



Western Pistachio Association

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September 15, 2009

Ms. Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the United States Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Dear Ms. Blue:

Attached is the submission of the Western Pistachio Association in response to the Notice requesting comments on the Korean Free Trade Agreement that appeared in the July 27, 2009 *Federal Register*.

Sincerely,

Richard Matoian

Comments Concerning Free Trade Agreement with the Republic of Korea
Docket Number USTR–2009–0020
Trade Policy Staff Committee
Office of the United States Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Written Submission of the Western Pistachio Association
Regarding the Market Access of
U.S. Pistachios - HTS numbers 0802.50.20.00, 0802.50.40.00 and
2008.19.30.20

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Submitted: September 15, 2009

Comments Concerning
Free Trade Agreement with the Republic of Korea

**Submission of Western Pistachio Association Regarding the Market
Access of U.S. Pistachios – HTS Numbers 0802.50.20.00, 0802.50.40.00
and 2008.19.30.20**

The Western Pistachio Association (WPA) appreciates the opportunity to submit comments to the U.S. Trade Representative with respect to the free trade agreement between the United States and the Republic of Korea, as discussed in the Notice which was published in the *Federal Register* on July 27, 2009 (74 *Fed. Reg.* 37084).

I. BACKGROUND

The Western Pistachio Association (WPA) is a trade association representing pistachio growers throughout the U.S. areas for commercial production of pistachios, which are Arizona, California, and New Mexico. The WPA is a grower-led organization overseen by an 18-member board of directors with representation from each of the three States of production. These Directors are elected by the WPA membership; WPA permits all sizes and types of growers to participate in industry decisions. WPA is a voluntary association that was formed in 1989 (its predecessor, the California Pistachio Association, was created in 1980) to serve growers in all U.S. pistachio producing states. The WPA website is: www.westernpistachio.org.

Throughout its existence, the WPA worked on various projects in conjunction with the California Pistachio Commission (CPC), which was a quasi-State government grower organization funded by mandatory grower assessments. In 2007, the CPC was terminated through a grower referendum. The WPA is now the sole trade association for U.S. pistachio growers.

In addition to the WPA, there are four other democratically administered organizations, each of which services a specific interest area of pistachio growers and/or processors:

- 1) The Administrative Committee for Pistachios
- 2) The California Pistachio Board
- 3) The California Pistachio Export Council
- 4) The California Pistachio Research Board

The U.S. pistachio industry has increased in size significantly since its beginnings thirty years ago. Total production rose from 4.5 million pounds in 1977 to 415.7 million pounds in 2007. During that same period, the crop value grew from \$4.7 million to \$586 million. In 2007, approximately 40.7% of U.S. pistachios were consumed domestically, while 59.3% were exported. The 2009 crop is expected to yield approximately 425 million pounds.

II. RESPONSE TO INQUIRIES IN NOTICE

As requested in the July 27, 2009 notice, the WPA submits the following information:

(1) EFFECTS ON PISTACHIO TRADE OF THE FTA IMPLEMENTATION

WPA strongly supports the FTA with Korea. Once implemented, the FTA with Korea should provide a significantly enhanced market for U.S. pistachios. Korean consumers favor U.S. pistachios. The country has a mature marketing and distribution system for pistachios, both in shell and shelled. Knowledge of the Korean consumer's preference for U.S. pistachios has been established through industry marketing trips to Korea. Once the pistachio tariff is removed, it is believed the per capita consumption in Korea will be very high compared to other established foreign markets for U.S. pistachios.

WPA also supports implementation of the FTA so that U.S. pistachio growers can share the nutritional benefits of pistachios with Korean consumers. One of the core WPA programs is nutritional research and promotion. In addition, the U.S. Department of Agriculture has stressed the importance of nuts as part of the food pyramid to promote a healthy diet. On behalf of all U.S. pistachio growers, WPA wants to promote and share the healthy benefits of pistachios in key export markets such as Korea.

(2) ECONOMIC BENEFITS OF KOREAN TARIFF REMOVAL

While the U.S. industry has been exporting pistachios to Korea for approximately the last decade, the volume of those exports has been greatly hindered by high tariffs. Currently, the tariff on raw inshell and raw shelled pistachios (HTS 0802.50.20.00 and 0802.50.40.00) is 30% ad valorem, and the tariff on roasted pistachios (HTS 2008.19.30.20) is 45% ad valorem. On average, over the period 2002-2007, Korea imported approximately 700,000 lbs from the U.S. annually with a value of approximately \$1.4 million. With the elimination of the tariffs, it is believed that Korea will eventually represent at least a \$10 million market for U.S. pistachios. This will mean a multi-fold increase in the size of the market.

It is evident that such a significant increase in export volumes to Korea would greatly *benefit* U.S. growers and their employees. This economic benefit would then be passed on into the local communities where U.S. pistachios are grown, and the benefits would be multiplied several times over. Full development of the Korean market could also lead to additional investments being made in the U.S. pistachio industry, which would lead to an increase in employment and all of the economic benefits associated with such new jobs.

For the reasons stated above, Korea has been identified as a potentially important market for some of the U.S. pistachio industry's projected increase in production over the next five to ten years. Today there are 120,000 acres of pistachios in production in the U.S. and approximately another 80,000 acres have been planted but are not yet bearing. Furthermore, a percentage of the bearing acres are in their early stages of production and have not reached maturity. (Pistachio trees reach maturity in twelve years. The trees typically start producing after six to seven years, but it is not until year ten to twelve when a positive cash flow is achieved; it normally requires 17 years to obtain a return on capital.) Exports are an important means of providing pistachio growers and processors a fair return on their investment. The Korean market in particular is believed to offer a very important opportunity for the sale of U.S. pistachios.

WPA does not envision that there are any *costs* that would be experienced by U.S. growers and workers from removal of the Korean tariffs; all results would be on the plus side to the local and U.S. economies.

(3) ADDITIONAL STEPS TO ADDRESS SPECIFIC CONCERNS

WPA especially appreciates that the Chairman of the Trade Policy Staff Committee (TPSC) has posed the question of whether there are any additional steps that one or both governments should take to address specific concerns regarding the FTA.

There is a most important area of implementation of a FTA or administration of tariffs that WPA has been involved in through its work with other export markets for pistachios. These are technical issues, but they are of extreme importance: they are the issues of how imports into a given country are *invoiced* and how the *country of origin is designated*. Unfortunately, there have been serious and long-standing practices of under-invoicing and false country of origin designation of pistachios in other countries, especially pistachios from Iran. It is no coincidence that Iranian pistachios pose the main competition to U.S. pistachios in almost all export markets, since the U.S. and Iran are the two leading producers in the world of pistachios.

Unfortunately, an FTA is of little or no value to U.S. pistachio growers and processors if the benefits of the FTA are wrongfully provided to Iran. To ensure against such a result, the Korean authorities will have to be aggressively vigilant about enforcing all import

requirements, even those which are technical in nature. Without such vigilance, the potential free trade benefits from the Korean FTA will never be seen by the U.S. pistachio industry.

Once the Korean FTA is implemented, WPA respectfully requests that USTR work with the U.S. pistachio industry to *insure* that the intended benefits of the FTA are fully realized. For its part, WPA will fully cooperate with USTR and other governmental authorities in this endeavor.

III. CONCLUSION

Korean consumers have shown a very strong demand for pistachios, and the U.S. pistachio industry can fill that demand if the tariff is eliminated and requirements with respect to importation of product are fully enforced by Korean authorities. The U.S. industry will then be able to sell its product in the Korean market at a competitive price; provide the supply desired by Korean consumers; and in turn keep the domestic industry viable and growing.

Again, WPA stands ready and eager to assist the USTR in any way it can to ensure that the potential of the Korean FTA is fully realized. WPA greatly appreciates this opportunity to provide comments to USTR.