

Competition in the fruit and vegetable market: Why is Florida losing the battle to Mexico?

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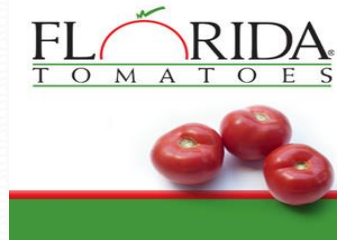
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Outline

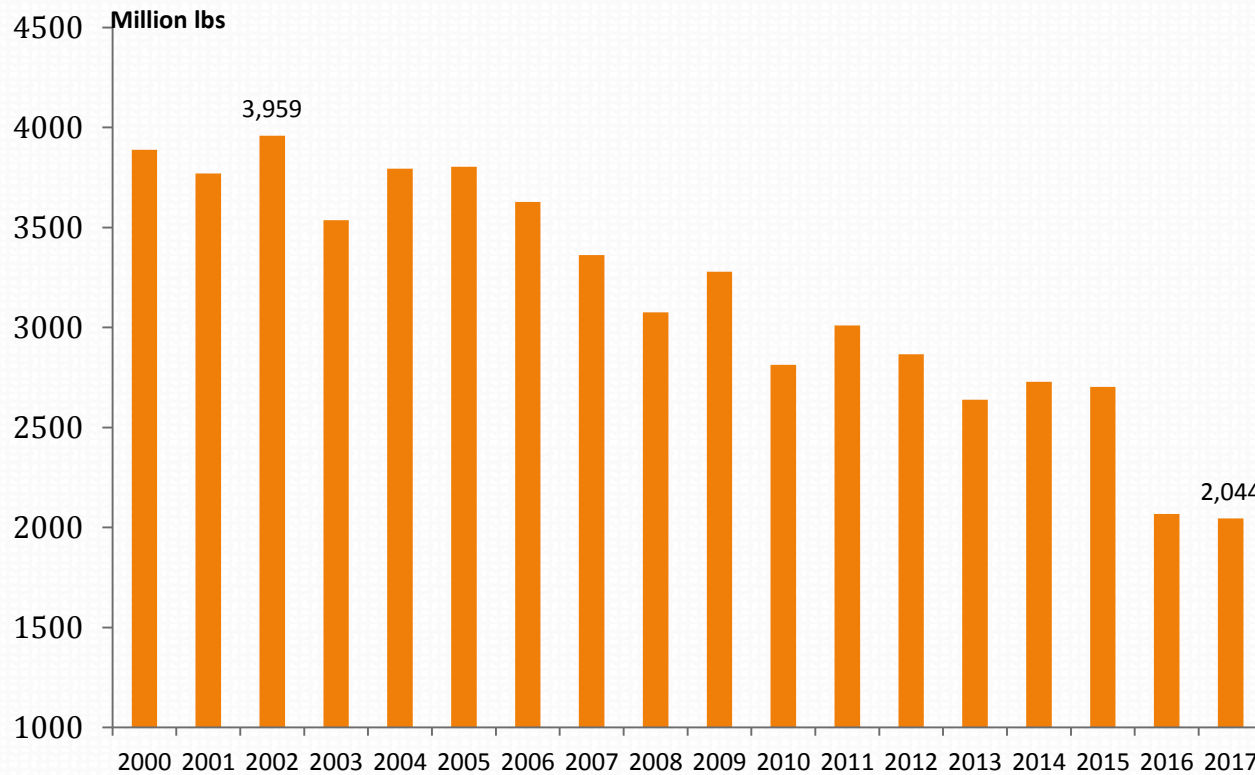
- Industry overview
- Mexican competition
- What's driving import growth?
- Areas to work on
- Conclusions

Overview

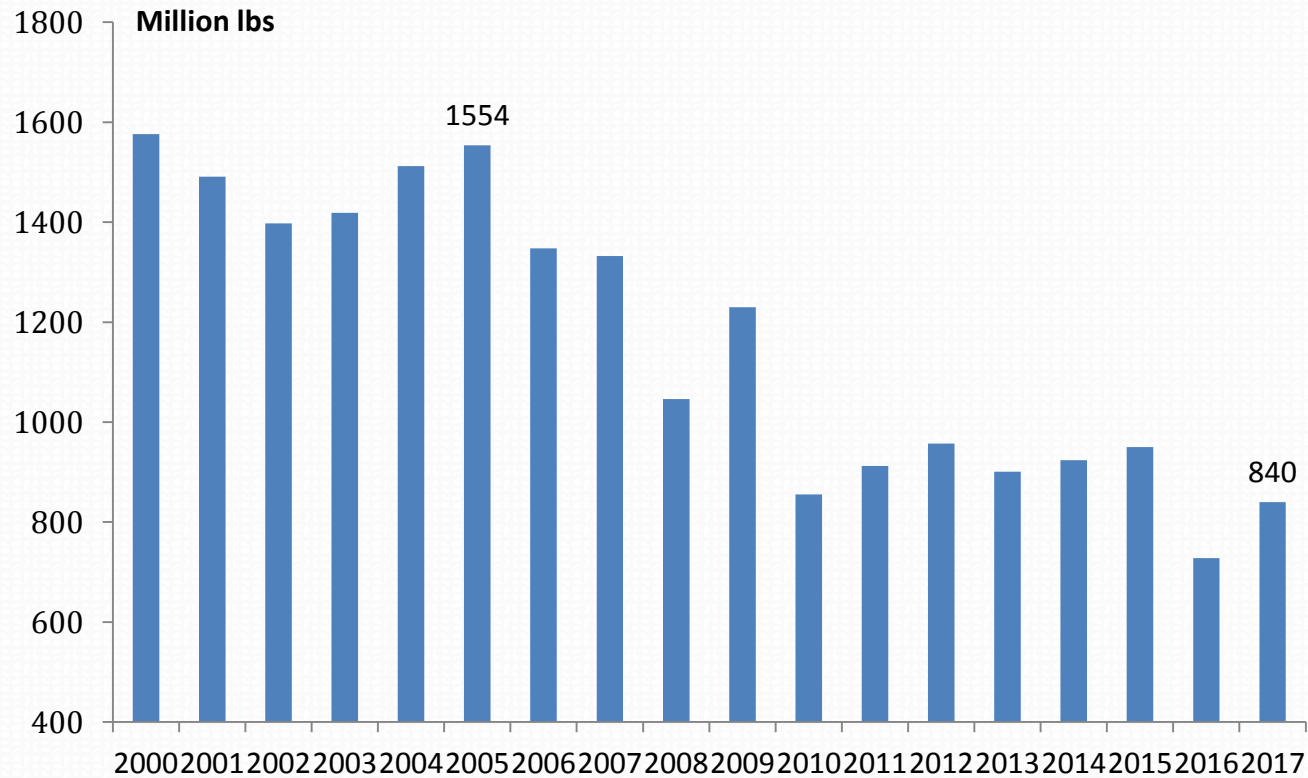
- Florida fresh tomatoes: #1 in total value, >50% in 2005, 36% in 2015
- Strawberries ranked #2, in both production and value #1 in winter strawberry



U.S. Fresh Tomato Production

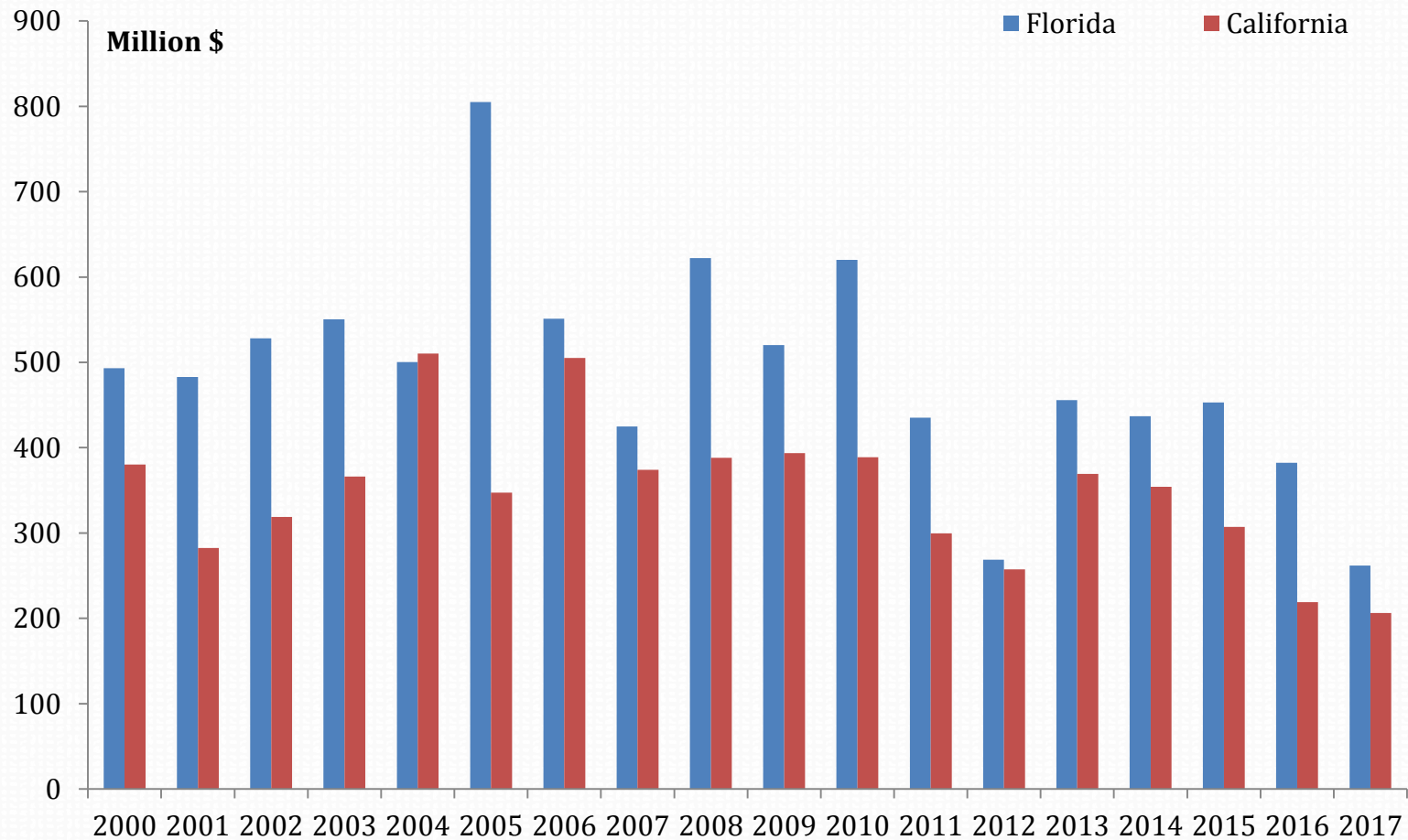


Florida Fresh Tomato Production



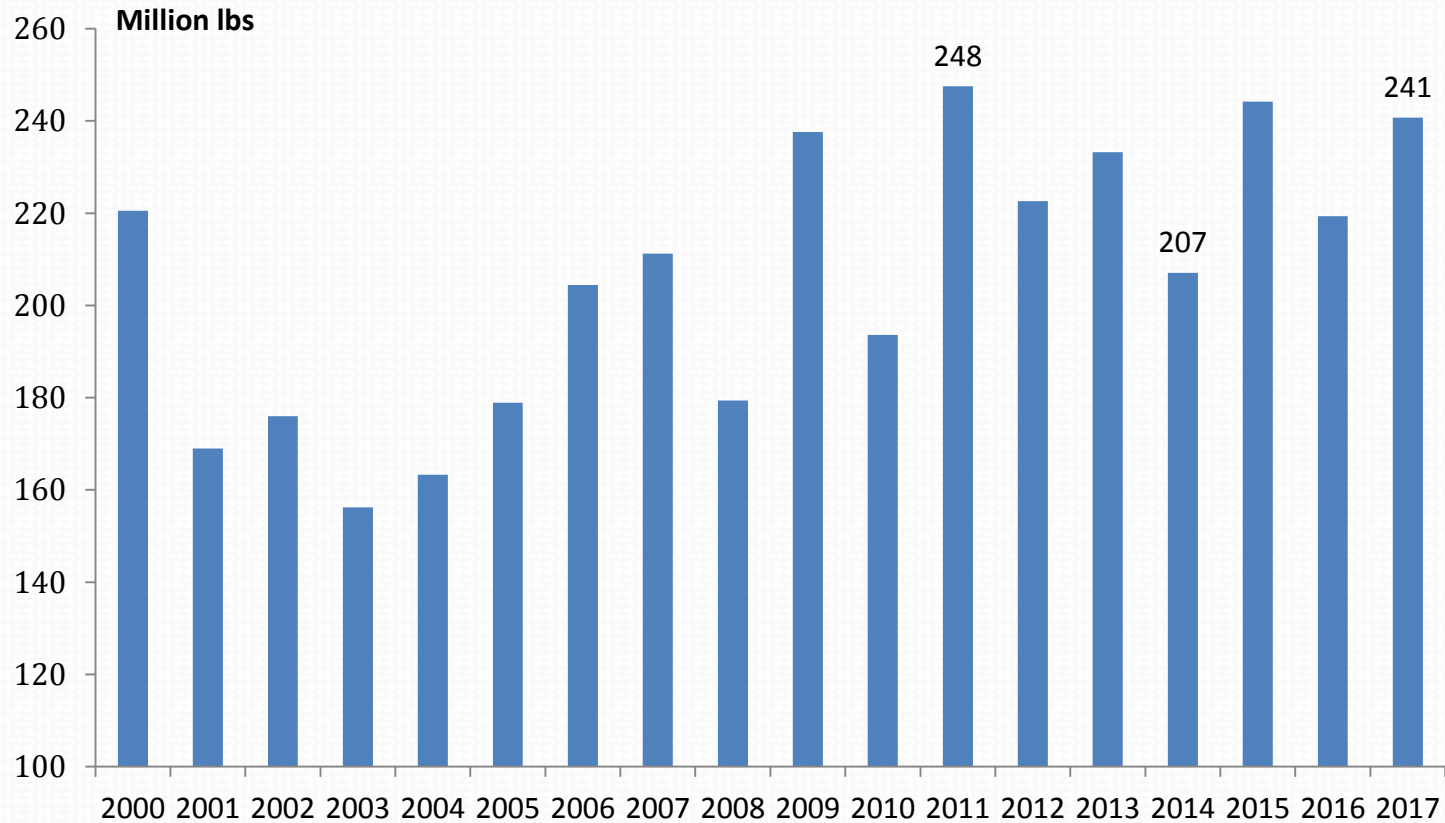
Source: U.S. Dept. of Agriculture, National Agricultural Statistics Service

US Fresh Tomato Value



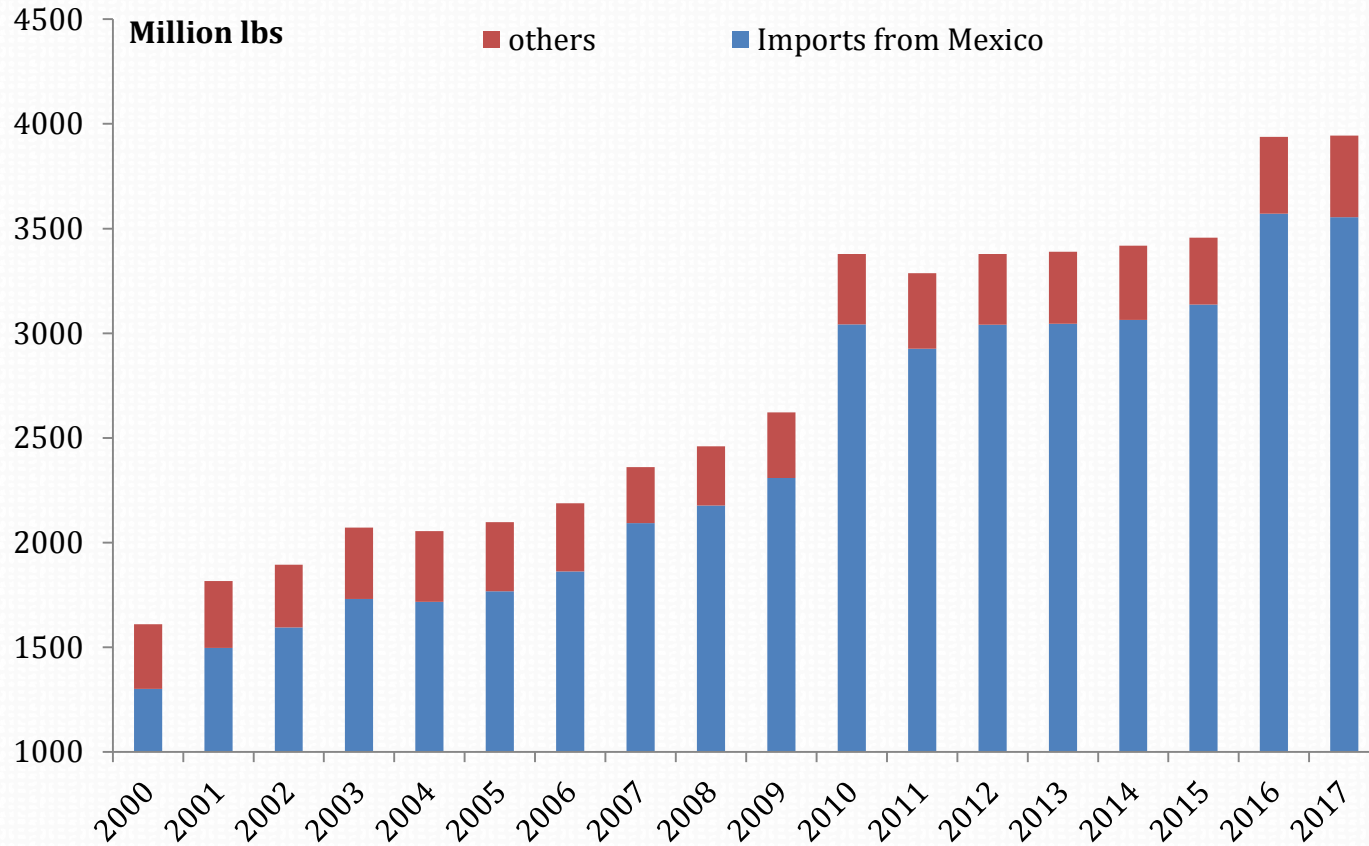
Source: U.S. Dept. of Agriculture, National Agricultural Statistics Service.

Florida Strawberry Production

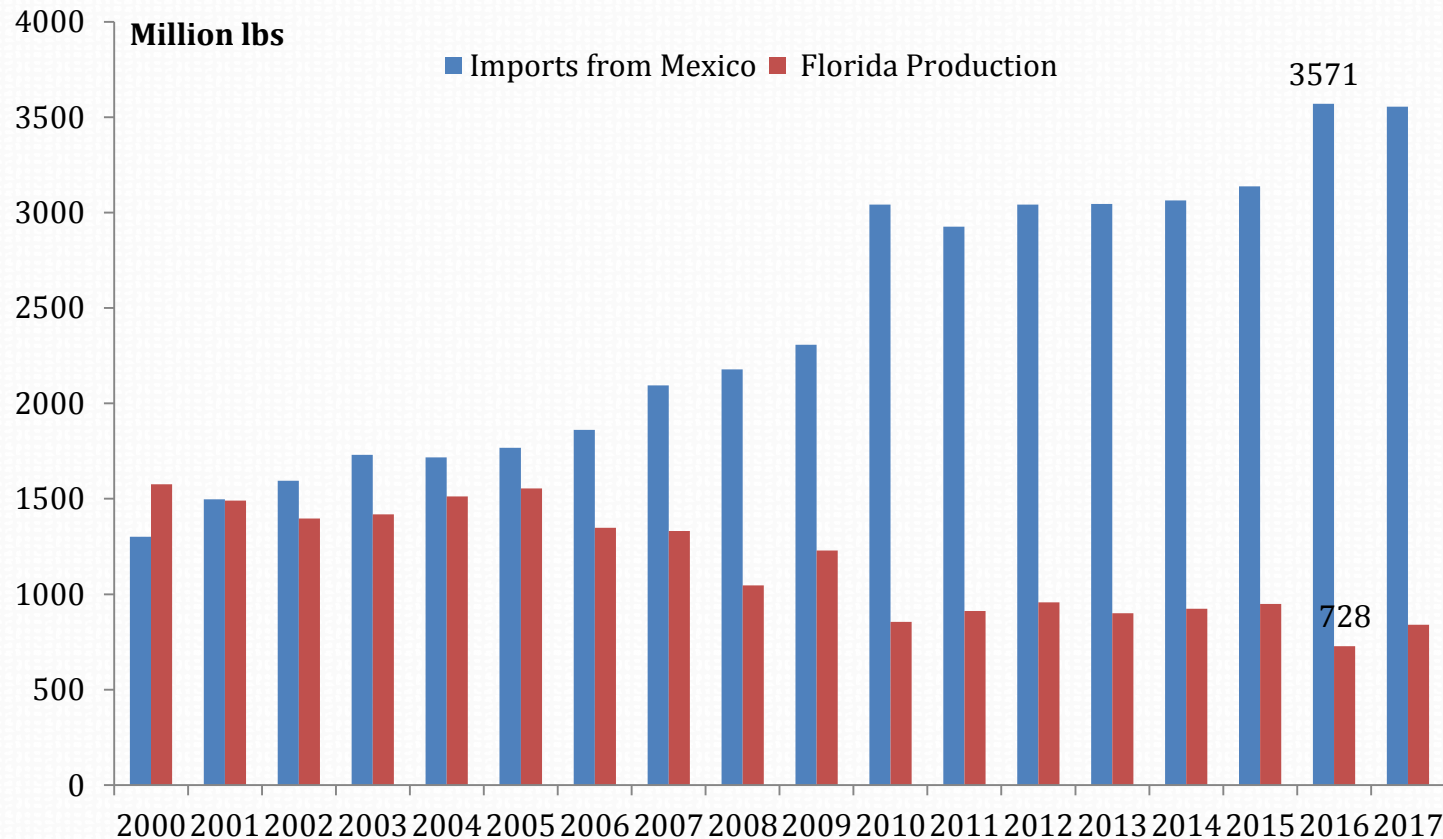


Source: National Agricultural Statistics Service (NASS), USDA

Mexican tomato imports account for >90% of total imports

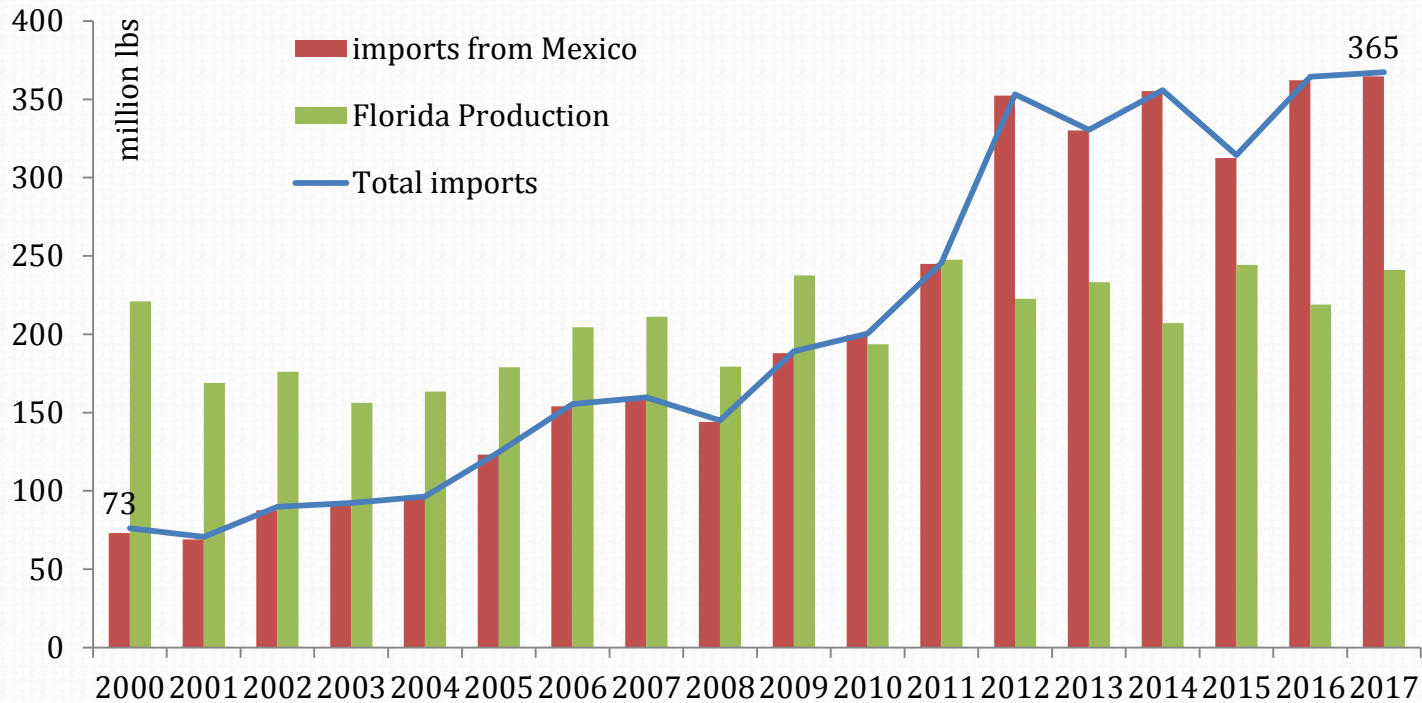


FL Tomato Production & Imports from Mexico



Source: U.S. Department of Commerce

Fresh Strawberry Imports & Origins



Source: US Census Bureau, DOC

What's driving import growth?

- Trade agreement
- Exchange rate
- Labor cost difference
- Government support
- Regulation

Tomato Suspension Agreements

Setting the reference/floor prices for Mexican tomatoes

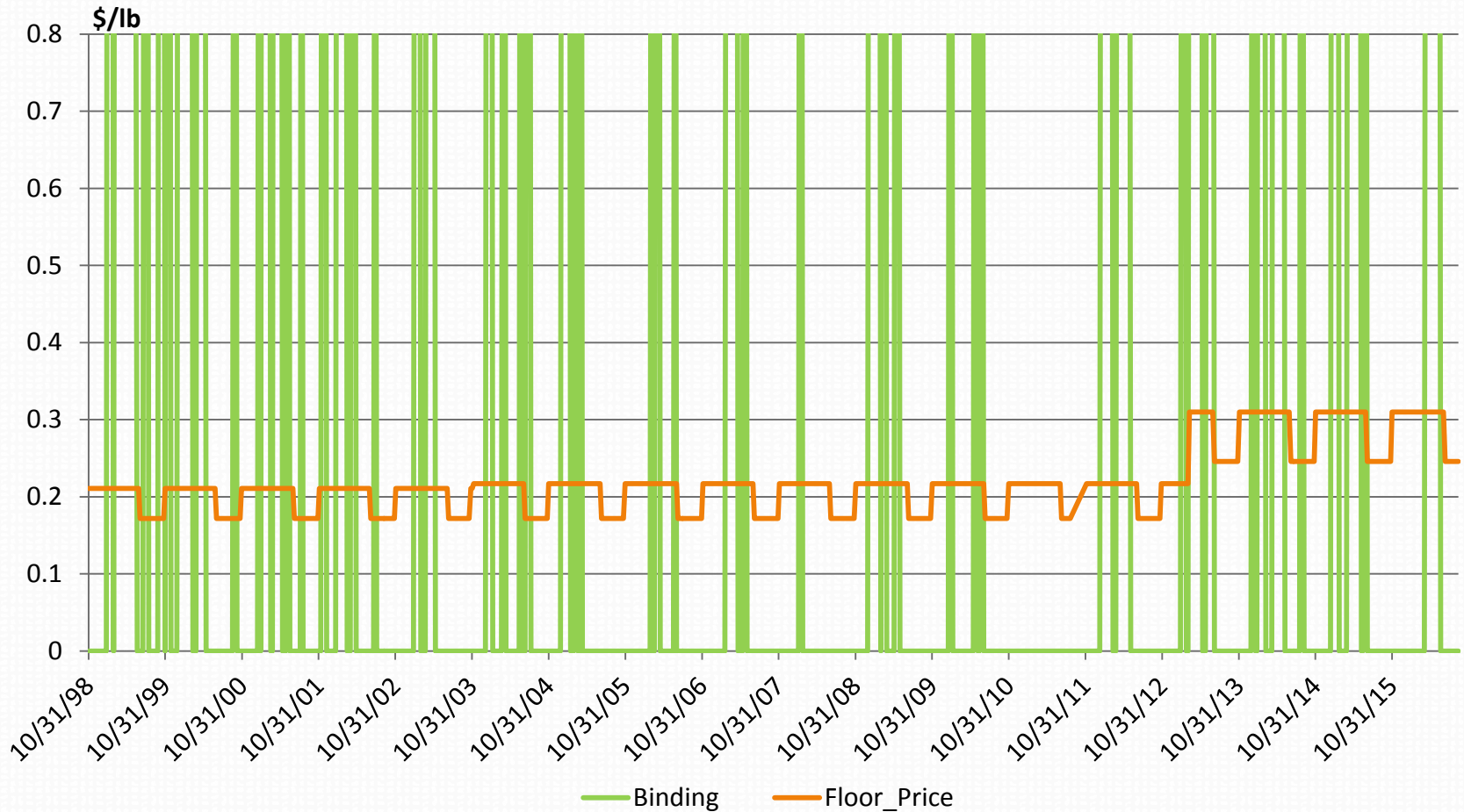
NAFTA took effect: Jan 1994

1st Suspension Agreement 1996

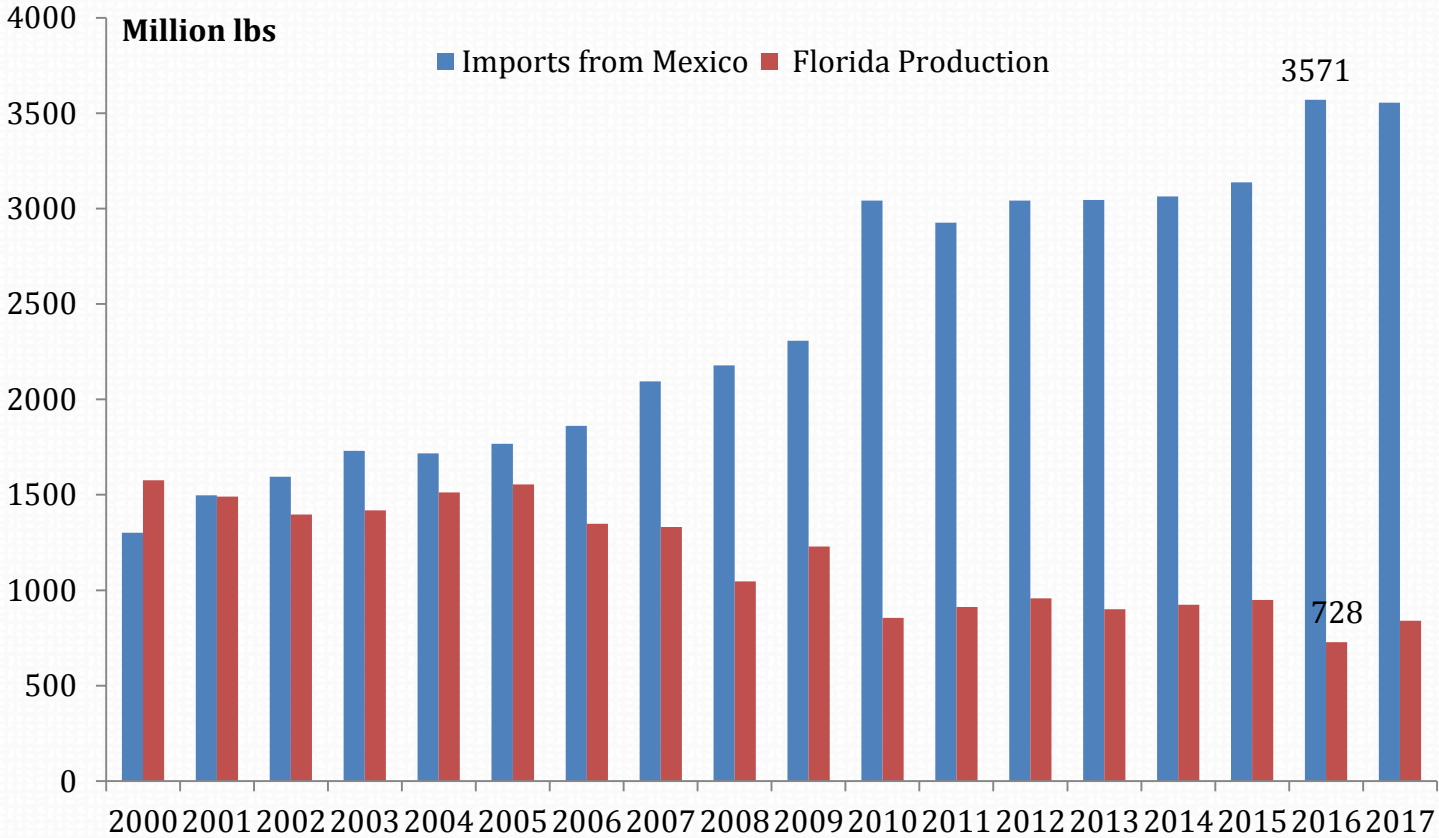
- Reference Prices – Open field (\$/lb)

Agree. Dates	Winter (Oct 23-Jun 30)	Summer (Jul 1-Oct 22)
1996	0.2068	
1998 amend.	0.2108	0.1720
2003	0.2169	0.1720
2013	0.3100	0.2458

Floor Prices & Weeks Where Prices Restrained by Floor Prices



Imports still growing rapidly



Source: U.S. Department of Commerce

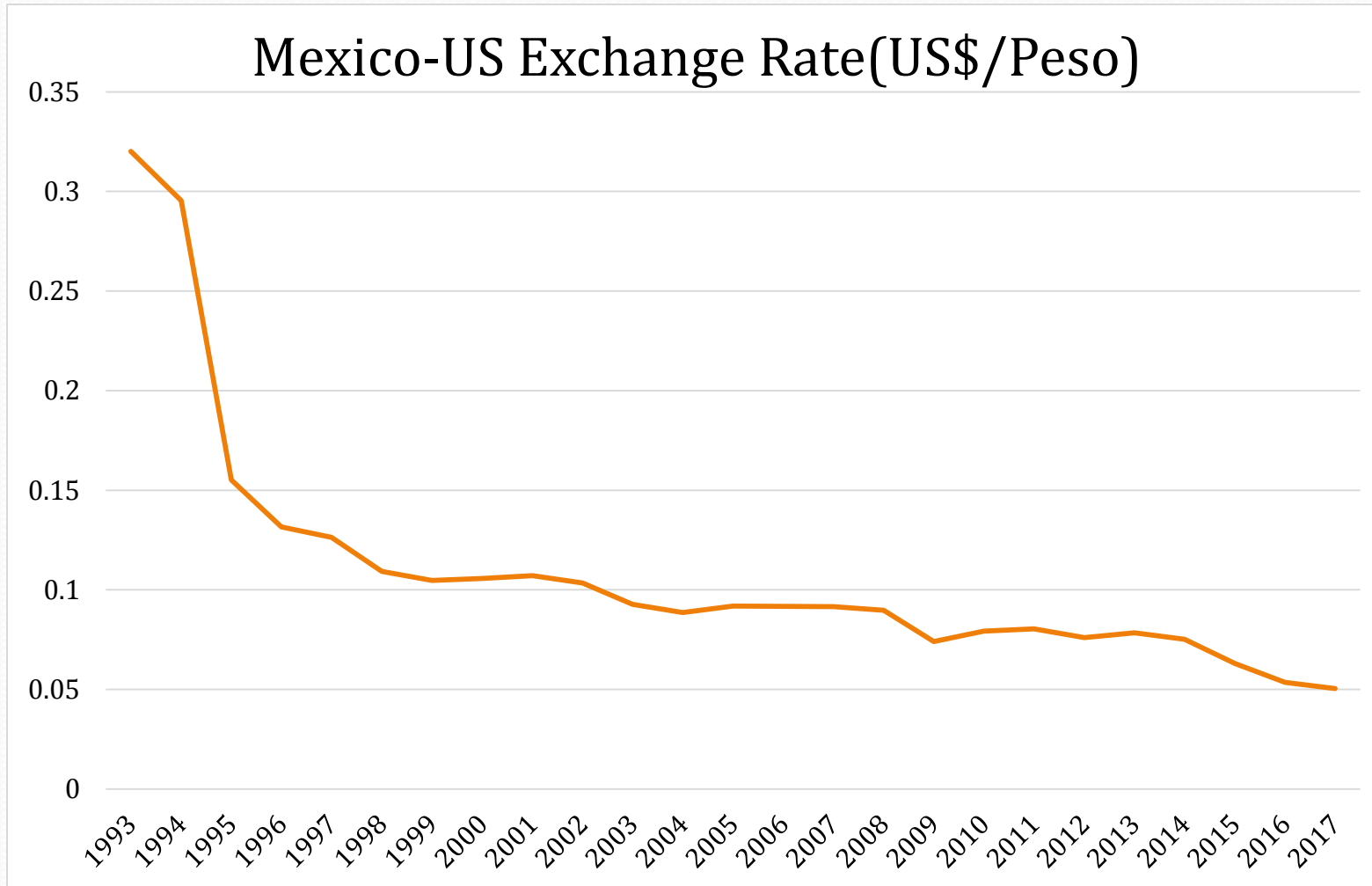
U.S.-Mexico Trade in 2016

- Trade with Mexico totaled \$579.7 billion. Exports \$262.0 billion; imports \$317.6 billion. Deficit \$55.6 billion (goods deficit \$63.2 billion).

U.S. total exports of agricultural products to Mexico totaled \$18 billion in 2016, our 3rd largest agricultural export market. Leading domestic export categories include: corn (\$2.6 billion), soybeans (\$1.5 billion), pork & pork products (\$1.4 billion), dairy products (\$1.2 billion), and beef & beef products (\$975 million).

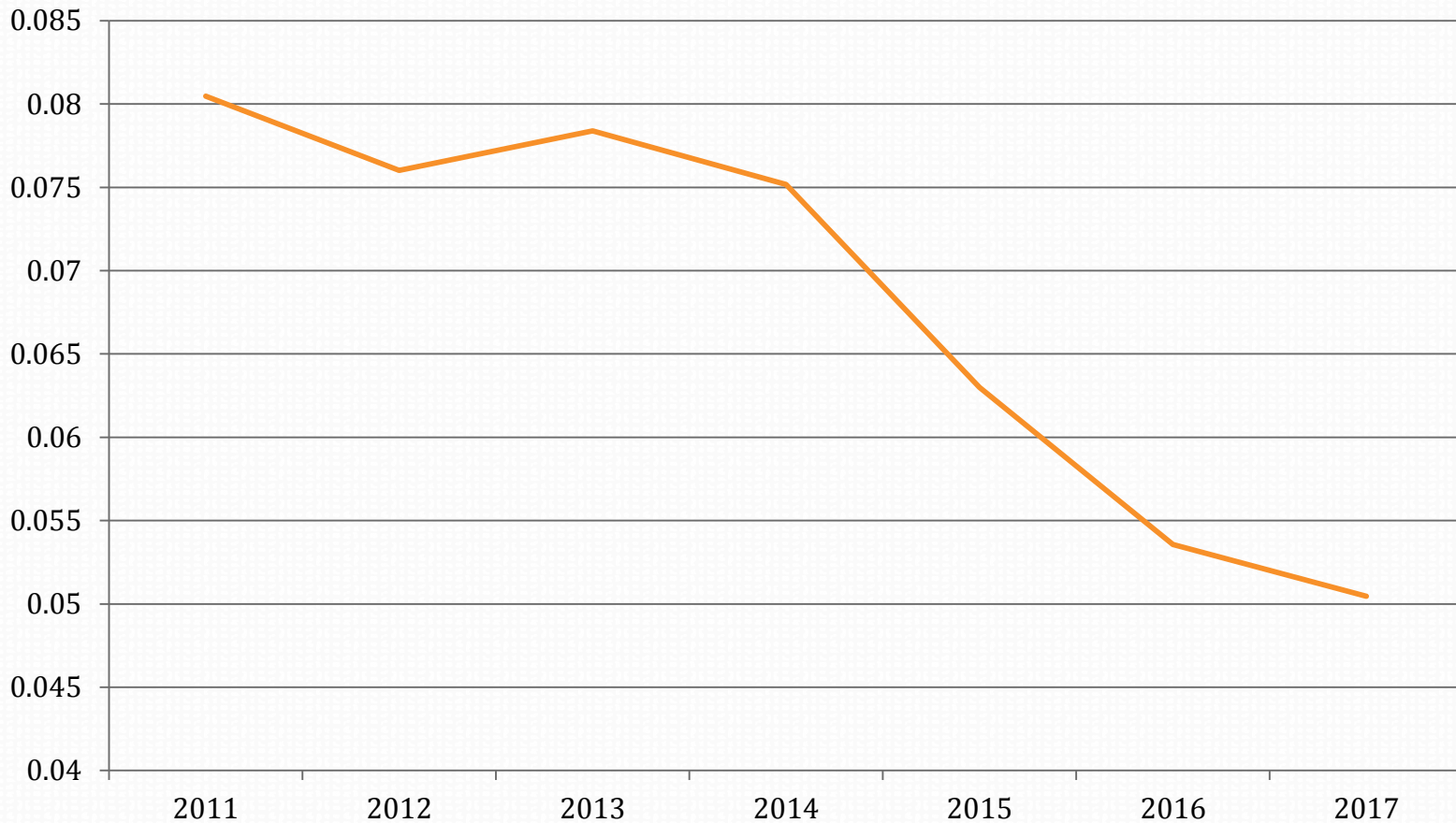
U.S. total imports of agricultural products from Mexico totaled \$23 billion in 2016, our 1st largest supplier of agricultural imports. Leading categories include: fresh vegetables (\$5.6 billion), other fresh fruit (\$4.9 billion), wine and beer (\$3.1 billion), snack foods (\$2.0 billion), and processed fruit & vegetables (\$1.5 billion).

Exchange Rate



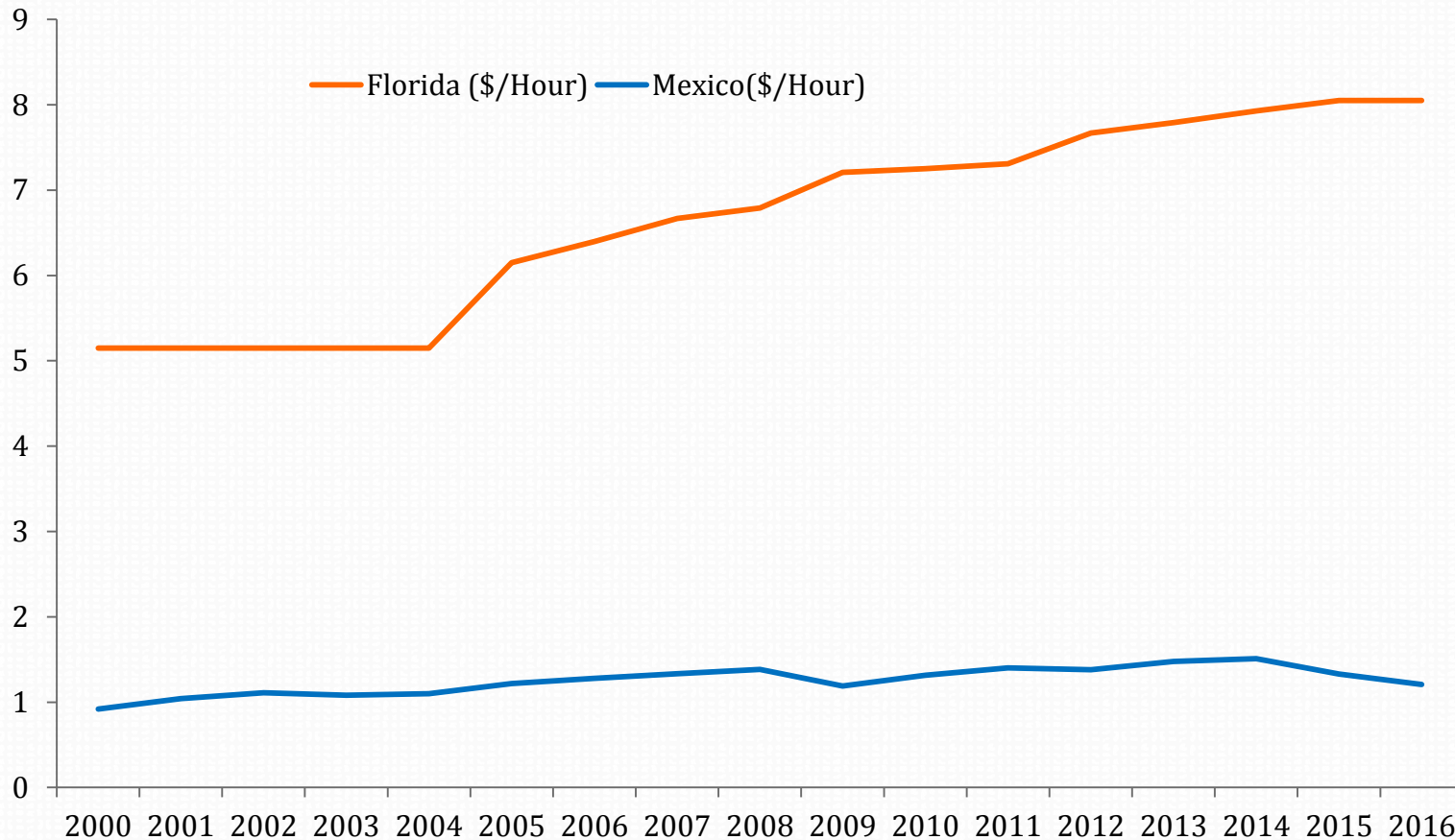
Exchange Rate

Mexico-US Exchange Rate (US\$/Peso)



Labor Cost Gaps

- Mexican Agricultural Wage(\$/Hour) vs Florida Minimum Wage (\$/Hour)



Tomato Labor Cost Gaps

- Southwest Florida Tomatoes 2014/15 (Van Sickle, 2016):
for **Mature Green Tomatoes**

Categories	Costs
General Farm Labor	\$800/acre
Tractor Driver Labor Expense	\$466.8/acre
Pick, Pack and Haul	\$2.05/box
Total (1700 boxes)	4751.8/acre
Unit Labor Cost(\$/box)	\$2.80/box

Tomato Labor Cost Gaps

- Labor Costs of Greenhouse Tomatoes in 2015 at Chiaulta, Mexico(M. J. Rojas, 2016):
 - 500 m² greenhouse (0.123 acre)
 - Production: 10,700 kg (943.58 box)
 - Labor Costs: 27,180 pesos(US\$1649.77)
- **Unit labor cost:\$1.75/box → ~ 40% cheaper**
- Yield→ 7640 boxes/acre → 4.5 times higher than Florida's

Strawberry Labor Cost Gaps

Labor costs of major tasks in strawberry production

Major Items	Florida(2014/15)		Mexico(2013/14)	
	\$/acre	\$/flat	\$/acre	\$/flat ^a
Bedding	177	0.06	94	0.03
Planting	351	0.12	86	0.03
Cutting, hoeing and weeding	943	0.31	423	0.14
Spraying	61	0.02	409	0.14
Harvesting	6,900	2.3	2,830	0.93
Sub-total	8,432	2.81	3,842	1.27

Strawberry Labor Cost Gaps

- Total labor costs for 2014/15
- Florida: \$10,774 per acre
- Mexico: \$5,012 per acre
- Gap: \$5,762 per acre

Mexican Government Support

- National Development Plan
 - One objective: Increase competitiveness of Mexican ag products
 - Managed by SAGARPA
 - 2013-2016: total **budget** 264 billion pesos (US\$15 billion)
 - 2015: **actual** support 70B pesos = US\$ 4.2 billion
-
- Programs under 2007–2012 National Development Plan
 - 1) **Support Program for Investments in Equipment and Infrastructure**
 - 2) Agricultural Income Enhancement for Better Living (PROCAMPO)
 - 3) Prevention and Risk Management
 - 4) Capacity Development, Technological Innovation, and Rural Extension
 - 5) Sustainability of Natural Resources

Mexican Government Support

- **Support Program for Investments in Equipment and Infrastructure**

- 1) agriculture, livestock, and fisheries
- 2) protected agriculture
- 3) provision of electricity to aquacultural farms
- 4) fisheries and aquacultural infrastructure
- 5) postharvest management
- 6) modernization of fishing boats and improvement of fishing operations
- 7) genetic resources (for agriculture, livestock, and aquaculture)
- 8) irrigation technology

Protected Agriculture

- Support Rules for Protection Structures across Years

Structure	Amount per ha *			Maximum amount		
	(1000 pesos/ha)			(1,000 pesos/per project)		
	2013	2014	2015	2013	2014	2015
Micro-tunnels	100	N/A	N/A	1,000	N/A	N/A
Macro-tunnels	200	90	150	1,500	2,700	2,700
Shadehouses	400	300	300	2,400	2,700	2,700
Anti-hail mesh structures	N/A	70	100	N/A	700	1,000
Greenhouses	1,200	900	900	3,000	2,700	2,700

Note: Per hectare support rules are 50% of cost per hectare or the amount listed, whichever is lower.

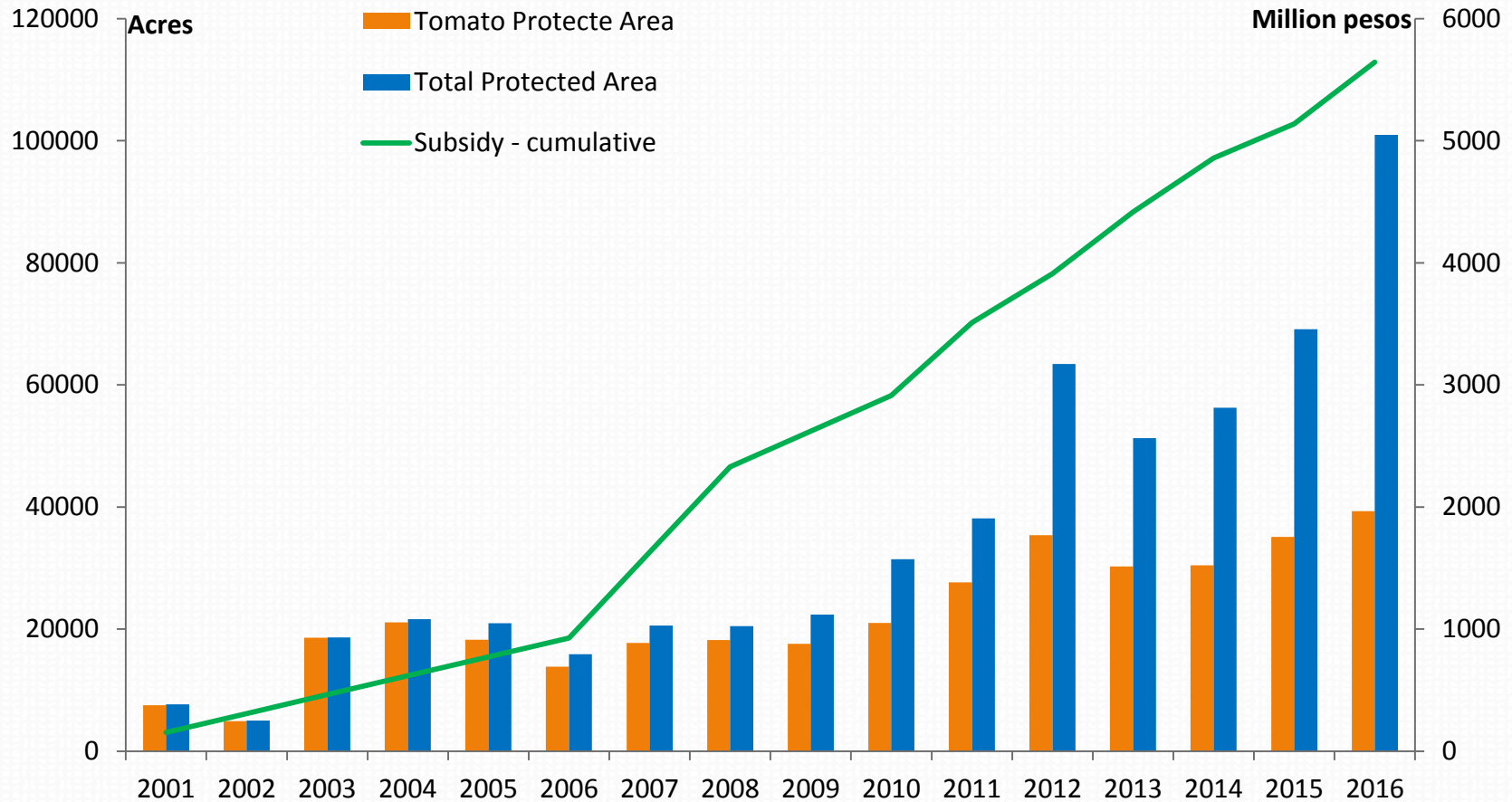
Protected Agriculture

- Mexican Support for Protected Agriculture, 2001–2016

Year	Support Amount (in 1,000 pesos)
2001–2006	925,700*
2007–2008	1,401,100*
2009	N/A
2010	N/A
2011	598,895
2012	400,179
2013	504,593
2014	441,470
2015	281,482
2016	504,551

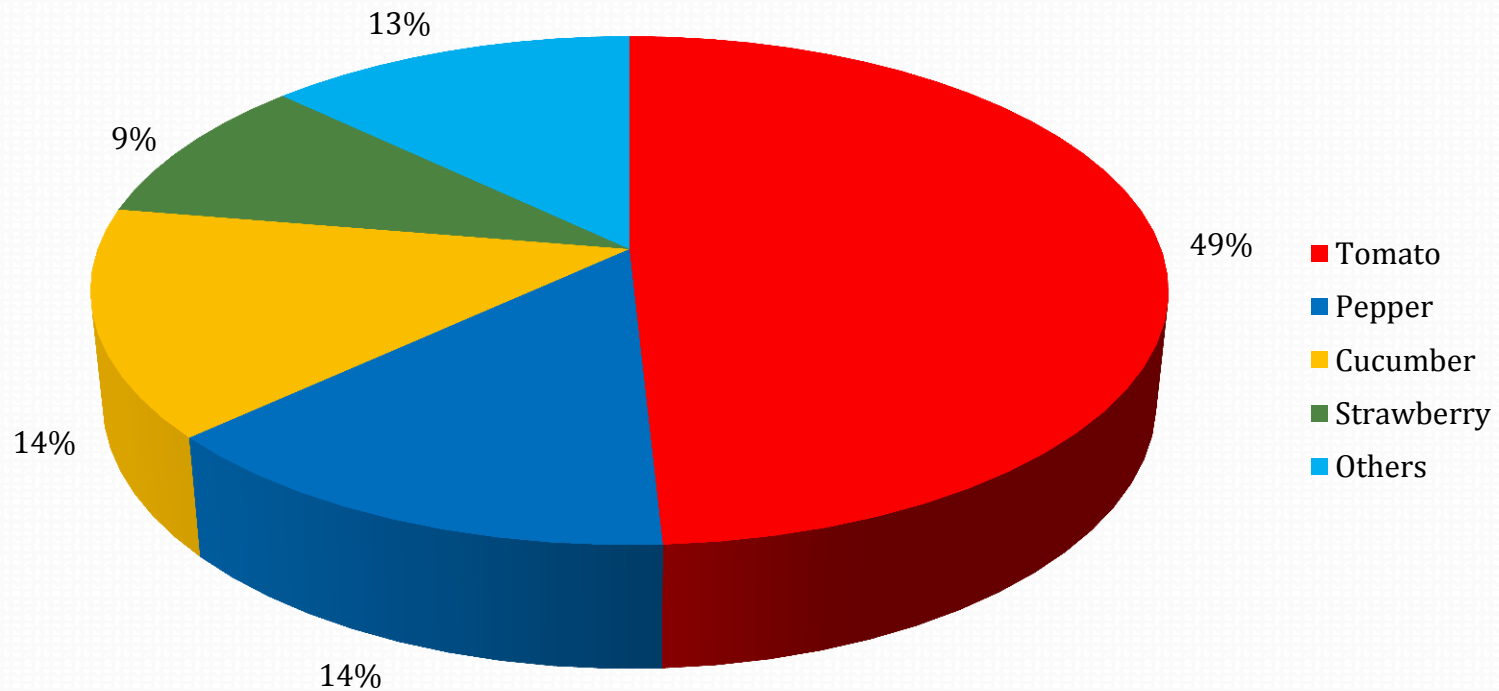
Note: * denotes total amount over the period. Average exchange rates were used.

Mexican Protected Production Area



Mexican Protected Production Area

- % of Crops under Protected Production Area in 2015



Irrigation Technology

- Mexican Support for Irrigation Technology, 2013–2016

Year	Support Amount (in 1,000 pesos)	Amount (in 1,000US\$)	Covered Acreage (Acre)
2013	1,305,496	98,342	223,783
2014	1,598,000	115,462	288,142
2015	1,605,272	97,260	289,382
2016	1,741,360	89,599	278,408

Post-Harvest Management

- Mexican Support for post-harvest management

Year	Support Amount (in 1,000 pesos)	Amount (in 1,000US\$)
2013	1,695,273	122,491
2014	N/A	N/A
2015	1,369,000	82,970
2016	N/A	N/A

WHAT CAN WE DO?

Industry:

- Innovate and Change, and be Competitive, but this is will be a slow process.

Government:

- Stop Mexican subsidization
- Reform H2A to reduce labor cost
- public investment in research and development, e.g., in
- **Mechanical Harvest R&D**
- **2018 Farm Bill: budget and priorities** ...

Concluding remarks

- Industry declining due to increased competition.
- Surging Mexican imports due to subsidy, labor cost gaps...
- Mexican subsidy accelerated technology adoption and growth of imports

- NAFTA/Suspension Agreement are being renegotiated
- FAIR trade practice
- PR campaign for Florida industry

- Reform H2A program
- Increase support in R&D - mechanical harvest
- 2018 Farm Bill campaign

Questions?



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