariff was phased out over the 4-year period that ended on January 1, 1998.

Canada. Prior to 1989, Canada charged a seasonal tariff of 6.61 Canadian cents per kilogram, but not less than 12.5 percent ad valorem, on U.S. peaches. The seasonal tariff applied during a specified period, which could not exceed 14 weeks in any 12-month period ending March 31. Under CFTA and NAFTA, this tariff declined by 10 percent a year until it fell to zero on January 1, 1998. Until January 1, 2008, Canada is entitled to invoke a snapback duty under special circumstances regarding import prices and Canadian peach production areas.

Fresh Peach Trade under CFTA and NAFTA

U.S. export data include fresh peaches and fresh nectarines in the same category. In 2000, the United States exported \$10 million of these fresh fruits to Mexico, 1.4 percent of total U.S. fruit and vegetable exports to Mexico. The volume of this trade reached 15,497 metric tons in 2000, just 4 percent shy of the 1994 record and up 147 percent from 1993. Fresh peach exports in 2000 consisted entirely of fruit destined for the fresh market.

In 1991, the United States exported 14,587 metric tons of fresh peaches and nectarines to Mexico, a record that lasted until 1994. In 1992, Mexico required methyl bromide fumigation of imported peaches

because of concerns about oriental fruit moth, and this trade dropped to 9,023 metric tons. During NAFTA's first 7 years (1994-2000), exports averaged 13,505 metric tons per year, surpassing the 1991 level in 1994, 1997, 1998, and 2000.

A portion of U.S. fresh peach exports to Mexico is utilized for processing. During the first 5 years of NAFTA (1994-98), the share of peaches destined for Mexico's fresh market plummeted from 79 percent of total U.S. exports of fresh peaches to 25 percent.

Methyl bromide fumigation has had a serious and lasting impact on U.S. peach and nectarine exports to Mexico. This treatment not only adds to the cost of the product, but it also lowers the quality and durability of the fruit. In 1995, the Mexican government required that its representatives be in residence in the United States to monitor the fumigation process, which further increased costs. In 1998, all U.S. peach exports to Mexico came from California. Producers in other States are eligible for the export program, but it is not profitable enough for them to participate. Not all producers have access to methyl bromide fumigation facilities. An area must have sufficient volume to justify the cost of having Mexican representatives in residence to monitor the fumigation process.

In 1997, Mexico accepted a systems approach for fresh peaches from California, as an alternative to methyl bromide fumigation. After finding a single oriental fruit moth in a regulatory inspection in July 1997, Mexico cancelled the program in 1998. Subsequent negotiations between U.S. and Mexican officials in 1999 and 2000 led to the continuation of the systems approach during the 1999 and 2000 seasons. After declining in 1998 and 1999, U.S. fresh peach exports to Mexico increased to 15,497 metric tons in 2000, an increase of 42 percent over the previous year's level. Although the systems approach has boosted U.S. peach exports, it is costly for U.S. growers and shippers.

In 1987, the U.S. cling peach industry began to export fresh peaches to Mexico City for processing there. Cling peaches are used almost exclusively for canned peaches. In 1992, the industry began shipping to a new canning facility just south of the U.S.-Mexico border. U.S. exports to Mexico of fresh peaches destined for canning increased every year from 1993 through 1998, with the exception of 1996. Even in 1995, when most exports to Mexico were affected by declining

consumer demand, exports of fresh peaches for canning continued to rise.

U.S. cling peach exports to Mexico for canning ended abruptly in 1999. In November 1998, Mexico dropped a preliminary compensatory duty of 43.51 percent on Greek canned peaches after finding no evidence of dumping of Greek canned peaches. The current duty for canned peaches from Greece is 23 percent. This lower duty coupled with the already low price of Greek peaches encouraged the Mexican firm to drop its processing of peaches and to import canned peaches from Greece instead.

Mexico exports few peaches to the United States, and this trade takes place almost exclusively during April. Currently, exports are limited to those from the fruit-fly-free zone in Sonora. These exports are highly variable. During 1989-93, Mexican exports of fresh peaches and nectarines to the United States ranged from 37 to 197 metric tons. During 1994-2000, they averaged 128 metric tons per year, ranging from zero in 1994 to 283 in 1998.

U.S. exports of fresh peaches and nectarines to Canada averaged 45,874 metric tons per year during 1989-2000 and equaled 50,134 metric tons in 2000. Through 1998, U.S. peach exports to the Canadian province of British Columbia had to be fumigated with methyl bromide, but no Canadian inspectors reside in the United States to monitor the inspection process. For the 1999 season, a pilot program was developed for shipping peaches and other stone fruit to British Columbia under a systems approach that does not require fumigation. Imports from Canada are much smaller in volume and highly variable, ranging from 187 metric tons in 1994 to 3,110 metric tons in 1990 and averaging 607 metric tons per year during 1989-2000.

Trade Issues

Aside from the phytosanitary problems discussed above, there have been no trade disputes involving peaches.

NAFTA's Impact on Peach Trade

NAFTA tariff reductions have had a positive effect on U.S. peach exports to Mexico, but other factors have had a greater impact. First, the opening and closing of a peach-canning plant just south of the U.S.-Mexico border exerted a tremendous influence on this trade. Peach exports destined for processing increased 784

percent from 1993 to 1998 and then ended abruptly in 1999, with the closing of the plant.

Second, Mexico's phytosanitary requirements have raised the costs for U.S. producers and shippers, making fresh peach exports to Mexico from some parts of the United States uneconomical. However, the implementation of a systems approach for California peaches appears to have boosted U.S. peach exports to Mexico. Considering only peaches destined for the fresh market, U.S. exports to Mexico fell 22 percent between 1993 and 1998, but this trade almost recouped its 1994 high of 16,227 metric tons in 2000.

Karen Ackerman and Linda Calvin (202-694-5244, lcalvin@ers.usda.gov)

Avocados

Policy Changes Resulting from NAFTA

United States. Prior to 1995, the United States levied a general tariff of 13.2 cents per kilogram on avocados. Under URAA, this tariff was reduced to 11.2 cents per kilogram over the 6-year period that ended on January 1, 2001. Under NAFTA, the United States is reducing its tariff on Mexican and Canadian avocados over the 9-year period that ends on January 1, 2003. For 2001, the U.S. tariff for Mexican avocados equals 2.6 cents per kilogram.

Mexico. Prior to 1994, Mexico's general tariff on avocado imports was 20 percent. Under NAFTA, the tariff for U.S. avocados is being phased out and will reach zero on January 1, 2003.

Canada. Prior to 1989, Canada did not impose a tariff on avocado imports. There have been no changes in this policy under CFTA and NAFTA.

Avocado Trade under CFTA and NAFTA

From 1914 to 1993, the United States prohibited fresh avocado imports from Mexico due to phytosanitary concerns. Since 1993, Mexico and the United States have implemented a series of measures designed to permit freer trade in fresh avocados while adequately addressing phytosanitary concerns. In July 1993, the United States began to allow Mexico to ship fresh avocados to Alaska year-round. Then, on January 31, 1997, APHIS approved a rule that allows the importation of Hass avocados from certain growers in the Mexican state of Michoacán to certain parts of the

United States during the months of November through February. Approved U.S. destinations for this trade are the District of Columbia and 19 States east of the Mississippi River: Connecticut, Delaware, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, Virginia, West Virginia, and Wisconsin. The months from November through February were selected because cold weather in the approved destinations would likely kill any pests that slipped through pest control safeguards. This time period precedes the peak harvest of California Hass avocados. The first imports under the new regulations began in November 1997.

Trade Issues

Under the APHIS systems approach, Mexican avocado imports must meet stringent pest-control requirements in production, packing, and transportation to minimize the risk of introducing pests to the United States that could threaten the health of U.S. avocado groves. Mexican producers apply a country-of-origin sticker to each avocado, indicating the phytosanitary number of the packinghouse and a statement that distribution be limited to the approved destinations. Avocados entering the United States are shipped in sealed refrigerated vehicles. In the first year of the program, no pests of concern were found in groves approved for the export program. However, there have been a few compliance problems since 1997. A small portion of Mexican avocados shipped to the authorized destinations was later shipped outside the restricted area. The volume of Mexican avocados out of compliance was estimated to be less than 1 percent of Mexican exports in 1999 and 2000. Firms found guilty may be fined up to \$250,000, but most cases have been settled. With the lack of pest interception thus far, the Mexican government has requested to expand market access to additional northern-tier states that do not contain host material for any avocado-specific pests and have climatic conditions that do not support the establishment of fruit flies. They also have requested to extend the shipping season.

NAFTA's Impact on Avocado Trade

In 2000, the United States imported \$21 million of fresh avocados from Mexico, less than 1 percent of total U.S. fruit and vegetable imports from that country. In the first 12 months of the export program (November 1997 through February 1998), U.S. imports of fresh avocados from Mexico totaled 6,031 metric tons, about 20 percent of the volume of Hass

avocados shipped from California during the same period. In calendar year 2000, imports from Mexico equaled 13,135 metric tons, more than double that amount. Mexican avocados have claimed an increasing share of U.S. avocado imports, 20 percent in 2000 compared with 6 percent in 1992. Also, total U.S. avocado imports have increased from 3 percent of total avocado supplies in 1992/93 (utilized domestic production plus imports) to 32 percent in 1999/2000. Meanwhile, U.S. avocado exports to Canada dropped from 5,310 metric tons in 1993 to 790 metric tons in 2000, as the relative strength of the U.S. dollar makes Mexican avocados more attractive to Canadian importers.

Karen Ackerman and Agnes Perez (202-694-5255, acperez@ers.usda.gov)

Grapes

Policy Changes Resulting from NAFTA

United States. In accordance with URAA, the United States gradually reduced its tariffs on grapes over the 6-year period that ended on January 1, 2001. Currently, the MFN tariff is zero during April, May, and June, \$1.80 per cubic meter from July 1 to February 14, and \$1.13 per cubic meter from February 15 to March 31.

Under CFTA, the United States gradually reduced its tariff on Canadian grapes 10 percent a year, until it fell to zero on January 1, 1998. Under certain conditions, the United States has the option of implementing a snapback to MFN tariff levels. This provision expires on January 1, 2008. Under NAFTA, the United States immediately eliminated its tariffs on Mexican grapes on January 1, 1994.

Mexico. Prior to 1994, Mexico levied a tariff of 20 percent on imported grapes and required import licenses for fresh table grapes. Under NAFTA, Mexico eliminated the import licenses and replaced them with tariffs. The tariff for October 15 to May 31 was immediately eliminated on January 1, 1994. The tariff for the rest of the year is being reduced from 20 percent to zero in equal increments over the 9-year period that ends on January 1, 2003. For 2001, the tariff for the June 1 to October 15 period is 4 percent. Currently, imports from the United States must originate in areas of California without fruit-fly quarantine.

Canada. Prior to 1989, Canada imposed a seasonal tariff of 2.21 Canadian cents per kilogram on grapes. Under CFTA, the tariff declined 10 percent a year until it fell to zero on January 1, 1998. Snapback provisions apply until January 1, 2008. Under NAFTA, Canada gradually eliminated its seasonal tariff on Mexican table grapes over the 4-year period that ended on January 1, 1998.

Grape Trade under CFTA and NAFTA

The United States is a net importer of grapes. Most grape imports come from Chile during the U.S. off-season. Mexico is the second largest source of imports and generally ships grapes to the United States during May and June, with smaller amounts in early July. Imports from April 20 through August 15 must meet the standards of a California grape marketing order that establishes minimum maturity requirements. In 2000, U.S. grape imports from Mexico totaled \$142 million, 6 percent of total U.S. fruit and vegetable imports from Mexico.

The California grape industry ships fresh table grapes from June through January, but the volume in June is very small. In 2000, Canada was the largest export market for U.S. grapes, Hong Kong was second, and Mexico was third. That year, U.S. grape exports to Mexico were valued at \$38 million, 5 percent of total U.S. fruit and vegetable exports to Mexico. Exports to Canada equaled \$113 million, 4 percent of total U.S. fruit and vegetable exports to that country.

U.S.-Mexico trade in table grapes has increased steadily in both directions since 1989. In 1993, the U.S. and Mexican governments agreed to new phytosanitary standards for grape trade. U.S. exports to Mexico climbed from an average of 5,125 metric tons during 1991-93 to an average of 31,698 metric tons during 1998-2000. U.S. imports from Mexico also rose in the 1990's. Imports averaged 93,142 metric tons per year during 1998-2000, compared with 40,419 metric tons during 1991-93.

U.S. exports of table grapes to Canada have generally decreased since 1990. These exports fell from an average of 112,105 metric tons per year during 1991-93 to an average of 88,841 metric tons per year during 1998-2000. U.S. imports of Canadian grapes are small and erratic. They grew to 5,910 metric tons in 1999, but dropped back to 4,447 metric tons in 2000. Most imports from Canada enter in September.

Trade Issues

Mexican Labeling Rule. In 1997, the Mexican government issued a rule concerning the labeling of grapes. In addition to domestic Mexican labeling, the rule required a country-of-origin label in Spanish for imported grapes. Initially, Mexico required U.S. shippers to apply the label, an idea that California shippers strongly resisted. Eventually, the rule was revised to allow either the U.S. shipper or the Mexican importer to apply the label. The grape industries in California and Sonora worked together to get this rule revised.

U.S. Antidumping Petition. On March 30, 2001, the Desert Grape Growers League and its producer-members filed a petition asking that the U.S. International Trade Commission (ITC) conduct an antidumping investigation under Section 731 of the Tariff Act of 1930 regarding spring table grapes from Chile and Mexico. The ITC rejected the petition.

NAFTA's Impact on Grape Trade

Prior to 1994, Mexican grapes entered the United States duty-free from April through June. NAFTA eliminated tariffs for the rest of the year, making this trade duty-free year round. During 1989-93, Mexican grape exports to the United States during the July-to-March period averaged only 5 percent of annual exports. During the first 5 years of NAFTA (1994-98), that trade constituted 17 percent of the total. In 1999 and 2000, that share fell back to 7 percent and 5 percent, respectively, of U.S. table grape imports from Mexico.

The opening of trade under NAFTA, specifically Mexico's end of its licensing requirement, was very important to U.S. grape exporters. Eliminating the Mexican tariff on U.S. exports during the fall also helps the U.S. industry, as do aggressive market promotion efforts.

Karen Ackerman and Agnes Perez (202-694-5255, acperez@ers.usda.gov)

Cantaloupe

Policy Changes Resulting from NAFTA

United States. Prior to 1995, the United States levied a general tariff of 20 percent on cantaloupe during the period of August 1 to September 15 and 35 percent during the rest of the year. However, from the mid-1980's through 1992, the United States frequently

exempted fresh cantaloupe imported between January 1 and May 15 from the applicable general tariff. Under URAA, the United States gradually reduced its general tariffs on cantaloupe to 12.8 percent for August 1 to September 15 and to 29.8 percent during the rest of the year. These reductions occurred over the 6-year period that ended on January 1, 2001.

Under CFTA and NAFTA, the United States gradually reduced its tariff on Canadian cantaloupe by 10 percent a year, until the tariff reached zero on January 1, 1998. NAFTA includes a snapback to MFN tariff levels under certain conditions until January 1, 2008.

Under NAFTA, the United States is phasing out its tariff on Mexican cantaloupes imported during the period from August 1 to September 15. This transition is occurring over the 9-year period that ends on January 1, 2003. The tariffs for May 16 to July 31 and September 16 to November 30 are being gradually eliminated over the 14-year period that ends on January 1, 2008. The tariff for December 1 to May 15 was immediately eliminated on January 1, 1994. For 2001, the tariffs for May 16 to July 31 and for September 16 to November 30 equal 16.33 percent, and the tariff for August 1 to September 15 equals 4 percent.

Mexico. Prior to 1994, Mexico levied a 20-percent tariff on imported cantaloupe. Under NAFTA, Mexico is matching or exceeding the pace of the U.S. phase-out of its seasonal tariffs. Upon NAFTA's implementation, Mexico immediately eliminated its tariffs on U.S. cantaloupe for December 1 to May 15 and for August 1 to September 15. The tariffs for the rest of the year are being gradually eliminated over the 9-year period that ends on January 1, 2003. For 2001, the tariffs for May 16 to July 31 and for September 16 to November 30 equal 4 percent.

Canada. Canada did not levy a tariff on cantaloupe prior to 1989, and this policy has remained unchanged under CFTA and NAFTA.

Cantaloupe Trade Since NAFTA

The United States is a net importer of cantaloupe. During the 1990's, imports have averaged 24 percent of supply, compared with 13 percent during the 1980's. This increase is due to stronger off-season demand for fruits and vegetables, some of which is linked to the popularity of fruit and salad bars. Per capita use of cantaloupes reached 11.8 pounds per person in 1998,

up from 9.2 pounds in 1990 and 5.8 pounds in 1980. For cantaloupe and other melons, this expanded off-season demand can only be served by imports. While growth in domestic production kept pace with population growth during the 1980's and 1990's, imports increased 156 percent.

Almost all cantaloupe imports enter the United States between November and June. During this period, Mexico is a major supplier. In 2000, Mexico accounted for 27 percent of U.S. cantaloupe imports and was the only source of these imports during June and July. The nations of the Caribbean Basin Initiative (CBI) accounted for almost all of the remaining 73 percent. Cantaloupe from CBI countries enters the United States duty-free.

Cantaloupe imports from Mexico generally have increased since NAFTA's implementation but have only reached levels common to the early 1990's in the last several years. In 1992 and 1993, some cantaloupe-producing areas in Mexico suffered adverse weather conditions, and it took several years for the industry to recuperate. The United States imported 68,275 metric tons of Mexican cantaloupe in 1993 and a record 196,968 metric tons in 1999, compared with the previous record of 163,641 metric tons in 1991. In 2000, imports dropped to 136,064 metric tons, with a value of \$49 million.

U.S. cantaloupe exports to Canada have increased almost without interruption under CFTA and NAFTA. In volume terms, these exports have increased from 27,602 metric tons in 1989 to 67,890 metric tons in 2000, while the value of this trade has climbed from \$7 million to \$29 million. Canada accounted for 96 percent of total U.S. cantaloupe exports in 2000.

Trade Issues

There have been no trade disputes involving cantaloupes.

NAFTA's Impact on Cantaloupe Trade

U.S. tariffs on cantaloupes for the periods of May 16 to July 31 and September 16 to November 30 are being phased out over a 14-year period. This is the longest transition period specified by NAFTA. Between 1993 and 2000, Mexican cantaloupe exports to the United States increased 99 percent, but exports were extremely low in 1993 due to bad weather in Mexico and relatively low in 2000. NAFTA and URAA tariff changes alone were expected to increase

these exports by 17-25 percent. Had only URAA been implemented, these exports were predicted to increase by 5 percent. The large increase in Mexican exports is primarily due to the recovery of the Mexican cantaloupe industry.

Between 1993 and 2000, U.S. cantaloupe exports to Canada increased 35 percent in volume. Holding other factors constant, NAFTA and URAA tariff changes were expected to increase these exports 4-7 percent. Had only the URAA tariff changes been implemented, these exports would have increased 1 percent.

*Steven Zahniser (202-694-5230,
zahniser@ers.usda.gov)*

Watermelon

Policy Changes Resulting from NAFTA

United States. Prior to 1995, the United States levied a general tariff of 20 percent on watermelons. Under URAA, the United States gradually decreased the tariff for December 1 to March 31 to 9 percent and the tariff for the rest of the year to 17 percent. These reductions occurred over the 6-year period that ended on January 1, 2001.

Under NAFTA, the tariff for the main U.S. production period (May 1 to September 30) is being phased out over the 9-year period that ends on January 1, 2003. The tariff for the rest of the year was eliminated immediately on January 1, 1994. For the May-September period, the United States introduced a TRQ, initially set at 54,400 metric tons for 1994. The quota grows 3 percent over the 9-year transition period and then is eliminated altogether. Over-quota imports from Mexico are subject to the lower of the MFN rate in place on July 1, 1991, or the current MFN rate. For 2001, the TRQ for the May-September period is 66,905 metric tons, and the over-quota tariff equals 4 percent.

Under CFTA and NAFTA, the United States reduced its tariff on Canadian watermelon 10 percent per annum until the tariff was eliminated on January 1, 1998. A snapback provision to MFN tariff levels applies to U.S.-Canada watermelon trade under certain conditions until January 1, 2008.

Mexico. Before NAFTA, Mexico levied a 20-percent tariff on watermelons. With NAFTA, this tariff is limited to the same period (May 1 to September 30) as

the U.S. tariff. The Mexican tariff is to be phased out over the 9-year period that ends on January 1, 2003. For 2001, the tariff equals 4 percent.

Canada. Canada had no tariff on watermelon prior to 1989. This policy has remained unchanged under CFTA and NAFTA.

Watermelon Trade Since NAFTA

Since NAFTA's implementation in 1994, Mexico has supplied 92 percent of U.S. watermelon imports. Imported watermelon dominates the U.S. market from October through April, but imports from Mexico are largest during April and May when the U.S. season is just getting underway. In 2000, U.S. watermelon imports from Mexico equaled 107,821 metric tons, with a value of \$48 million.

Mexican watermelon production suffered a decline in the early 1990's, with exports to the United States reaching a low of 81,763 metric tons in 1992. Over the next 5 years, exports increased steadily, peaking at 209,372 metric tons in 1997. Since then, this trade has declined steadily to its current level in 2000. Mexican exports to the United States during the months of the TRQ (May to September) have never filled the quota, and in 1999 and 2000, Mexican exporters completely avoided shipping watermelons to the United States during the months in which the TRQ is in force. Canada exports few if any watermelons to the United States.

The catalyst for this import growth is stronger demand in the U.S. market. During 1994-98, U.S. per capita

watermelon consumption averaged 13 percent higher than during 1989-93. This increase partially reflects strong industry promotion, but it may also be due to greater availability of new seedless watermelon varieties, which appear to be popular with consumers.

Under CFTA and NAFTA, U.S. watermelon exports to Canada have increased almost without interruption, with 97 percent of all U.S. watermelon exports went to Canada during 1989-2000. Over this period, U.S. watermelon exports increased in volume from 37,882 metric tons to 130,365 metric tons, while the value expanded from \$5 million to \$35 million over the same period. The expansion of this trade is particularly noteworthy, since this trade was duty-free long before the implementation of the two agreements. Very little U.S. watermelon is exported to Mexico, generally less than 1 percent of the U.S. crop.

Trade Issues

There have been no trade disputes involving watermelons.

NAFTA's Impact on Watermelon Trade

Between 1993 and 2000, U.S. imports of Mexican watermelon increased 122 percent in volume, but in 1993, the United States imported an unusually small volume of watermelons. There are no discernible impacts on producers due to NAFTA, since most import volume occurs during the U.S. off-season.

*Steven Zahniser (202-694-5230,
zahniser@ers.usda.gov)*