

Fruit and nut exporters have prospered under tariff reductions offered by the U.S.-Korea Free Trade Agreement (KORUS), which U.S. President Donald Trump has described as a "horrible deal".

Late last month the leader of the world's largest economy indicated KORUS renegotiations were already underway, generally focused on opportunities for U.S. carmakers and allegations Korea has been dumping steel on the U.S. market.

"We are renegotiating a trade deal right now as we speak with South Korea, and hopefully it will be an equitable deal - it will be a fair deal to both parties," Trump was quoted as saying on news site *Hani.co.kr*.

With a US\$27.7 billion trade deficit with the East Asian country under consideration, a US\$676 million fruit trade surplus probably isn't the top consideration.



Nonetheless, the produce sector has undeniably benefited from KORUS with fruit and nut exports jumping from US\$494.5 million in 2011 - the year prior to the FTA coming into effect - to US\$713 million in 2016, making Korea the USA's fifth-largest market.

Nut exports rose by 57% over the period to reach US\$278.9 million last year, including a doubling of almond exports to US\$168 million and a 10% rise in shelled walnut shipments to US\$93.3 million.

Prior to KORUS, U.S. almond shippers were charged an 8% tariff but now they can send their crop tariff-free, while in walnuts the rate used to be 30%, dropping to 5% this year and it will be tariff-free in 2018.

The leading fresh fruit export is citrus, a category that has seen 25% growth to reach US\$226.3 million last year, of which the majority (US\$180.6 million) came from fresh

oranges, while grapefruit and lemon exports have also benefited at levels of US\$10.5 million and US\$18.9 million respectively.

Both grapefruit and lemons used to have a tariff of 30% in the market but now they both have zero-tariff frameworks for exports to South Korea, but the system for oranges is a bit more complicated.

Within certain quota levels U.S. orange exporters can ship to South Korea tariff-free from September to February, but after that it hikes up to pre-FTA levels of 50%.

If exporters want to send oranges to the market between March and the end of August, it's currently tariff-free within the quota and 5% outside the quota, although next year there will be zero tariffs for anything sent in this period.

U.S. cherry exporters have been big winners under KORUS with shipments almost tripling since 2011 to hit US\$104.8 million in sweet cherries last year, and US\$9.1 million in sour cherries.

Cherries used to have tariffs of 24% but now they are tariff-free.

Other commodities that have seen strong upticks in Korea-bound exports have been table grapes (+56%; US\$37.4 million), frozen potatoes (+84%; US\$97.6 million), fruit juice (+29%; US\$52.5 million) and fresh vegetables (+50%; US\$25.5 million).

U.S. imports

South Korea's produce exports to the U.S. are very low in comparison, at US\$35.9 million last year in the fruits and nuts category, and US\$20.6 million in vegetables.

But while these figures may not be high, they still make the U.S. Korea's number one fruit export market (just ahead of Taiwan), while in vegetables the U.S. is the country's third-largest market.

Since KORUS was enacted, South Korea's fruit exports to the U.S. have gone up by 20% while vegetable shipments have more than doubled.

Fresh pears make up the lion's share in the fruit category at US\$29.5 million, but the tariff change hasn't been too dramatic for the crop.

Previously, any Korean pears shipped from early April to late June had zero tariffs, while

outside these dates there was a tariff of 0.3 cents per kilogram - a condition that was removed in 2012.

South Korea's exports of "other vegetables" to the U.S. have gone up by half to US\$10.4 million.

Photos: www.shutterstock.com

www.freshfruitportal.com