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California Avocados Granted China Market Access

The California Avocado Commission's 15-year journey to secure market access for California avocados in China has finally been completed. As part of the U.S. and China Phase I Trade Agreement, both countries committed to finalizing the California Avocado Trade Protocol by May 15, 2020. On April 17, 2020, the California Avocado Protocol was signed, and within a few more weeks a list of certified California packers for export to China was published in China, officially allowing trade.

In 2005, the Commission initiated the lengthy process with the United States Department of Agriculture's (USDA) Animal Plant and Health Inspection Service (APHIS). Upon receiving the Commission's formal request, APHIS then entered the negotiation process with China's government toward a trade agreement. The process ideally is limited to focusing on identifying phytosanitary pests of concern that could be introduced into the importing country. Once both countries agree on a list of pests, then a trade protocol is developed to mitigate the potential for introduction of the pests. Sounds rather straight forward, but unfortunately the political dynamics helped cause significant delays.

With the long process for market access completed, the real journey now begins. Based on a market assessment the Commission conducted in 2016, marketing for California avocados in

China would likely focus on Beijing, Shanghai and Guangzhou. At that time those three cities had a combined total of more than 100,000 millionaires. The market for avocados in China is relatively small but has seen exponential growth over the last few years since their introduction.

The Commission is committed to staying focused on the U.S. market and our top-tier retail and foodservice partners, but the opportunity in China may provide some complementary benefits. In talking with packers who are already in China with fruit from other countries of origin, they believe the market for California avocados will be during our early season. This could help provide a relief valve for some smaller sized fruit, creating a lift to our pricing in the U.S. market as the season starts.

With this year's season well underway, it is unlikely much California fruit will be shipped to China. In addition, under the current trade situation avocados — along with almost all commodities — face steep tariffs, somewhere around 60%. It is a possibility the United States and China will remove or reduce tariffs in the upcoming negotiations, but nothing is certain.

At this point the Commission will begin to work with packers interested in the China market to help them identify possible promotional opportunities and make appropriately timed marketing decisions based on the above referenced factors. Through the USDA's Market



Ken Melban meets with retailers in Shanghai, China.

Access Promotion (MAP) program, the Commission has received funding the last three years for trade promotions in South Korea and Japan. If the Commission is awarded MAP funding for next year, some of those monies could potentially be used in China. It will all depend on market conditions and the likely best return for growers.

Ultimately, it is better to have the option for trade with China and not utilize it than to miss an opportunity for lack of access. As we are just now able to ship to China, it will take some time to determine if that market proves to be a valuable addition to California's portfolio. We know based on our own research and the experience of other brands that U.S. brands, and California specifically, have tremendous name recognition in China. California products are recognized as premium and are highly valued in China, two attributes that fit very well with our California avocado brand strategy. Ultimately, the Commission remains laser focused on pursuing all possibilities to see the best possible return for California's avocado growers. Stay tuned. 🥑