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Competition and Trade in Fresh Fruits and Vegetables in the New Millennium¹

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This is a summary of a paper presented at a national conference entitled *Global Agricultural Trade in the New Millennium*, held May 25-25, 2000, in New Orleans, Louisiana. Seventy international trade economists presented analyses of the impacts and issues related to major changes in trade and trade policy expected over the next several years.

Highlights:

- Four of the most important factors influencing fresh fruit and vegetable trade are trade policy, the retail segment, technological innovation, and developments in information management and organization of supply chains.
- Trade policy may become less important than national policies in determining the extent and structure of trade in the future as borders blur with increased globalization of supply chains.
- Perhaps the most profound impact on trade and competition will be created by changes in information technology as supply chains evolve to minimize the cost of information flow and its management.

Trade in fresh fruits and vegetables has exhibited a generally increasing trend over the past 30 years. When viewed against major trade agreements, trade liberalization has served to accelerate growth in trade, rather than cause significant departures from previous trade patterns. Fresh fruits and vegetables are largely unaffected by domestic agricultural policy and were placed on the "import sensitive" list, which slowed the rate of tariff reductions. There has been significant growth in trade among NAFTA partners. The EU and Asia-Pacific regions are becoming increasingly important export markets, especially for fresh fruits. While the WTO has had some impact, unilateral country actions and the increased presence of multinationals have also influenced trade. There is some proliferation in the regions to which the U.S. is exporting, as well as diversification of countries supplying the U.S. In addition, trade patterns demonstrate the continued role of perishability and suggest that the geographic distribution of trade is highly correlated with the degree of perishability.

Four of the most important factors influencing fresh fruit and vegetable trade are trade policy, the retail segment, technological innovation, and developments in information management and organization of supply chains. While the past 15 years

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have witnessed significant trade policy impacts on trade, further refinement in sanitary and phytosanitary (SPS) regulations, food safety, and market access will continue to affect trade flows. However, trade policy may become less important than national policies in determining the extent and structure of trade in the future as borders blur with increased globalization of supply chains. The retail food sector has become increasingly concentrated and the wholesale sector has declined dramatically as long-term retailer/grower-shipper contracts have increased. The retail sector's desire for a continual supply of a large array of products is stimulating global strategic alliances. Increasing incomes relative to fresh produce prices have increased the demand for high quality and convenience.

The potential is great for biotechnology to decrease economic constraints imposed by perishability, although consumer acceptance of genetically modified products remains uncertain. Innovations in post-harvest handling and transportation have improved significantly, increasing the geographic scope of trade. Increased consumption and trade of greenhouse products suggest that capital-intensive production systems may become more important. Perhaps the most profound impact on trade and competition will be created by changes in information technology. Supply chains evolve to minimize the cost of information flow and its management, thus transaction costs along the supply chain have been altered by access to real-time information at very low cost. Examples include the decline of traditional wholesale distribution channels and the increase in vertical and horizontal strategic alliances in the fresh fruit and vegetable sub-sector.

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