



March 10, 2020

U.S. House of Representatives  
Committee on Agriculture  
Subcommittee on Livestock and Foreign Agriculture  
Room 1301, Longworth House Office Building  
Washington, DC 20515-6001

Re: U.S. Agricultural Trade: Stakeholder Perspectives

Good morning Chairman Costa, Ranking Member Mr. David Rouzer and distinguished members of the subcommittee. Thank you for the opportunity to provide comments on the importance of certainty in export markets and the stability that trade mitigation programs bring to the stone fruit industry.

My name is Brian Keavy and I have been the Vice President of International Marketing for Kingsburg Orchards for the past 12 years. Kingsburg Orchards is a fifth-generation family-owned farm that grows over 10,000 acres of fresh fruit which includes peaches, plums, and nectarines (collectively known as stone fruit). We are located in the heart of California in the San Joaquin Valley. The stone fruit industry's gross sales are valued at approximately \$800 million per year. Annually, Kingsburg Orchards exports on the average 10% of our 10-11 million boxes to over 25 countries. Our season begins in April and runs through December. We employ 150 full time workers and around 6,000 seasonal workers.

The stone fruit industry needs certainty in our export markets. Reducing and eliminating trade barriers to expand market access is essential to the health and future of the industry. Exports typically account for 20% to 40% of total crop value. This revenue has become more important to us over the last ten years, as the industry has contracted. Due to the labor-intensive nature of stone fruit farming, costs have increased significantly over the same period. Thus, securing premium export markets which have strong profit potential is critical for the stone fruit industry's success.

Chinese consumers prefer premium fruit such as Kingsburg Orchard's high-quality plums, so China has been an important market for us since 2014. Currently, plums are the only stone fruit that have been granted market access to China, but they have been subjected to several rounds of retaliatory tariffs which have resulted in a total current tariff of 55%. Additionally, all U.S. fruit imports are subject to a 15% Value Added Tax (VAT), adding 70% to the cost for importers. This drastic increase in the tariffs has resulted in a significant reduction in shipments to China as is indicated in the chart below.

CA Plum Exports to China (Direct and Transshipped)	2014	2015	2016	2017	2018	2019
Actual Dollars (US\$ Millions)	\$10,961,068	\$13,598,046	\$19,008,674	\$23,473,776	\$6,494,994	\$5,245,941

Sources: dataweb.usitc.gov, trade estimated transshipment through Hong Kong

Phase 1 of the U.S. – China trade deal was a positive step forward for the stone fruit industry. China committed to increasing purchases of U.S. agriculture products by \$32 billion over two years, (\$12.5 billion above the corresponding 2017 baseline of \$24 billion in 2020 and \$19.5 billion above the baseline in 2021). China also agreed to negotiate a phytosanitary protocol in order to grant market access for California nectarines, among other commodities. Achieving market access for nectarines presents a highly lucrative opportunity for Kingsburg Orchards as many Chinese consumers have seen our nectarines in Hong Kong or Taiwan already. Our importers are confident that nectarines will be highly regarded once we begin shipping them.

As a result of Phase 1, China also announced that it would offer importers an opportunity to apply for exclusion from the Section 301 tariffs which would provide some price relief and facilitate its commitment to purchase more U.S. goods. As a result, we do expect an increase in shipments for the 2020 season. We would anticipate further reduction of tariffs in a Phase 2 deal would result in an even larger increase in exports.

Establishing markets requires significant investment and effort on the part of stone fruit industry members. Forming and maintaining relationships with importers and retailers, as well as developing consumer demand in the various regions of the Chinese market is no small achievement. During the last two shipping seasons, importers have replaced California plums with Spanish plums or fruit from other export markets. Consumers have become accustomed to these competing products. The stone fruit Industry estimates that it will take three to four years to re-establish themselves once the tariffs revert to 2017 levels.

Trade mitigation programs stabilize the market for our industry members while export barriers are being addressed. We understand that it takes some time to level the playing field. When a market as important as China closes, we must find alternatives to remain competitive in the interim. The trade mitigation purchases helped relieve the pressure brought on by the increased tariffs and it is our hope that these programs will continue if the additional tariffs remain in place.

Thank you for the opportunity to provide these comments on behalf of the California stone fruit industry.

Sincerely,

Brian Keavy  
Vice President of International Marketing, Kingsburg Orchards