

# **CANNED PEACH INDUSTRY SITUATION**

**A HISTORY OF EU SUBSIDIES AND THEIR  
EFFECT ON PRODUCTION AND TRADE**

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# Background Notes

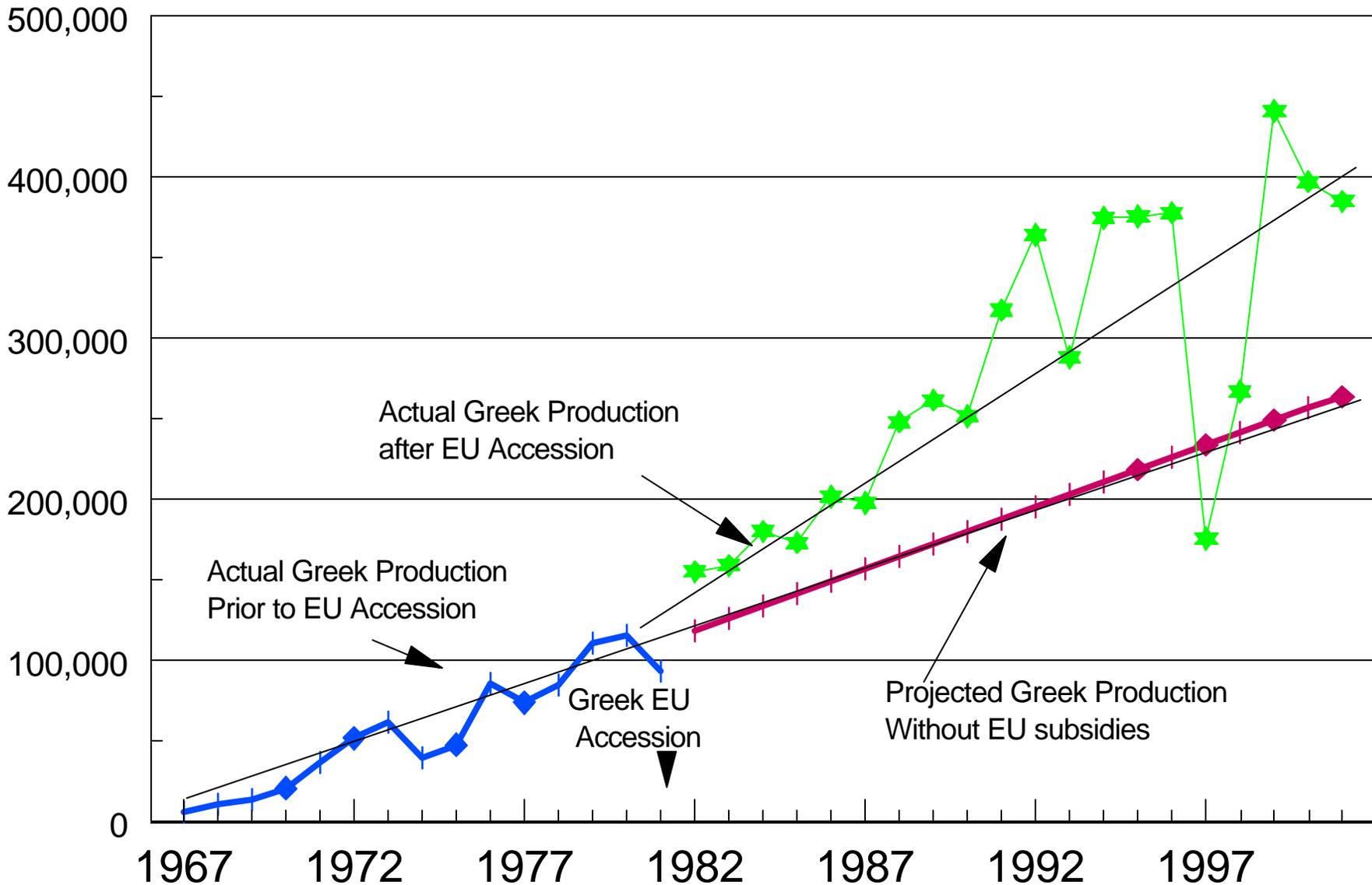
- The United States, is the largest producer of canned peaches in the world followed by Greece.
- Accession into the European Union greatly enhanced Greek production because of two basic factors. First, the availability of production subsidies, and second, the opening to previously dutied EU markets which enabled Greece to simultaneously receive protection, at the rate of 19 percent, from foreign competition to those same markets.
- The first chart shows that upon accession, Greek production shifts up considerably from its previous trend line.
- The second chart shows the correlation between exports and support payments. Since the Greek domestic market is negligible, EU production subsidies effectively become export subsidies.
- The third chart compares the value of EU subsidies to Greece with the value of total world exports. In 1989, EU subsidies are greater than the value of world exports. At the high point (1992) subsidies equaled over 70 percent of the value of world exports.
- The fourth chart breaks out EU subsidies between the processor aid, which was covered by the Canned Fruit Accord, (CFA) and payment for the withdrawal of fruit from the market. The withdrawal aid was not included in the CFA.
- The purpose of the CFA was to resolve 1985 GATT dispute settlement panel report which found it was illegal for EU canners to be subsidized.
- The EU agreed to specific reductions in processing aid for the 1986 pack, and in subsequent years, to set processing aid to peaches..." in such a way as not to subsidize the processing operation for peaches in syrup either canned as such or as part of fruit mixture".
- The fifth chart shows that total long term production of canned peaches in traditional producing countries, has not dramatically increased in over thirty years and that U.S. production has declined while EU production has increased.

# Background Notes

- Although world production has not increased greatly, chart six shows that world exports have more than doubled and that almost all of this growth is from the EU.
- The seventh chart shows that the growth of EU exports first occurred with intra trade and then with shipments to third countries. The bar expands the context of the graph by showing when the EU became a net exporter.
- The eighth chart shows that when the EU became a net exporter the bilateral net trade position with the U.S. reversed.
- The ninth chart shows the change in U.S. and EU net Trade to the world.
- The tenth chart shows a brief history of U.S. exports. The two interesting points are that the growth for the U.S. canning peach industry took place as shipments to Mexico of fresh peaches for canning. These shipments ended in 1999 because imports from Greece under-priced Mexican produced canned product of U.S. peaches. The second point is that after the loss of the EU market, U.S. exports centered on three principal markets.
- Charts eleven through thirteen show the changes in imports in the three principal U.S. export markets; Mexico, Japan and Canada. The growth of canned peach imports in Mexico follows the loss of U.S. exports of fresh peaches for canning. In Japan, U.S. exports steadily lost market share, primarily to Greece. China has gained all of the growth in the Japanese market because they are the only producer of canned white fleshed peaches. Canada is the only market where the U.S. has managed to expand exports.
- The final chart shows that current U.S. imports are nearly twice the previous high occurring in 1997. Greek canners have stated that they are targeting the U.S. market, and that they expect shipments to this market to increase.

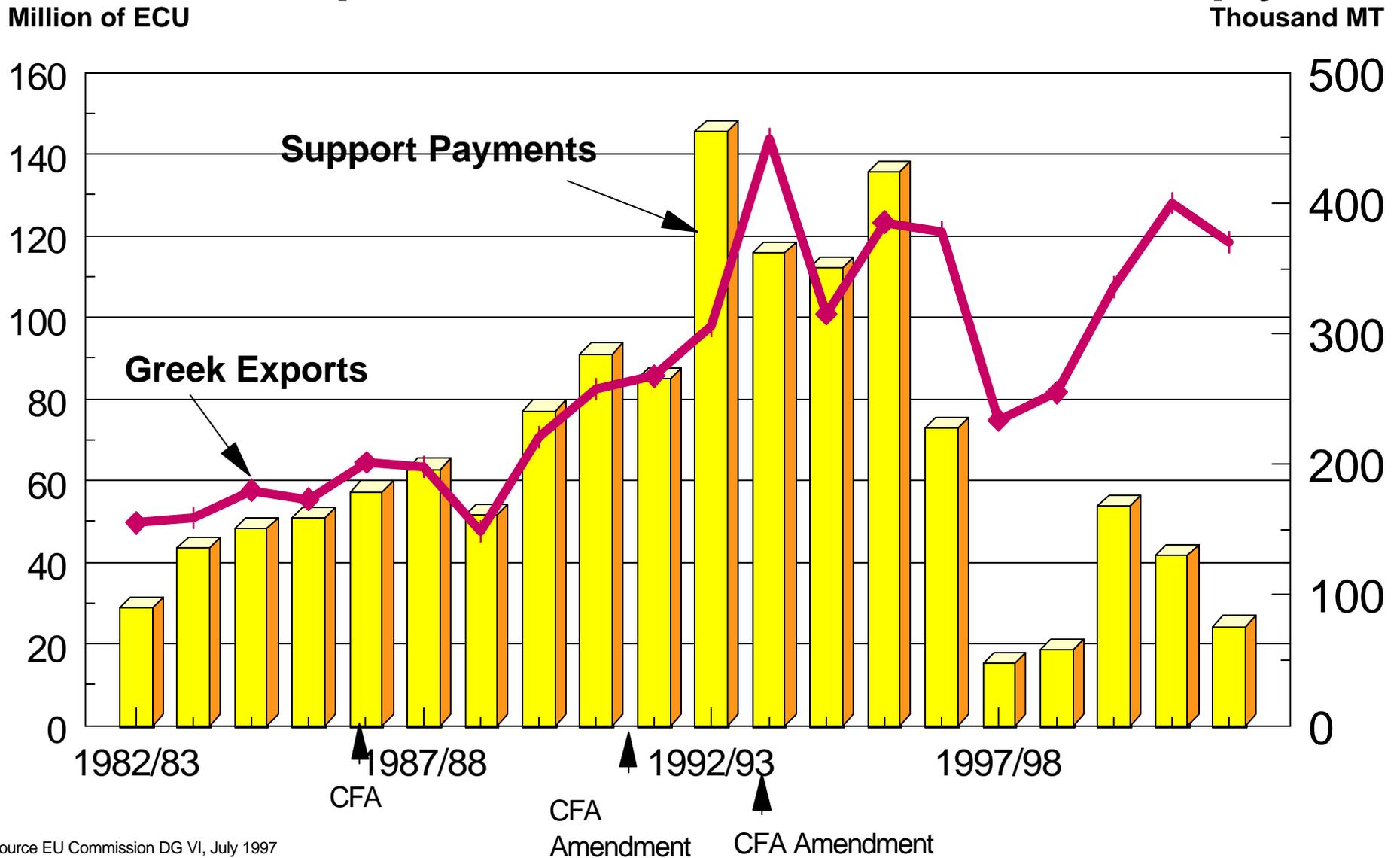
# EU Subsidies Dramatically Increased Greek Canned Peach Production Over Unsubsidized Production Trend

Metric Tons



Source: FAS PSD and EU Commission DG VI July 1997

# EU Support Payments to Greece and Greek Exports to the World Both Rose Sharply



Source EU Commission DG VI, July 1997

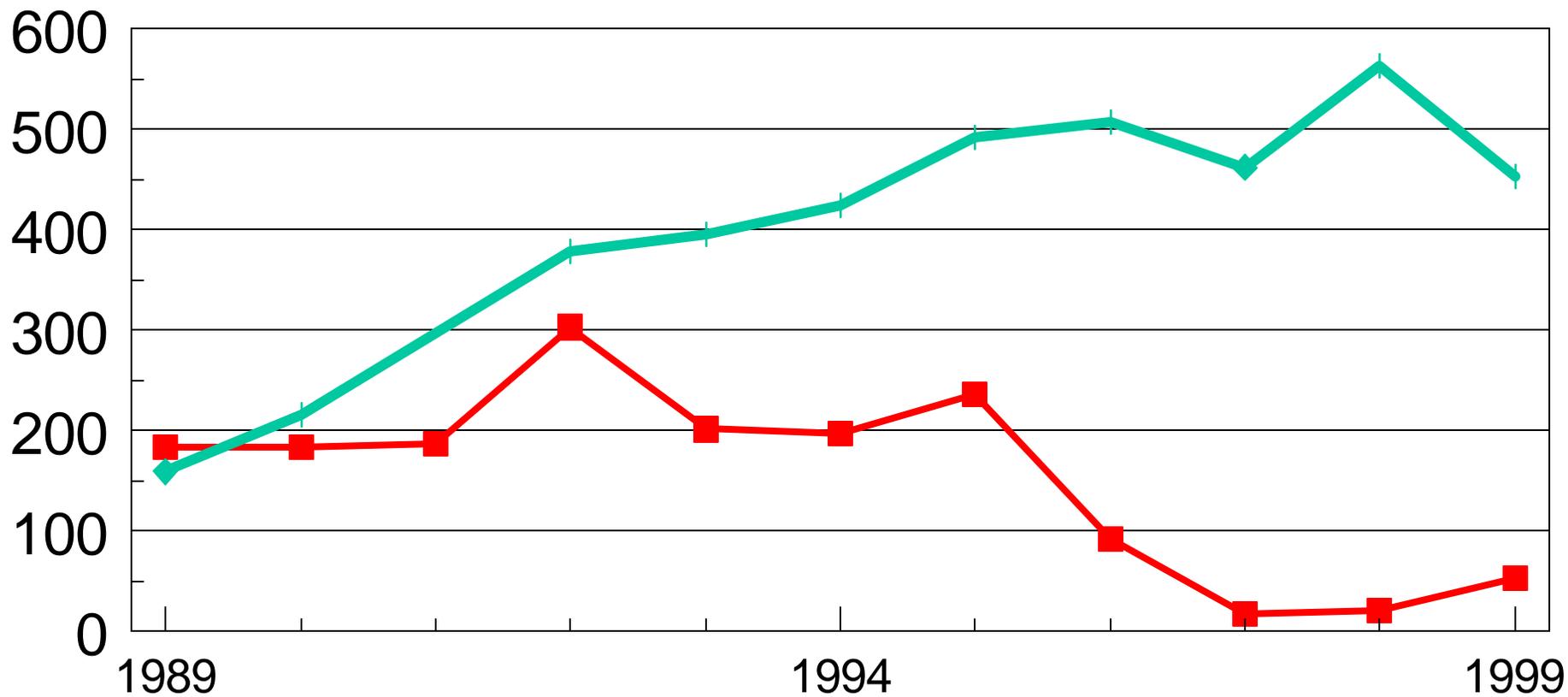
Payment data includes both production aid and withdrawal payments

Production aid data in budgetary ecu until 1992/93 reduced thereafter by double rate coefficient; from 1997/98 on data are computed from statutory aid and estimated production

Trade data Eurostat and FAS forecast

# EU Support Payments to Greece Compared to the Value of World Canned Peach Exports

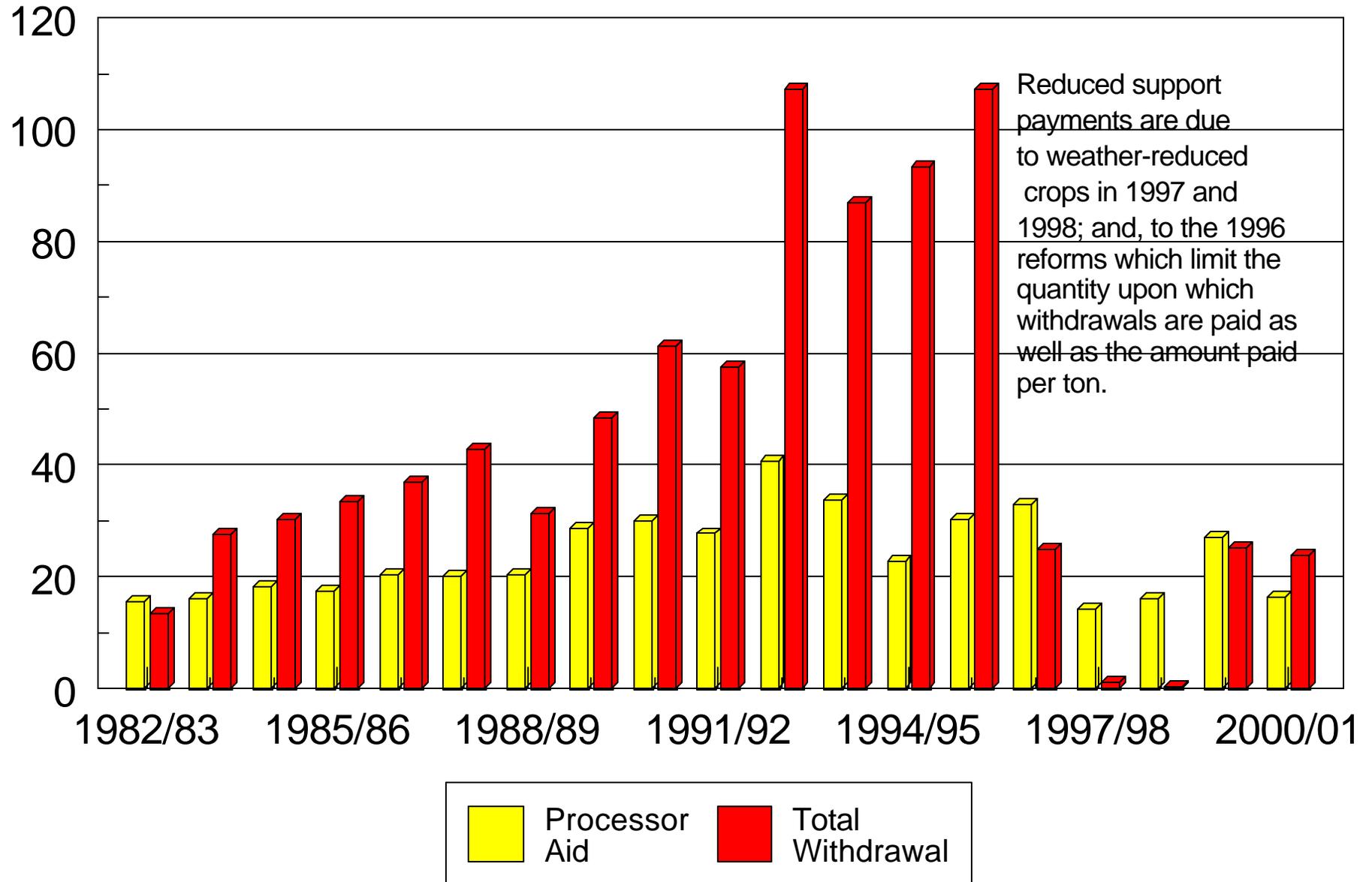
Millions of dollars



Source: World export value FAO, EU support payments 1989 to 1995 DG 6, derived from EU data thereafter

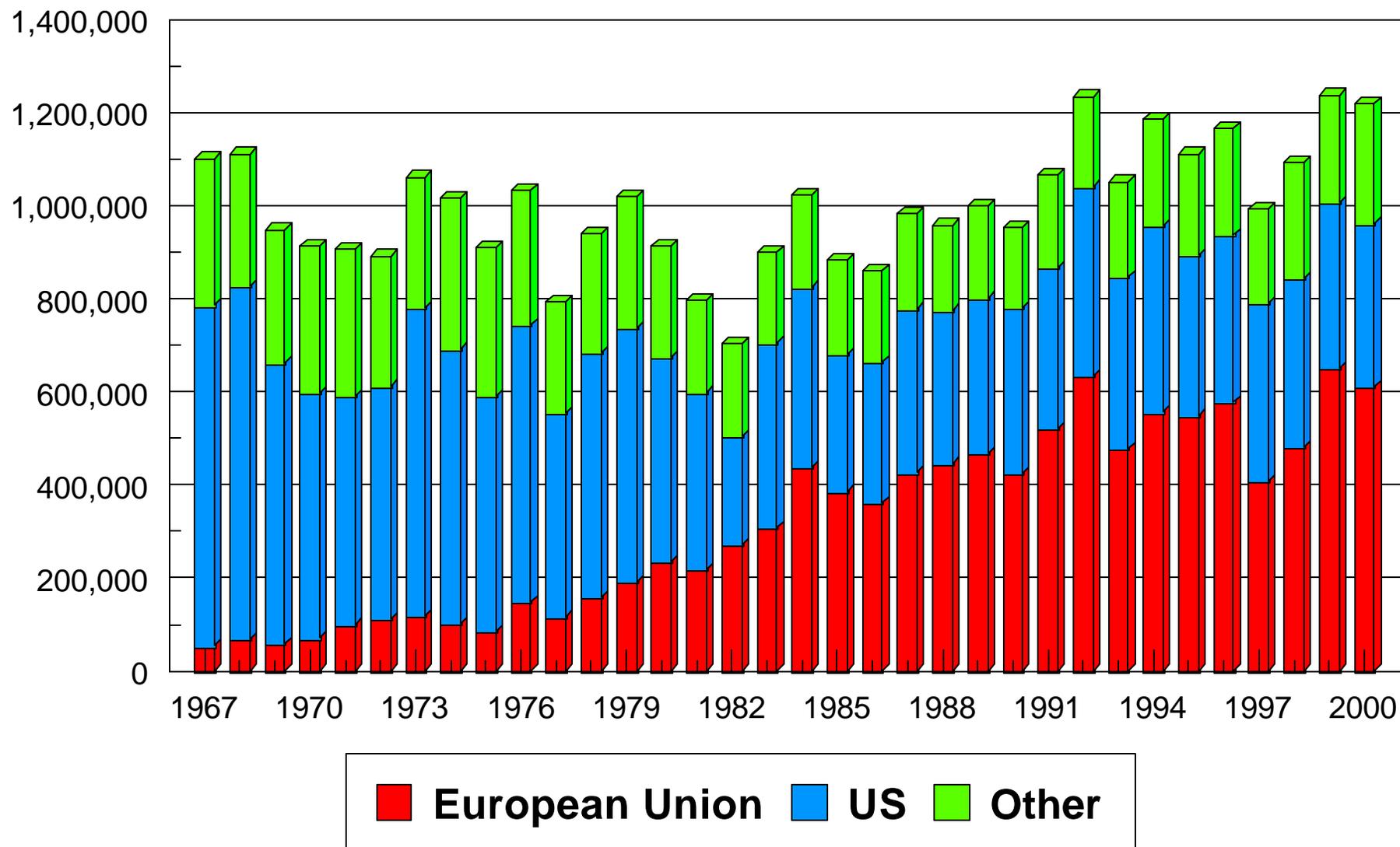
# EU Support Payments: Processor Aid and Withdrawal Payments

Million ECU



Source: DG-6 1989 through 1995, derived from EU data thereafter

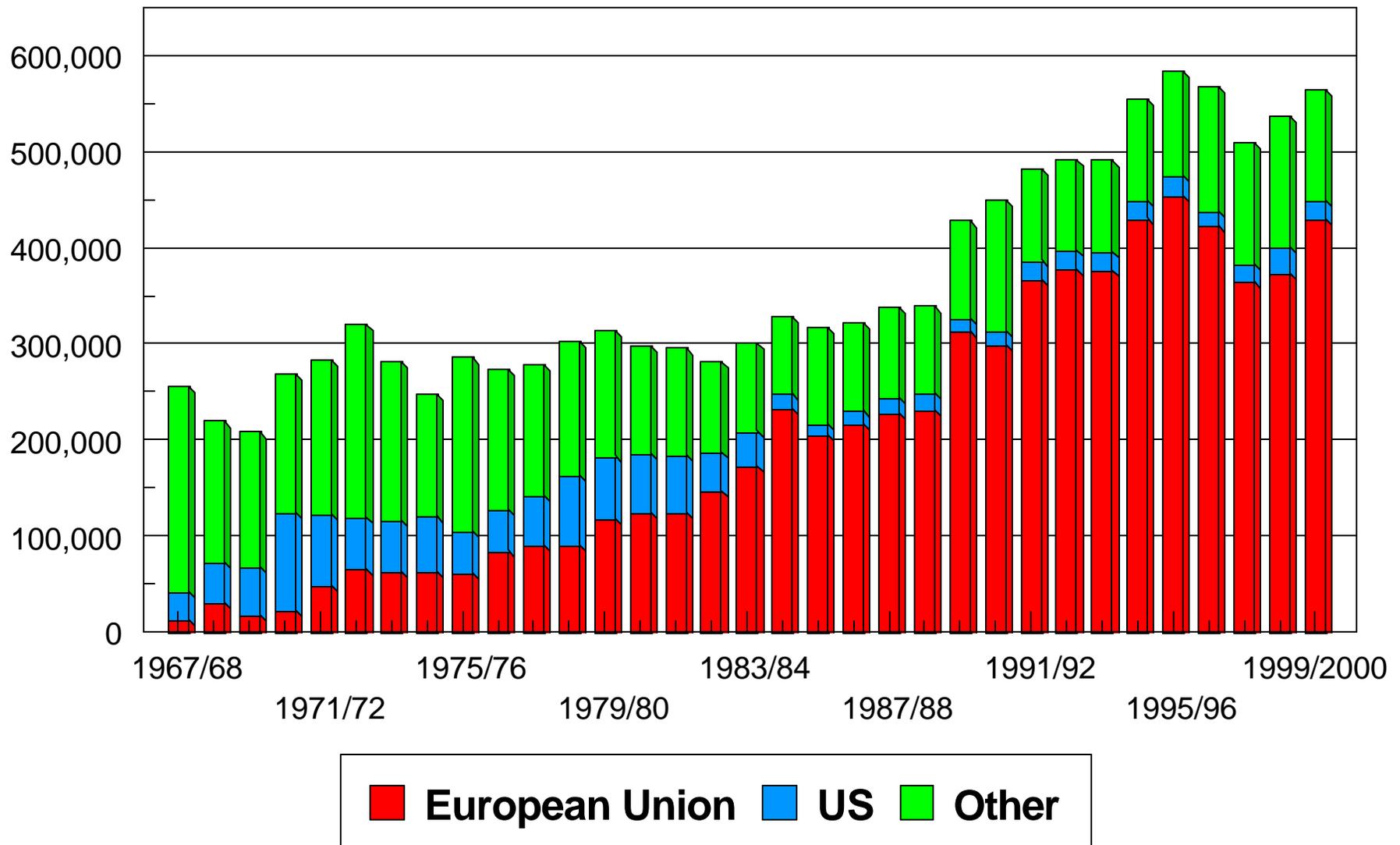
# World Canned Peach Production for Selected Countries 1/ Tons



Source: FAS PSD

1/ Greece, Italy, France, Australia, South Africa, Argentina, Chile, U.S.

# World Canned Peach Exports of Selected Countries 1/ Tons

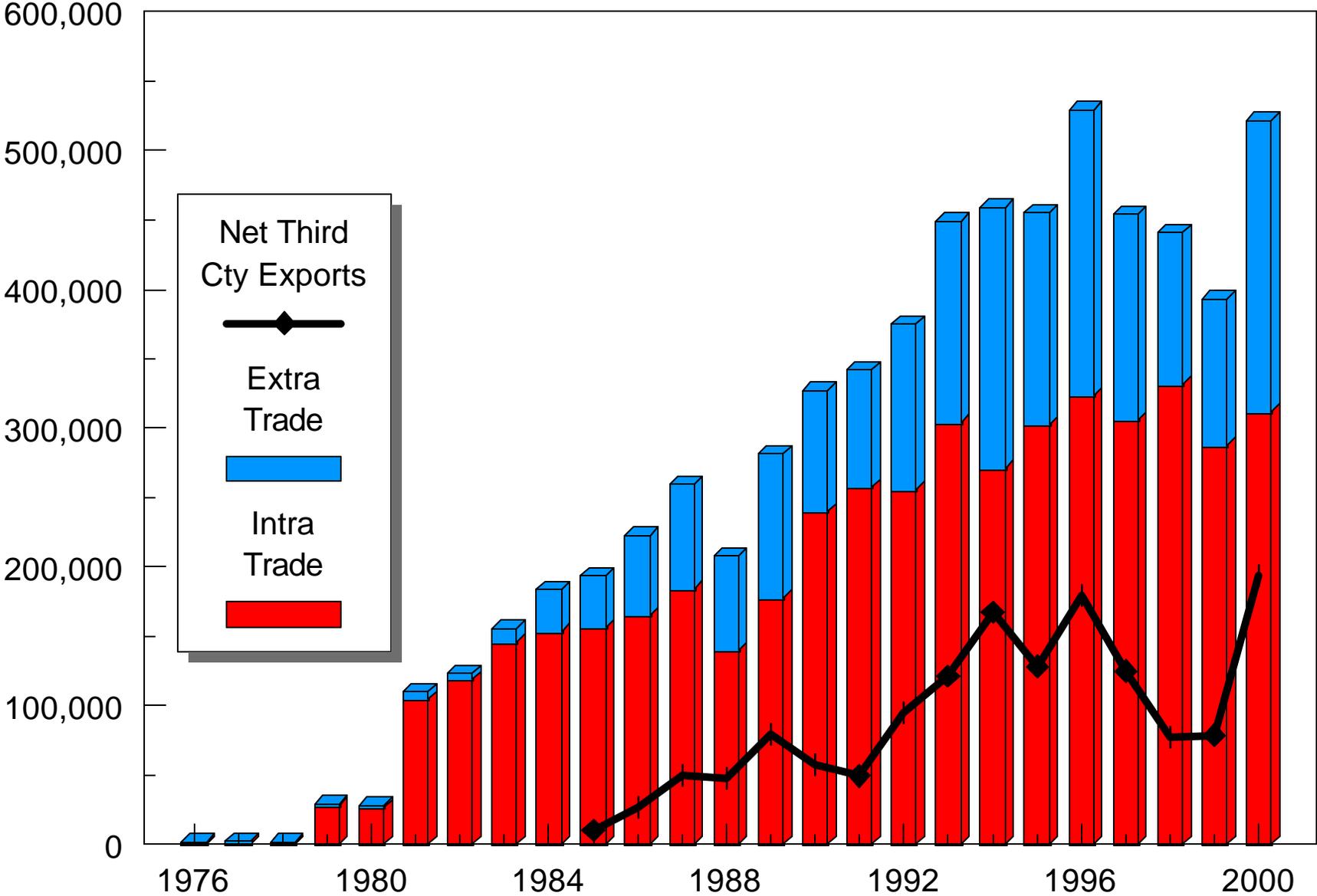


Source: FAS PSD

1/ Greece, Italy, France, Australia, South Africa, Argentina, Chile, U.S.

# EU Canned Peach Exports

Metric tons



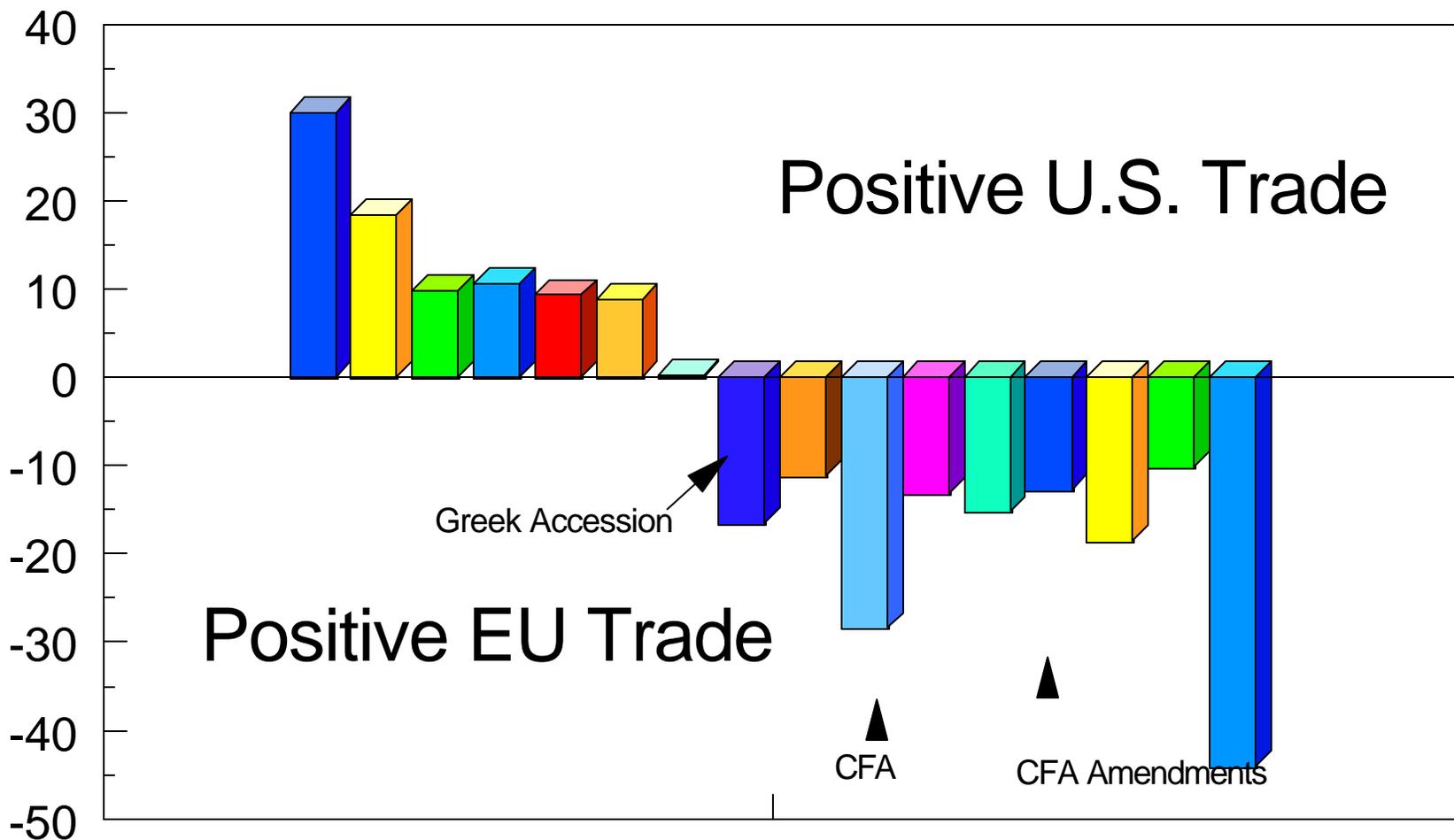
Source: Eurostat

# EU Subsidies Reversed the Flow of Bilateral Canned Peach Trade

## Net U.S. - EU Trade

### Calendar Years 1971 - 2000

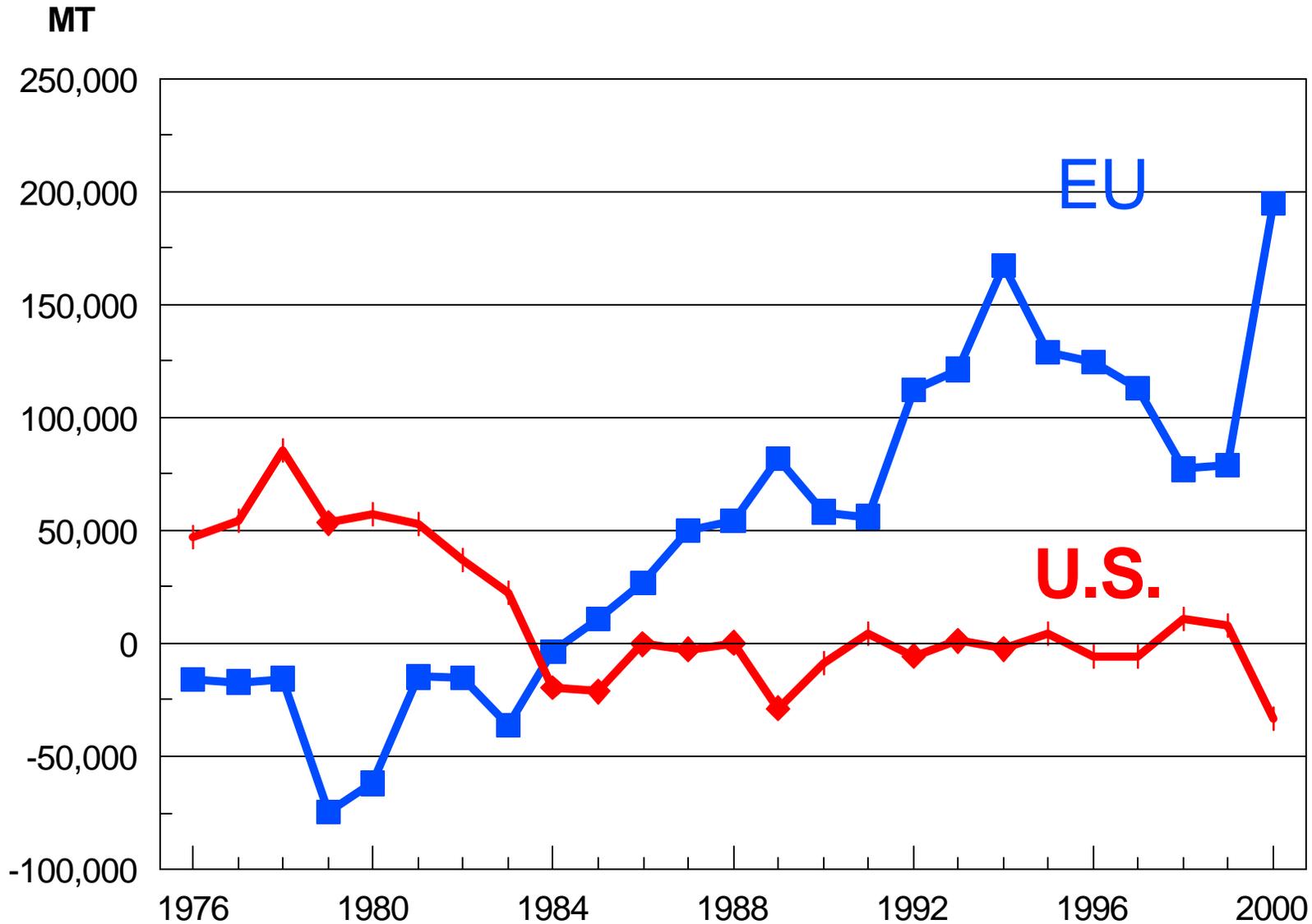
Thousand MT



Source: U.S. Census

Data shows trade in odd years, 1971,1973, 1975. Final observation is 2000.

# EU and U.S. Net Canned Peach Trade with the World 1976 - 2000



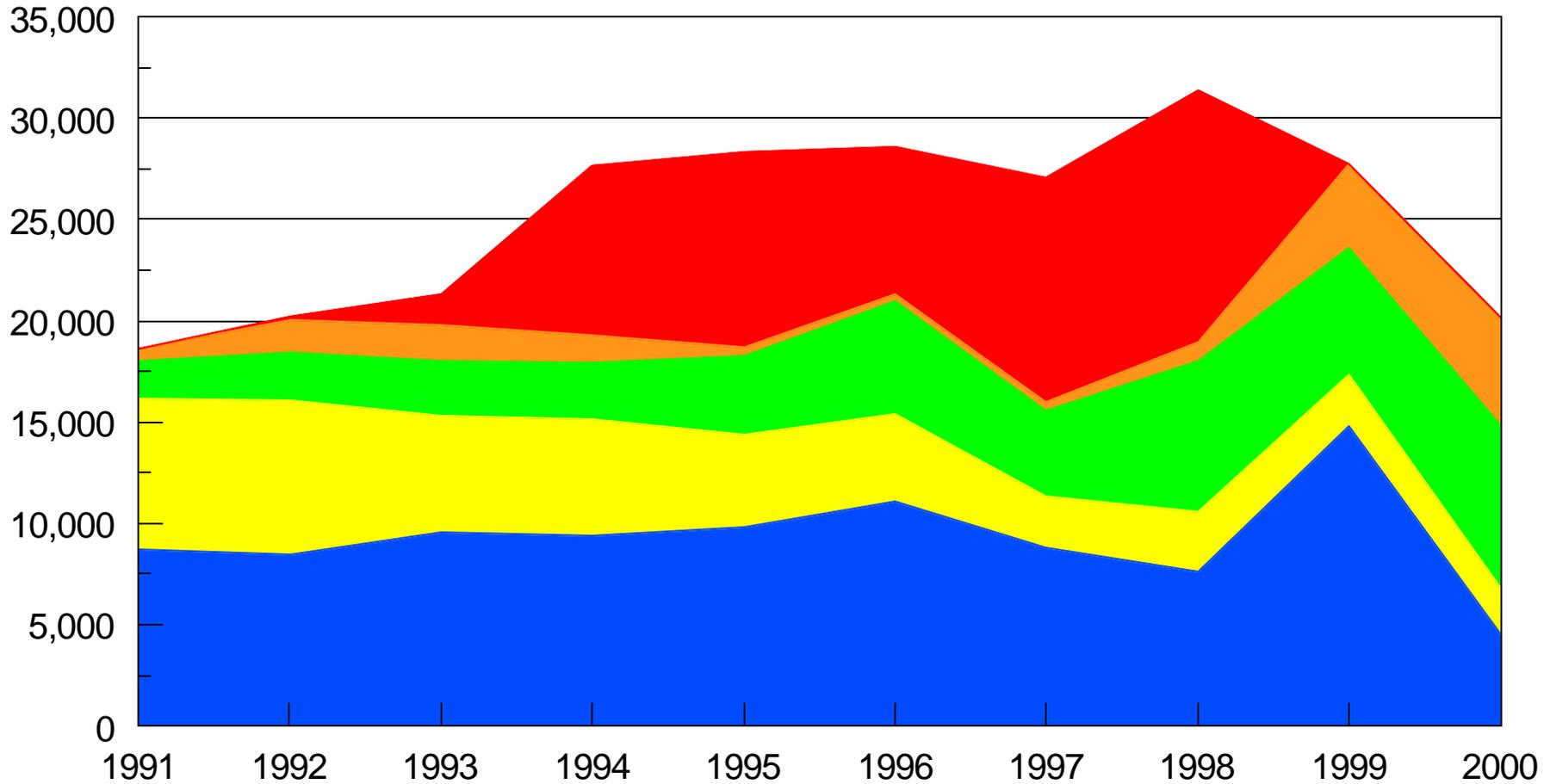
Source U.S. Census and Eurostat

EU Trade is net with third countries, i.e. excludes intra trade

# U.S. Canned Peach and Canning Peach Exports

Marketing Year - June/May

Metric Tons

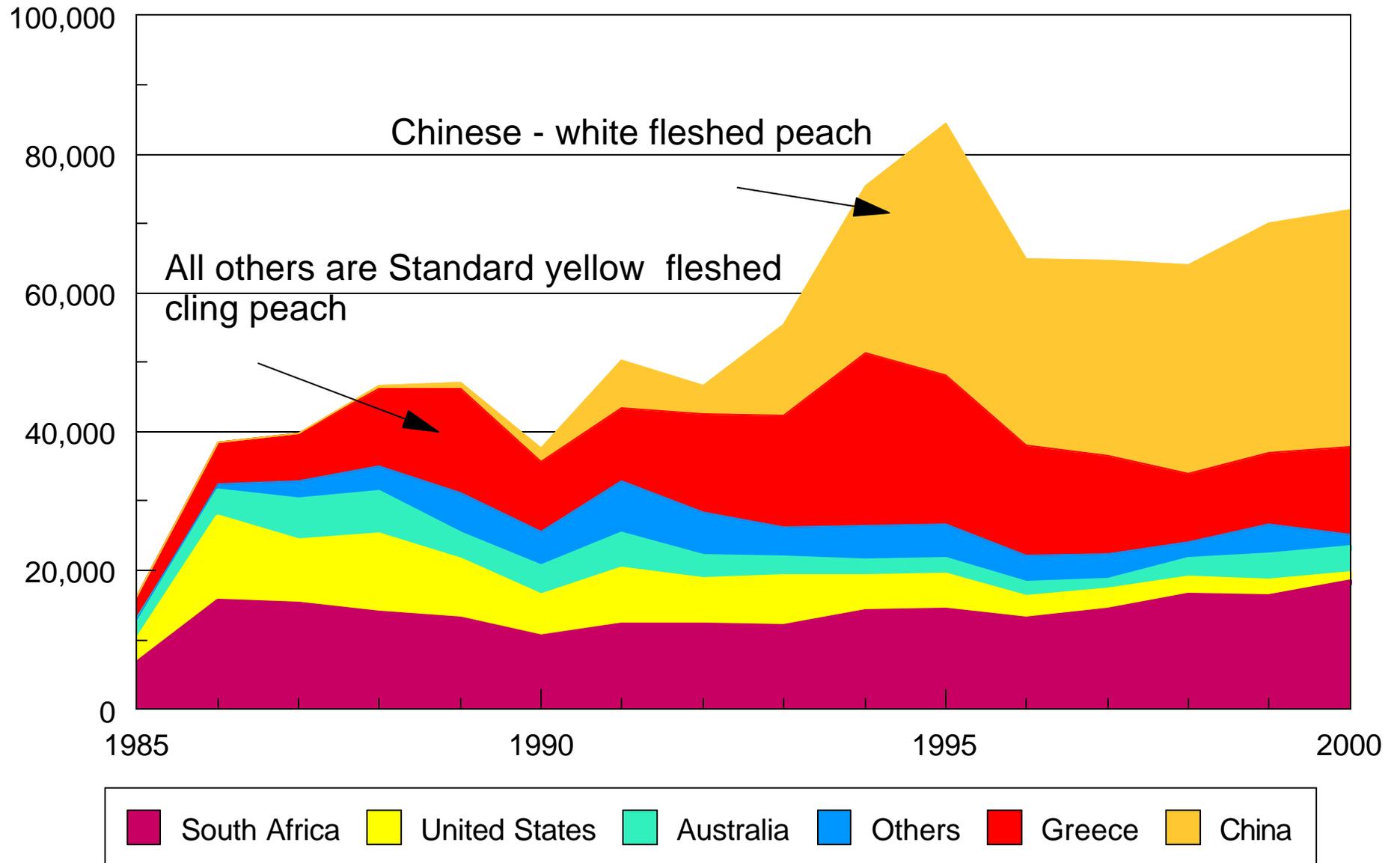


Canning peach expressed as canned equivalent

Source: U.S. Census and Ca. Cling Peach Canning Peach Assoc.

# Japanese Imports of Canned Peaches

Metric Tons

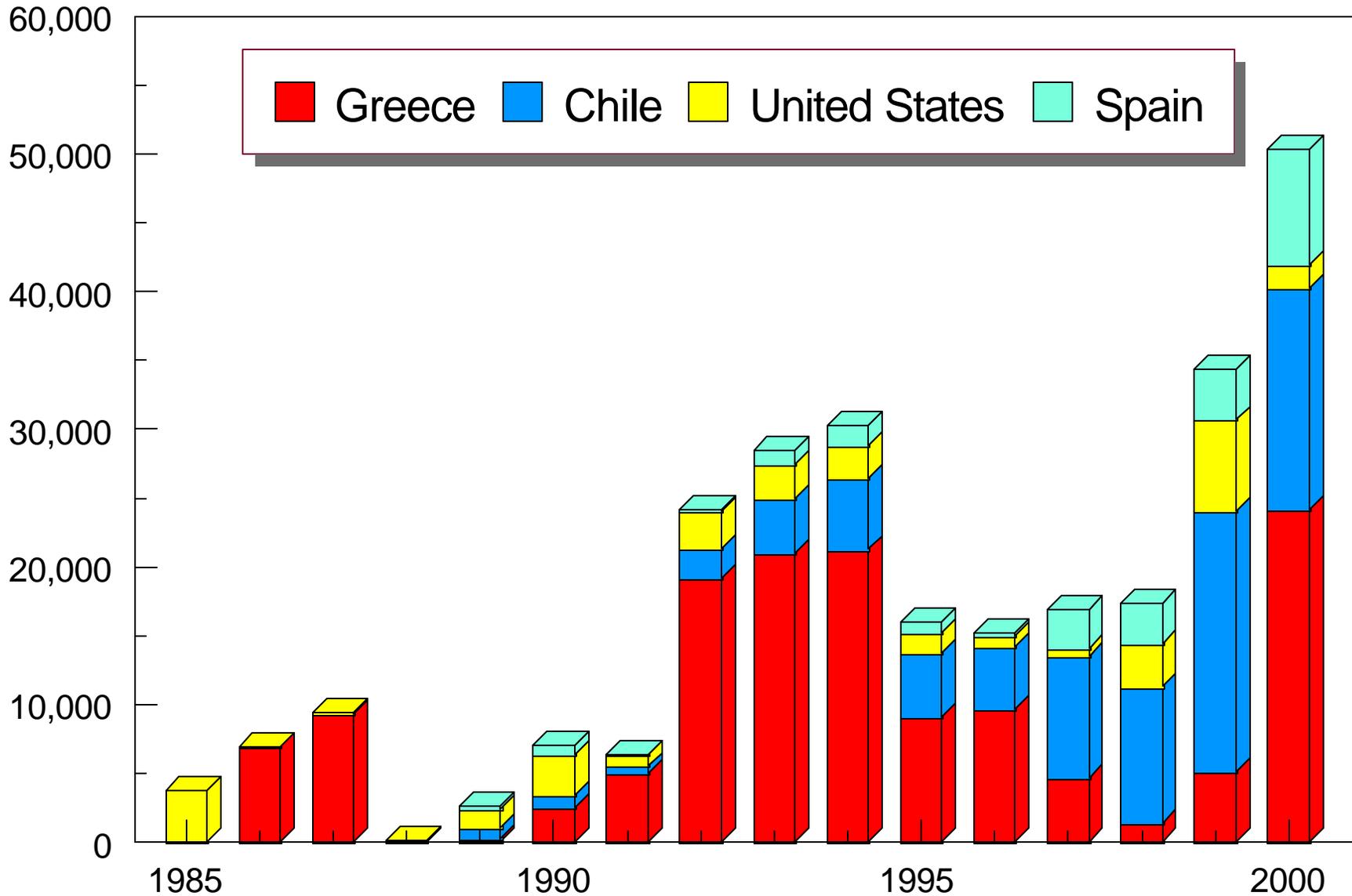


Source: Japanese import data

# Mexican Imports of Canned Peaches

## Principal Suppliers

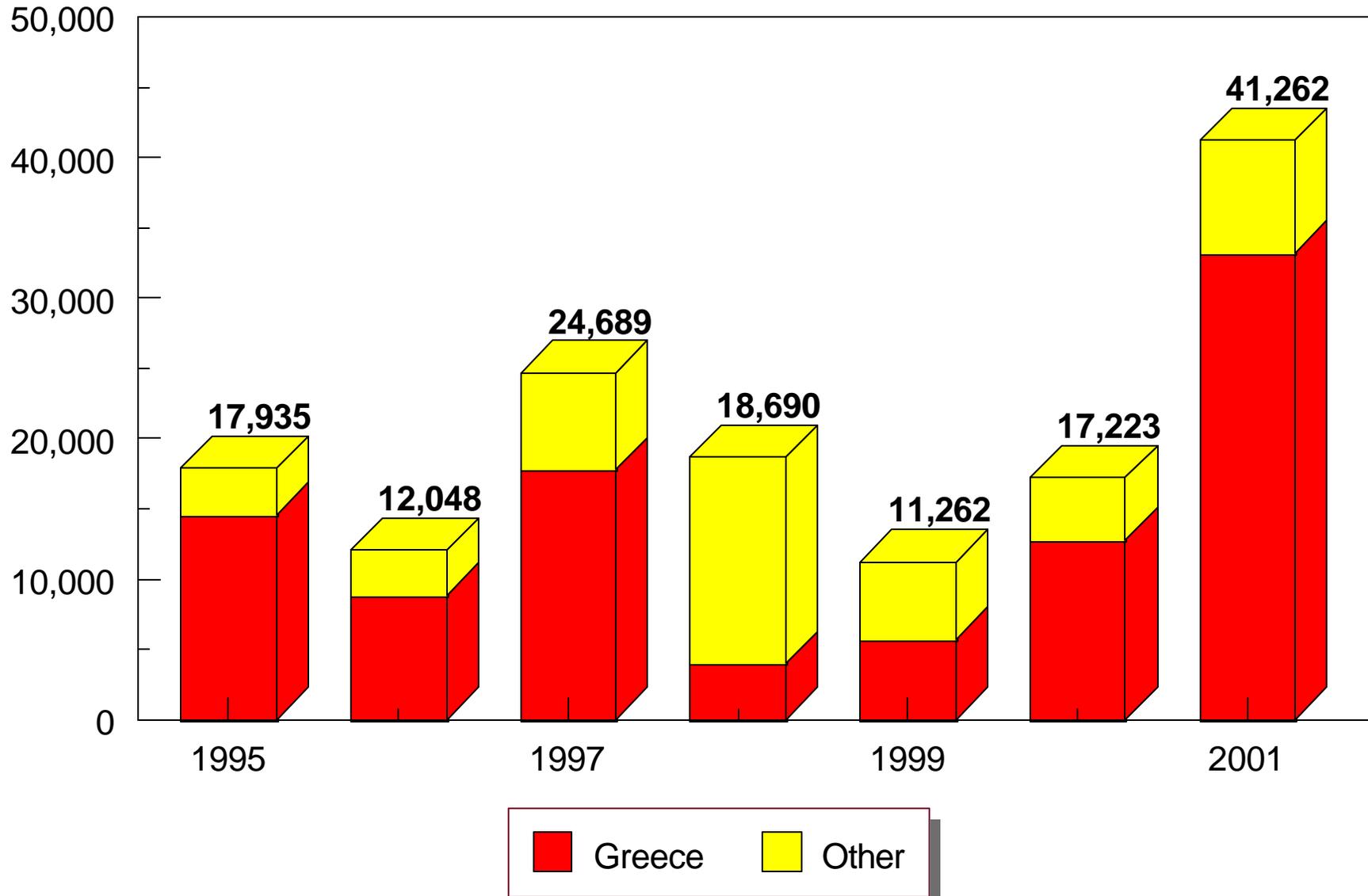
Metric Tons



Source: Mexican import data

# United States Imports of Canned Peaches Marketing Year to Date June through March

Metric Tons



Source: U.S. Census data