

# Perish the Thought!



## *Don't miss out on the hottest commodity trends in the United States*

By M.B. Sutherland

If you're over 40, you probably remember the days of eating pretty much the same groups of fruits and vegetables at the same time each year. Eating a strawberry in the winter only happened if you were spreading strawberry jam on toast—while mention of a 'kiwi' usually earned a puzzled look.

The unprecedented globalization of the produce industry has brought a wide array of fruits, vegetables, herbs, and ethnic cuisines to virtually the entire developed world, and spurred progress in many developing countries as well. Better growing, packing, and shipping methods have given buyers and sellers new access to many commodities, while increased wealth and new trade agreements have increased the flow of fresh produce around the world. With so much rapid change, knowing the "WHATs"—what's up, what's down, and what's coming—can be the difference between success and failure in today's international marketplace.

For North America, the aptly named North American Free Trade Agreement (NAFTA) has been a game changer since inception in 1994. Beyond stimulating trade between the United States, Canada, and Mexico—which has tripled, NAFTA also helped boost fresh produce consumption in the United States and Canada. This increase is borne out by a recent USDA trade outlook forecasting a \$5 billion drop in overall U.S. agricultural exports for

2014—except in fresh fruit and vegetables—which are expected to top \$8 billion, with perishable exports to both Canada and Mexico expected to rise.

### **TRACKING TRENDS**

While technology has certainly helped more fruits and vegetables make their way around the globe, trade agreements and seasonal production—counter to U.S. and Canadian growing months—have stimulated market growth. Some analysts and suppliers, however, believe trends are less influenced by trade accords or technological breakthroughs than by demographics and better educated consumers.

Bill Weyland, vice president of imports at New Jersey-based Seven Seas Fruit, believes trade and consumer factors operate simultaneously. "We, as a country, have the luxury of a good variety of products twelve months a year," he commented. "If someone wants a good plum or grape in January, we know it has to come from Peru or the Southern Hemisphere. If I'm a consumer and I don't like the peaches from Chile, I won't buy the peaches, but I may buy plums. If you don't have a good experience, there's a plethora of varieties to go to and have a good experience."

Vicente Zambada, sales manager at Fresh Packing Corporation in Los Angeles, agrees that consumers "are getting a lot pickier about quality because they have more to choose from.

My job as an importer is to take responsibility for my customers," he says, which entails making sure variety and quality are both available on a regular basis.

The growing popularity of ethnic foods and changing consumer palettes are also playing a role. According to the U.S. Department of Agriculture (USDA) Economic Research Service, U.S. fruit imports rose during the last three decades, partly due to growing minority ethnic populations and to increased demand for new products.

Zambada points to items like jalapeno peppers, a commodity that's been around for many years, but was little known. "Pretty much everybody sells them nowadays," he says, adding that other Hispanic staples such as habaneros and tomatillos have also been entering the mainstream.

Dr. Roberta Cook, faculty member in the Department of Agricultural and Resource Economics at University of California, Davis agrees pointing out that it's not just population shift, but widespread adoption of new cuisines that are changing. "Consumers are exposed to (new cuisines) in restaurants, etc., and many people acquire them as part of their consumption habits, so ethnic trends go way beyond ethnic populations." A prime example is the avocado boom. Cook points to the confluence of trade agreements, shifting population, publicity campaigns, and efforts by growers as the

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perfect set of circumstances that led to the enormous popularity we see today.

Zambada says that retailers and foodservice are also making a difference in which formerly unusual commodities are becoming better known. "A good example is the shishito pepper," he says. "It's like a Japanese chili pepper, used at sushi restaurants as an appetizer. It's pretty tasty and a lot more people are being introduced to these peppers, which is how they become more popular."

For vegetables, Cook estimates about 75 percent of trade is intra-NAFTA, flowing in all directions between the United States, Mexico,

and Canada. She attributes this to a simple matter of proximity, which is fortunate given such high perishability. "With adjacent land borders, we can ship by truck as opposed to putting it on a boat."

## WHAT'S HOT & WHAT'S NOT

### HOT Exports

Analysts from the USDA cite U.S. exports of apples, cherries, cauliflower, and potatoes as experiencing the most significant growth over the last decade. As mentioned previously, Canada accounts for over a third of all shipments; other major markets

include Mexico, Japan, Hong Kong, Taiwan, and South Korea.

Top commodity performers, especially apples and potatoes, are longtime staples of American diets, though consumption tends to fluctuate domestically. Apple consumption and worldwide production, however, are both on the rise and have steadily increased: production rose from 60.3 million metric tons for the 2008-09 season to 67.5 million metric tons for 2012-13 and global consumption climbed from 46.8 million metric tons to 54.9 million metric tons for the same period.

Like apples, grapes are another major export category and expected to climb by 3 percent this year, due in part to the recent trade agreement between the United States and South Korea. The United States is a top exporter, with 380 million metric tons shipped in 2012, but is a distant second to Chile. Chile's extended growing season, optimum soil, and weather conditions helped propel the country's shipments to 850 million metric tons as of December 2012.

In exporting grapes to Asia, the United States and Chile face stiff competition from China, the proximal favorite, which also happens to be the world's number-one producer (though most are consumed domestically). Also vying for an increasing slice of the grape export pie is South Africa, having made significant strides in both production techniques and marketing.

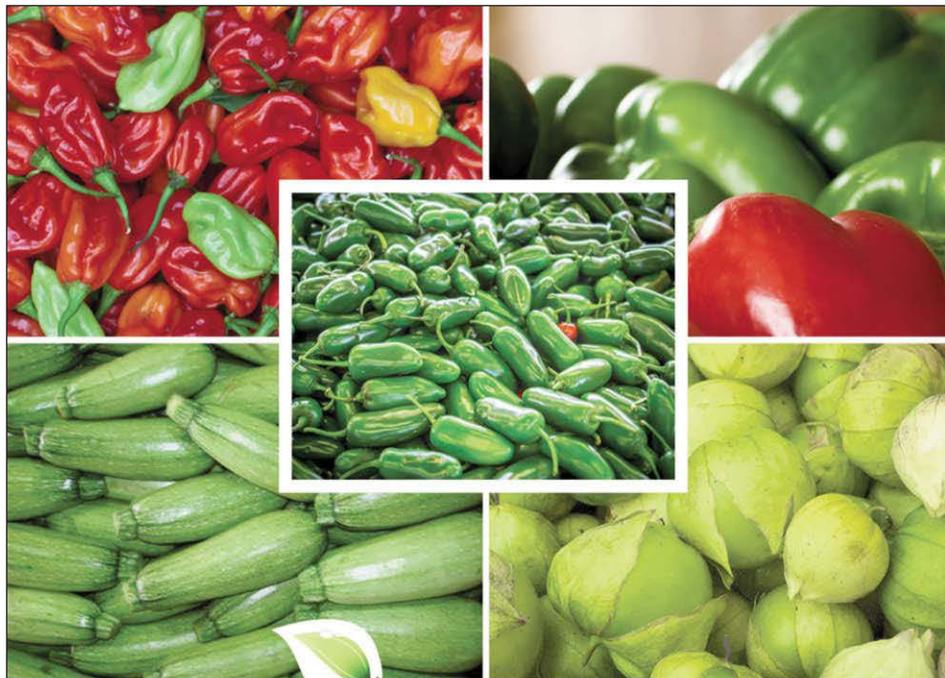
### HOT Imports

#### Fruit

For the United States, imports of both conventional and tropical fruit including apples, avocados (botanically a fruit, though often treated as a vegetable), berries, bananas, grapes, pineapples, mangos, and kiwis, continue to climb.

As more Americans incorporate tropical fruits into their diets, suppliers have turned to the Southern Hemisphere for these commodities, since Florida and California growers have limited acreage and insufficient product to satisfy demand.

In the True North, apples and grapes are among the top fruit imports. Canada's apple imports rose from 173 million metric tons to an estimated 250 million metric tons for the 2012-13 season. Although grape imports have fallen over the last few years, Canada is the world's fourth largest



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Although grape imports are a significant slice of the U.S. import pie, like Canada, shipments have tapered off in the last few years—with the European Union edging out the U.S. as the world's top grape importer. For 2013, however, the United States is expected to reclaim the title as demand is again climbing, led by major regional and national marketing initiatives.

Overall, most U.S. fresh fruit imports come from Mexico, valued at more than \$2 billion annually, with increases averaging 5 to 8 percent each year. Chilean fruit shipments, on the other hand, rose sharply to \$1.24 billion for 2012-13 season, climbing 23.8 percent over the previous year.

### Vegetables

While various fruits may seem to be the flashier part of the fresh produce supply chain, they are dwarfed by vegetable imports and sales. Top imports include tomatoes (again, botanically a fruit, but classified as a vegetable), peppers, cucumbers, carrots, lettuce, cauliflower, and broccoli, as well as garlic and herbs. Mexico is again the U.S.'s largest supplier, exporting more than \$3 billion in annual shipments. Second is Canada, with shipments worth \$655 million, followed by China at \$129 million—though China's surge represents a major expansion in trade, rising by 37.6 percent over the 2011-12 season.

Despite the maneuvering related to the Tomato Suspension Agreement, tomatoes remain the top vegetable import from Mexico. Cook says breakthroughs in protected agriculture, ranging from simple plastic tunnels or shade houses to high-tech greenhouses, have completely changed tomato growth and availability in both Mexico and Canada, and have stimulated investment in Mexico from around the world.

Since greenhouse production is expensive for Canada during the winter months, temperate climates in Mexico allow growing year-round. "Holland developed all this technology," Cook said, but explained that the country's own industry was stagnating, "so they're exporting the technology around the world." The same, she notes, is true with a number of countries pouring money into Mexican protected growing operations: "France, Israel, Spain—everybody is putting money into Mexico."

### Faltering: Commodities & Shifting Demand

While there are many "hot" commodities in both the import and export realm, others have waxed and waned over the last few years. For example, the United States is a top exporter of tree fruit, but seasonal imports of peaches, pears, and citrus continue to fall.

Just as consumers are enthused about avocados, the opposite is occurring with citrus in the United States and pears in the European Union. Cook says U.S. consumers are "not eating more citrus as a whole" and grapefruit consumption, in particular, is

declining. A few decades ago, she notes, grapefruit was lauded for its health benefits and a major part of several diet fads. More recently, consumers have found alternatives with similar health benefits—which goes hand-in-hand with the availability of other fruits or vegetables. "On the fruit side," Cook notes, "there is a much greater diversity in the number of countries we're importing from."

In the case of pears, European consumption is predicted to drop by 15 percent in 2013, its lowest level in seven years according to the USDA's Foreign Agricultural Service. Much is due to changing consumer preferences, with

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shoppers opting for other types of fruit, including exotics previously unavailable. This erosion, represented not only in consumption but in planted acreage and exports as well, is more than offset in the world market by Argentina (the world's leading exporter), China, and Turkey. Additionally, South Africa has gained a foothold in the export market, and continues to experiment with faster-ripening pears for select markets.

### THE NEXT BIG THING?

Current trade analysis puts apples, grapes, and oranges (including tangerines) as the

U.S.'s top three exports, with combined sales averaging over \$1.5 billion annually, representing roughly half the value of all fresh fruit exports. Chasing the top three, however, is fresh berries, with strawberry and blueberry exports having more than tripled in the last decade, valued at more than \$500 million annually.

Blueberries, especially, are a rising star with production and consumption surging, due in part to publicity hailing their high antioxidant levels. Weyland confirms an increase in blueberry acreage and production in the Southern Hemisphere, and a recent

*Wall Street Journal* article recently asked readers, "What's the Next Berry?"

Cook also agrees, saying there has been "huge growth in the berry industry," but cautions against lumping all berries together as a category. "Each berry is very different," she explains, noting that growing regions and seasonality vary among berry types. Cook sees similarities to the avocado boom in the opportunities that exist for strawberries and blueberries in promotions by berry councils like the California Strawberry Commission and the U.S. Highbush Blueberry Council. "They're convenient to eat and the health benefits are receiving more attention year after year." An added bonus is almost year-round availability due to global trade accords.

### CONCLUSION

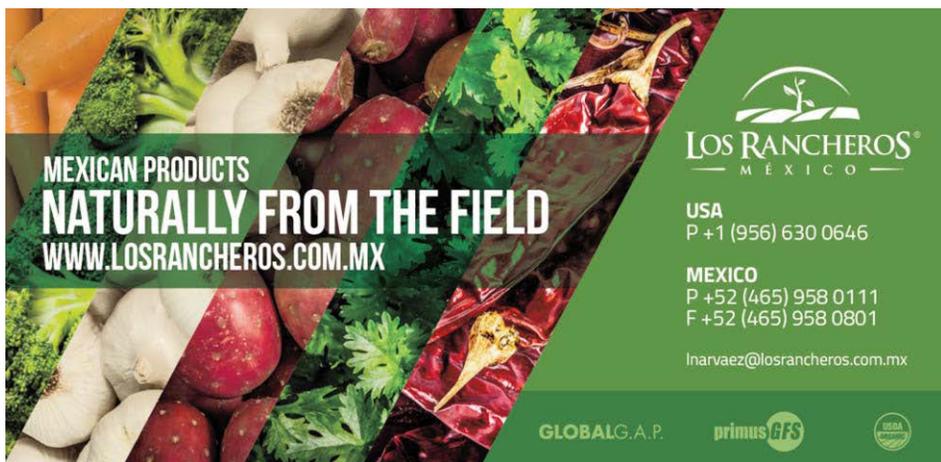
In the end, trends in importing and exporting will depend on many factors, chief among them evolving consumer demand and pricing. Growers and sellers in the United States and Canada, as well as many top exporting countries, no longer think in regional or national terms, but of international exposure for their products.

Weyland believes this to be true; he finds "producers and growers are looking at their businesses globally," analyzing markets for future trends, and deciding whether or not a particular product will be well received in a favorable light by consumers both domestically and in other countries.

But all marketing plans can be a moot point when supply is interrupted, for one reason or another. For example, Chile's thriving fruit industry was disrupted in late 2013 by damaging frosts in September. Chilean exporters had plenty of demand but not nearly enough supply after prime growing regions for cherries, blueberries, stone fruit, and grapes were hard hit.

Chile's misfortune, however, opened the door to other exporters like Ecuador and Peru to take advantage of the situation. Savvy retailers were able to steer shoppers away from tight supply items to other varieties or entirely new commodities like mangos, star fruit, or mamey sapote. In the end, the line between what's hot and what's not can be a bit fuzzy, like the difference between a peach and a nectarine. **BP**

M.B. Sutherland is a Chicago-based freelancer with twenty years experience writing for business and news publications.



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