
**UNITED STATES
INTERNATIONAL TRADE COMMISSION**

INVESTIGATION NO. 332-518

**CHINA'S AGRICULTURAL TRADE: COMPETITIVE CONDUCTIONS
AND EFFECTS**

**SUBMISSION
OF
BLUE DIAMOND GROWERS**

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June 3, 2010

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I. INTRODUCTION

Blue Diamond Growers, submits the following in response to the United States International Trade Commission notice dated May 6, 2010. 75 Fed. Reg. 24969. As requested, this information is provided on the effect of tariff and nontariff measures on U.S. almond exports to China.

II. BLUE DIAMOND GROWERS

Blue Diamond Growers is a one hundred year old nonprofit farmer-owned marketing cooperative. It markets almonds for its members. The almonds are grown exclusively in California and are the largest tree crop in the state. Almonds are the number one agricultural export from California. In fact, over \$2 billion of almonds were exported from California to the world last year.

Almonds rank in the top three consumer food items exported from the United States. Blue Diamond Growers exports for the majority of the almond growers in the State of California. Almond production continues to expand in order to supply the world. Over 87 percent of the world's supply of almonds is produced in California

Blue Diamond Growers is the world's largest processor and marketer of almonds. It is a farmer-owned cooperative founded in 1910 and headquartered in Sacramento, California. The company obtains its supply of almonds from its member/owners and sells them to retail chains and food processing, confectionery and food service companies in nearly 100 nations around the world.

III. ALMOND PRODUCTS COVERED

The products covered by this submission are as follows:

Almonds:
Inshell – 0802.11.00
Shelled – 0802.12.00
Prepared or preserved – 2008.19.40

The category prepared or preserved is intended to cover all other almond preparations. These include flavored almonds in small consumer packages. It also includes sliced, diced and roasted almonds. The duty on all of these categories should be eliminated.

IV. MARKET ACCESS IN CHINA

China has become the largest export market for California almonds. China currently imports over 100 million pounds of almonds valued at over \$200 million. The primary focus is to reduce the 24% duty on inshell almonds imposed by China.

This presentation will present the necessary facts to accomplish this goal.

**A. China is not a
Commercial Producer of Almonds**

The word for “almonds” and “bitter apricot kernels” in Chinese is the same. This results in confusion when discussing almonds in China. Often the answer given for almonds is actually about bitter apricot kernels.

There are a few acres of almonds produced in China, but this production is not commercially significant. It does not begin to supply the domestic Chinese market. There is some almond production in Xinjiang.

China is a significant producer of bitter apricot kernels. China produces enough bitter apricot kernels to export them world wide. They are sometimes sold as “almonds”.

**B. The History of Chinese
Duty Reductions
for Almonds**

China’s duty on almonds was reduced as part of the WTO accession agreement. This resulted in China reducing the duty for shelled almonds to 10%. The 24% duty on inshell almonds was reduced from 26%. It has not been reduced since then and needs to be. The United States needs to obtain this important reduction. In addition to the duty, a 13% VAT is added. This makes the total duty on inshell almonds 37%.

At the time of the accession agreement, it was believed that China would be a market for shelled almonds. This is true of virtually every market world wide except India. It is now known that China likes inshell almonds. It has become the most important inshell market for almonds. China now exceeds India as an inshell market. —

**C. The Growing Demand in China
for U.S. Almonds is
Clearly Demonstrated**

China has become California's #1 export market for almonds. Over the past ten years, California almond exports to China increased from 21 million pounds in 2001 to over 120 million pounds in just nine months of the 2009 crop year. Such rapid growth is amazing. It signals the need for California to continue to expand almond production.

Today Chinese customers are enjoying almonds that are good for one's health.

China has rapidly emerged as a major importer of California almonds. The significant increase started in the 1999 crop year. Almonds are primarily used in China as a snack. They are often seasoned with salt, honey, sesame and other flavors and roasted and salted inshell much the way Americans consume peanuts inshell. California almonds are packaged in cellophane consumer packs or sold in bulk in produce markets. A number of large multinational corporations are also establishing manufacturing plants in China that will produce products that include almonds. This includes Cadbury, Nestle and Mars.

The majority of California's almonds imported into China transit through Hong Kong. This is to avoid high duties currently in place, particularly on inshell almonds. In addition, the so-called "gray channel" for imported almonds through Hong Kong would also be eliminated and would legitimize and significantly increase shipments through Shanghai and Tianjin.

Further market potential exists in the western regions of China where Moslem communities have consumed almonds grown in Iran and Afghanistan for generations.

China remains a large potential market for inshell and shelled almonds exported from California. This continues to be a real boost to the California economy where all U.S. almonds are grown. China purchases inshell almonds, shelled almonds, manufactured and retail almonds.

The Chinese population has long considered that it consumes "almonds". In fact, most of the "almonds" consumed in China are actually bitter apricot kernels. China does not produce almonds, but does produce bitter apricot kernels. China

often confuses requests for duty reduction on almonds with a request for a duty reduction on bitter apricot kernels. It is very important that U.S. negotiators, when discussing duty reductions on almonds, distinguish between bitter apricot kernels and almonds. This may well be the biggest obstacle to obtaining a significant duty reduction for inshell almonds and shelled almonds.

Further progress is now in order for both shelled and inshell almonds. Chinese Government Officials advise that there has been no request from the US Government to reduce the inshell duty. This needs to be corrected promptly.

If China were to reduce the duty on inshell almonds, it would increase the revenue from duty collection on almonds. Due to the high duty, inshell almonds continue to flow through grey channels from Hong Kong.

The following table¹ clearly demonstrates the continued growth in almond exports to China. This growth has occurred due to the strong demand in China. The growth has occurred due to the persistent work of the U.S. Government and Blue Diamond Growers over a long period of time.

<u>Shelled</u>	
<u>Year</u>	<u>Value</u>
2004	21,544,883
2005	33,735,404
2006	46,424,814
2007	52,758,631
2008	100,617,334
2009	156,614,016

<u>Inshell</u>	
<u>Year</u>	<u>Value</u>
2004	11,884,221
2005	8,166,817
2006	14,026,008
2007	27,205,773
2008	59,012,172
2009	123,800,639

¹ Data Source: United States Department of Agriculture, Foreign Agriculture Service, Foreign Trade Statistics

Prepared and Preserved²

<u>Year</u>	<u>Value</u>
2004	16,113
2005	16,587
2006	24,668
2007	21,867
2008	25,177
2009	15,033

D. Duty Reduction for Pistachios

In June 2008, China reduced the duty on inshell pistachios. These nuts are used in the same fashion as inshell almonds. This demonstrates that duty reduction for inshell almonds is in order.

E. Food Safety Regulations

On June 1, 2009, new food safety regulations were implemented by China. Due to the healthy profile of almonds and the careful treatment of Blue Diamond almonds, there have been no difficulties to date. However, this is an area that requires careful attention.

V. CONCLUSION

Since almonds are currently the largest export from California, it is hoped that significant attention will be devoted to market access for inshell and shelled almonds. Experience now teaches that China is the largest market in the world for California almonds and the second largest for California inshell almonds. This is why specific attention needs to be given to reducing the duty on inshell almonds.

² Data Source: United States Department of Agriculture, Foreign Agriculture Service, Foreign Trade Statistics

It is anticipated that reduction of the duty in China will result in additional exports of U.S. almonds in the range of an additional 100 million dollars within 5 years.

If you would like any additional information or have any questions, please advise and additional information will be furnished.

Respectfully submitted,

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Blue Diamond Growers

Date Submitted: June 3, 2010

