

**BEFORE THE UNITED STATES
INTERNATIONAL TRADE COMMISSION**

**Economic Impact of Trade Agreements Implemented Under Trade Authorities
Procedures, 2016 Report**

INVESTIGATION NO. 332-555

**SUBMISSION
OF
BLUE DIAMOND GROWERS**

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The following is submitted by Blue Diamond Growers in response to the International Trade Commissions invitation to submit testimony on how the trade agreements covered by the Uruguay Round Agreements and the North American Free Trade Agreement, and U.S. free trade agreements (FTAs, or Free Trade for Almonds) with Australia, Bahrain, Canada, Chile, Colombia, the Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Israel, Jordan, Korea, Morocco, Oman, Panama, Peru, and Singapore can be strengthened.

With regard to the aforementioned countries, some barriers remain to U.S. export of almonds. This is especially true with regard to Israel and South Korea. It is necessary to eliminate all trade barriers in these two countries. This will result in an increase of trade.

We look forward to the elimination of all barriers for almonds with the completion of TPP in the countries that are participating in this agreement. It is our belief that the completion of TPP will be beneficial to the California almond industry.

BLUE DIAMOND GROWERS

Blue Diamond Growers is a non-profit, farmer-owned, marketing cooperative. It is headquartered in Sacramento, California. 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 with approximately \$4.2 billion of almonds exported from California to the world last year.

Blue Diamond Growers is the world's largest processor and marketer of almonds. The company obtains its supply of almonds from its members/owners and sells them to retail chains and food processing, confectionery and food service companies in nearly 100 nations around the world. More than 40 countries sell Blue Diamond branded products.

Blue Diamond Growers exports almonds for the majority of the almond growers in the state of California. Almonds are projected to account for about 25 percent of California farm exports alone. Almond production continues to expand in order to supply the world. USDA Foreign Agricultural Service estimated the 2014 crop year to be around 2.3 billion pounds worldwide. Of that 2.3 billion, California will produce about 2.0 billion pounds, more than 87 percent of the global almond supply.¹

THE CALIFORNIA ALMOND INDUSTRY

The California almond industry produces \$21.5 billion in economic activity. Of this \$11 billion is value added. This includes indirect and induced value added. Of the \$11 billion of total value added to the California economy, about \$7.6 billion is attributable to almond farming. The remaining \$3.4 billion is contributed by the almond processing and manufacturing sectors including Blue Diamond Growers.

The whole almond industry, including processing and marketing, generates 104,000 jobs statewide. Three quarters of these jobs are outside the almond industry. Approximately, 47,000 additional jobs are generated through indirect economic activity associated with almond farming. Approximately, 36,000 jobs are associated with the direct, indirect, and induced economic activity of the processing and manufacturing sectors.²

As almond production and consumption has expanded over the century, California almond exports have become increasingly more valuable to the agriculture industry. Blue Diamond Growers is exporting more almonds today than ever before. The volume of California almond exports today is 65 times the volume of exports in 1965. There has been a steady growth rate, 6.6 percent annually on average, in almond exports since 1988.

¹ The Economic Impacts of the California Almond Industry: A Report Prepared for the Almond Board of California Daniel by A. Sumner, William A. Matthews, Josué Medellín-Azuara and Adrienne Bradley University of California Agricultural Issues Center

² The Economic Impacts of the California Almond Industry A Report Prepared for the Almond Board of California Daniel A. Sumner, William A. Matthews, Josué Medellín-Azuara and Adrienne Bradley University of California Agricultural Issues Center

In 1990, a little more than 414 million pounds were exported at a total value of \$564 million. The export total for 2014 was nearly 1.3 billion pounds at a value of \$4.2 billion.

The products covered by this submission follow:

Almonds:

Inshell:	0802.11.00
Shelled:	0802.12.00
Prepared or preserved:	2008.19.40
	2008.19.13
	2008.19.19
	2008.19.93
Almond meal:	1106.30.90

Tables will be provided for shelled and in shell almonds for the past five years.

ALL ALMOND DUTIES SHOULD BE ELIMINATED WORLDWIDE

The objective for shelled, inshell, prepared or preserved almonds and almond meal is to eliminate all almond duties. Almonds lend themselves to accomplishing this.

Apart from the U.S., there are several almond producing countries. These countries have the temperate climates, similar to California. However all almond producing countries import California almonds to meet the demands of their own countries.

Due to the trade patterns for almonds, it should be possible to achieve a zero duty in all countries. It is our opinion, as the number one supplier of almonds to the world, all countries would benefit from such an elimination of the existing duties.

Australia

Australia is beginning to produce increasing quantities of almonds. In time, it will become a significant competitor in the Pacific Rim and India. Most of the plantings in Australia are still relatively new and have not yet come into full production. It is anticipated that Australia will continue to import almonds from California and will remain a good market.

The following table³ for in shell and shelled almonds clearly demonstrates the continued growth in almond exports to Australia. There is strong demand for almonds in Australia. The growth has occurred due to the persistent work of the USTR and USDA to reduce trade barriers. Blue Diamond Growers is responsible for developing this market over a long period of time.

Values in Thousands of U.S. dollars		2009	2010	2011	2012	2013	2014	
Partner	Product	Value	Value	Value	Value	Value	Value	Period/Period % Change (Value)
Australia	080211 - Almonds, In Shell	440	439	753	329	0	268	--
Australia	080212 - Almonds, No Shell	4,067	5,384	7,901	14,098	13,649	16,741	23

Bahrain

Bahrain is a small country, but still an important market. Each country regardless of size is an important export market for Blue Diamond Growers. Collectively, all the small markets together add up to large export volumes.

Bahrain is a good market for California almonds. Some of the almonds exported to Bahrain are then exported to other countries in the Middle East.⁴

Values in Thousands of U.S. dollars		2009	2010	2011	2012	2013	2014	
Partner	Product	Value	Value	Value	Value	Value	Value	Period/Period % Change (Value)
Bahrain	080211 - Almonds, In Shell	155	211	93	0	0	0	--
Bahrain	080212 - Almonds, No Shell	1,248	2,081	2,392	2,095	2,760	2,700	-2

³ USDA FAS Data Source: U.S. Census Bureau Trade Data. Product Group: Harmonized.

⁴ Ibid.

Canada

The following table⁵ clearly demonstrates the continued growth in almond exports to Canada since 2009. Due to their climate, Canada does not grown almonds. The demand for almonds in Canada is strong. The growth has occurred due to the persistent work of the USTR and USDA to reduce trade barriers. Blue Diamond Growers is responsible for developing this market over a long period of time.

Values in Thousands of U.S. dollars		2009	2010	2011	2012	2013	2014	
Partner	Product	Value	Value	Value	Value	Value	Value	Period/Period % Change (Value)
Canada	080211 - Almonds, In Shell	1,372	1,495	2,086	1,949	3,066	3,660	19
Canada	080212 - Almonds, No Shell	86,062	100,441	125,008	139,166	182,219	207,249	14

Chile

Chile is a producer of almonds. Nevertheless, Chile imports almonds from California to meet their market demands. Every market is an important market for California almonds. This includes Chile.

The following table⁶ clearly demonstrates the continued growth in almond exports to Chile. The demand for almonds in Chile is strong. The growth has occurred due to the persistent work of the USTR and USDA to reduce trade barriers. Blue Diamond Growers is responsible for developing this market over a long period of time.

Values in Thousands of U.S. dollars		2009	2010	2011	2012	2013	2014	
Partner	Product	Value	Value	Value	Value	Value	Value	Period/Period % Change (Value)
Chile	080211 - Almonds, In Shell	0	945	344	570	987	1,709	73
Chile	080212 - Almonds, No Shell	5,821	17,252	10,420	14,697	23,960	34,123	42

⁵ Ibid.

⁶ Ibid.

Columbia

Removal of the 70% duty on 0802.11, 0802.12 and 2008.19.40 has assisted significantly in developing this market as demonstrated by the table below. The growth has occurred due to the persistent work of the USTR and USDA to reduce trade barriers. Blue Diamond Growers is responsible for developing this market over a long period of time.

Values in Thousands of U.S. dollars		2009	2010	2011	2012	2013	2014	
Partner	Product	Value	Value	Value	Value	Value	Value	Period/Period % Change (Value)
Colombia	080211 - Almonds, In Shell	79	106	16	80	428	1,372	221
Colombia	080212 - Almonds, No Shell	378	1,318	1,220	3,332	5,224	9,223	77

Costa Rica

Costa Rica is a small country, but still an important market. Each country regardless of size is an important export market for Blue Diamond Growers. Collectively, all the small markets together add up to large export volumes.

The following table⁷ clearly demonstrates the continued growth in almond exports to Costa Rica since 2009. The growth has occurred due to the persistent work of the USTR and USDA to reduce trade barriers. Blue Diamond Growers is responsible for developing this market over a long period of time.

Values in Thousands of US dollars		2009	2010	2011	2012	2013	2014	
Partner	Product	Value	Value	Value	Value	Value	Value	Period/Period % Change (Value)
Costa Rica	080211 - Almonds, In Shell	0	326	615	689	725	962	33
Costa Rica	080212 - Almonds, No Shell	247	547	967	827	2,051	1,627	-21

Dominican Republic

The Dominican Republic is a small country, but still an important market. Each country regardless of size is an important export market for Blue Diamond Growers. Collectively, all the small markets together add up to large export volumes.

The following table clearly demonstrates the continued growth in almond exports to the Dominican Republic since 2009. The growth has occurred due to the persistent

⁷ Ibid.

work of the USTR and USDA to reduce trade barriers. Blue Diamond Growers is responsible for developing this market over a long period of time.

Values in Thousands of U.S. dollars		2009	2010	2011	2012	2013	2014	
Partner	Product	Value	Value	Value	Value	Value	Value	Period/Period % Change (Value)
Dominican Republic	080211 - Almonds, In Shell	257	126	246	679	596	675	13
Dominican Republic	080212 - Almonds, No Shell	11	88	241	159	180	560	212

El Salvador

El Salvador is a small country, but still an important market. Each country regardless of size is an important export market for Blue Diamond Growers. Collectively, all the small markets together add up to large export volumes.

The following table clearly demonstrates the continued growth in almond exports to El Salvador since 2009. The growth has occurred due to the persistent work of the USTR and USDA to reduce trade barriers. Blue Diamond Growers is responsible for developing this market over a long period of time.

Values in Thousands of U.S. dollars		2009	2010	2011	2012	2013	2014	
Partner	Product	Value	Value	Value	Value	Value	Value	Period/Period % Change (Value)
El Salvador	080211 - Almonds, In Shell	0	70	33	62	112	223	98
El Salvador	080212 - Almonds, No Shell	24	21	230	183	255	548	115

Guatemala

Guatemala is a small country, but still an important market. Each country regardless of size is an important export market for Blue Diamond Growers. Collectively, all the small markets together add up to large export volumes.

The following table⁸ clearly demonstrates the continued growth in almond exports to Guatemala since 2009. The growth has occurred due to the persistent work of the USTR and USDA to reduce trade barriers. Blue Diamond Growers is responsible for developing this market over a long period of time.

⁸ Ibid.

Values in Thousands of U.S. dollars		2009	2010	2011	2012	2013	2014	
Partner	Product	Value	Value	Value	Value	Value	Value	Period/Period % Change (Value)
Guatemala	080211 - Almonds, In Shell	82	144	284	224	160	55	-66
Guatemala	080212 - Almonds, No Shell	122	232	286	755	824	1,307	59

Honduras

Honduras is a small country, but still an important market. Each country regardless of size is an important export market for Blue Diamond Growers. Collectively, all the small markets together add up to large export volumes.

The following table clearly demonstrates the continued growth in almond exports to Honduras since 2009. The growth has occurred due to the persistent work of the USTR and USDA to reduce trade barriers. Blue Diamond Growers is responsible for developing this market over a long period of time.

Values in Thousands of U.S. dollars		2009	2010	2011	2012	2013	2014	
Partner	Product	Value	Value	Value	Value	Value	Value	Period/Period % Change (Value)
Honduras	080211 - Almonds, In Shell	0	0	45	106	555	172	-69
Honduras	080212 - Almonds, No Shell	4	0	49	299	78	322	313

Israel

The fact that the United States has been unable to obtain duty-free access for U.S. almonds exported to Israel remains as one of the most glaring defeats in the effort to obtain free trade for U.S. almonds. The Israeli market must be opened to U.S. almonds on a duty-free basis otherwise it continues to demonstrate that the Free Trade Agreement with Israel is not really a Free Trade Agreement.

As demonstrated by the tables below, there is a strong demand in Israel for U.S. almonds. Currently, the Israeli government penalizes its citizens by requiring them to pay more for U.S. almonds than is necessary. The high duty acts as a burdensome tax on the food the Israelis want.

One need only look to the duties imposed on other nuts to see that Israel is an attractive market for nuts. Walnuts are imported from the U.S. to Israel duty free. This discrimination against U.S. almonds distorts the market and consumer consumption.

Currently there is a quota of 1,500 MT of shelled almonds from the U.S. If two containers are imported, a 100% duty is paid on the first container and 0% on the second. The current duty is \$1.80/kg. Under this duty only 1,250 MT have been imported. There is no program in place for in shell almonds, the duty on which is about \$1.35/kg, or \$0.61/lb.

In 2016 it is possible the 'formula' will be changed. Instead of one load full duty, second load free, it may be changed to one load full duty, two loads duty-free.

It is also significant to understand that almonds imported for use in bakery or industrial products enter duty free. This, more than any other one item shows that the Israeli market wants almonds and that the government intentionally distorts importation to favor a selected few.

It is not possible to defend these high tariff rates. It is certain that the U.S. will prevail and obtain a zero duty for almonds. This should be accomplished with a new free trade agreement covering almonds.

The table⁹ below clearly demonstrates the growth in exports to Israel. This growth has occurred despite the Government of Israel discriminating against imports of U.S. almonds in favor of other tree nuts.

With duty free access, it is estimated that almond exports to Israel will increase to the level of \$30 million dollars within five years.

Values in Thousands of U.S. dollars		2009	2010	2011	2012	2013	2014	
Partner	Product	Value	Value	Value	Value	Value	Value	Period/Period % Change (Value)
Israel	080211 - Almonds, In Shell	2,016	398	625	166	988	2,884	192
Israel	080212 - Almonds, No Shell	11,894	16,174	14,207	10,598	7,902	28,339	259

Jordan

Jordan is a small country, but still an important market. Each country regardless of size is an important export market for Blue Diamond Growers. Collectively, all the small markets together add up to large export volumes.

The following table¹⁰ clearly demonstrates the continued growth in almond exports to Jordan since 2009. The growth has occurred due to the persistent work of the USTR and USDA to reduce trade barriers. Blue Diamond Growers is responsible for developing this market over a long period of time.

⁹ Ibid.

¹⁰ Ibid.

Values in Thousands of U.S. dollars		2009	2010	2011	2012	2013	2014	
Partner	Product	Value	Value	Value	Value	Value	Value	Period/Period % Change (Value)
Jordan	080211 - Almonds, In Shell	3,581	2,563	1,288	2,618	3,469	2,011	-42
Jordan	080212 - Almonds, No Shell	18,878	20,941	18,634	20,190	22,855	25,635	12

South Korea

South Korea is a country that has proved to be difficult to export almond products. Blue Diamond Growers hopes to be able to sell Almond Breeze, our almond dairy alternative, in South Korea. In order to do that, it must be able to be imported at a duty rate that is not prohibitive. We believe 1106.30.90 is the correct classification. This carries a duty rate of zero.

The final Almond Breeze product would be made in Korea. The base is made by a milling process. The almonds are roasted and blanched and then milled. The ground almonds resemble a meal or a paste. It serves as the base product for Almond Breeze. Nothing is added. It is all natural, containing 100% almonds.

South Korea insists that 2008.19.40 is the correct classification for the almond base. The current duty rate for this is 31.5%. It will not come to zero until 2019.

Two other classification categories that would work are 2106.90.1090 or 2202.90.1090. Both currently carry a duty rate of 3.2%. This rate would work, but zero is the correct tariff.

South Korean Customs continues to insist that 2008.19.40 is the correct classification. It is believed it should be 1106.30.90 or at least 2106.90.1090 or 2201.90.90.

Please add this to the request for an accelerated duty reduction under the U.S.-Korean FTA is sought.

As demonstrated by the table¹¹ below, there is a strong demand in South Korea for U.S. almonds. Currently, the South Korean government penalizes its citizens by requiring them to pay more than is necessary. The high duty acts as a burdensome tax on the food the South Koreans want.

¹¹ Ibid.

Values in Thousands of U.S. dollars		2009	2010	2011	2012	2013	2014	
Partner	Product	Value	Value	Value	Value	Value	Value	Period/Period % Change (Value)
Korea, South	080211 - Almonds, In Shell	4,411	9,653	8,834	6,916	13,085	7,669	-41
Korea, South	080212 - Almonds, No Shell	45,105	54,061	74,496	120,724	157,622	204,036	29

Mexico

There have been some difficulties with exports to Mexico. Several years ago Mexico was authorized to retaliate against the U.S. due to U.S. violations of the NAFTA agreement on trucking. At that time, we were hurt since Mexico raised the tariff on almonds. Mexico may soon be authorized to retaliate again due to the U.S. country of origin labeling requirements. Almonds may again be on the list of items for a higher duty.

Despite problems, the following table¹² clearly demonstrates the continued growth in almond exports to Mexico since 2009. The growth has occurred due to the persistent work of the USTR and USDA to reduce trade barriers. Blue Diamond Growers is responsible for developing this market over a long period of time.

Values in Thousands of U.S. dollars		2009	2010	2011	2012	2013	2014	
Partner	Product	Value	Value	Value	Value	Value	Value	Period/Period % Change (Value)
Mexico	080211 - Almonds, In Shell	1,202	384	1,077	2,246	1,047	990	-5
Mexico	080212 - Almonds, No Shell	20,217	27,484	22,775	41,562	65,513	74,207	13

Morocco

Morocco is a small country, but still an important market. Each country regardless of size is an important export market for Blue Diamond Growers. Collectively, all the small markets together add up to large export volumes.

Morocco has the potential to be an excellent market for California almonds. Almonds are part of the Moroccan diet.¹³

Values in Thousands of U.S. dollars		2009	2010	2011	2012	2013	2014	
Partner	Product	Value	Value	Value	Value	Value	Value	Period/Period % Change (Value)
Morocco	080211 - Almonds, In Shell	95	0	112	0	0	0	--
Morocco	080212 - Almonds, No Shell	1,409	1,753	1,011	761	593	0	--

¹² Ibid.

¹³ Ibid.

Nicaragua

The following table¹⁴ clearly demonstrates the continued growth in almond exports to Nicaragua since 2009. The growth has occurred due to the persistent work of the USTR and USDA to reduce trade barriers. Blue Diamond Growers is responsible for developing this market over a long period of time.

Values in Thousands of U.S. dollars		2009	2010	2011	2012	2013	2014	
Partner	Product	Value	Value	Value	Value	Value	Value	Period/Period % Change (Value)
Nicaragua	080212 - Almonds, No Shell	5	5	18	18	68	161	137
Nicaragua	080211 - Almonds, In Shell	0	0	57	87	39	103	166

Oman

Oman is a small country, but still an important market. Each country regardless of size is an important export market for Blue Diamond Growers. Collectively, all the small markets together add up to large export volumes.

Oman has the potential to be an excellent market for California almonds. Almonds are part of the Oman diet.¹⁵

Values in Thousands of U.S. dollars		2009	2010	2011	2012	2013	2014	
Partner	Product	Value	Value	Value	Value	Value	Value	Period/Period % Change (Value)
Oman	080212 - Almonds, No Shell	0	197	298	334	146	0	--

Panama

Panama is a small country, but still an important market. Each country regardless of size is an important export market for Blue Diamond Growers. Collectively, all the small markets together add up to large export volumes.

The following table clearly demonstrates the continued growth in almond exports to Panama since 2009. The growth has occurred due to the persistent work of the USTR and USDA to reduce trade barriers. Blue Diamond Growers is responsible for developing this market over a long period of time.

¹⁴ Ibid.

¹⁵ Ibid.

Values in Thousands of U.S. dollars		2009	2010	2011	2012	2013	2014	
Partner	Product	Value	Value	Value	Value	Value	Value	Period/Period % Change (Value)
Panama	080211 - Almonds, In Shell	27	0	76	84	309	653	111
Panama	080212 - Almonds, No Shell	358	604	1,051	665	1,013	736	-27

Peru

The following table¹⁶ clearly demonstrates the continued growth in almond exports to Peru since 2009. The growth has occurred due to the persistent work of the USTR and USDA to reduce trade barriers. Blue Diamond Growers is responsible for developing this market over a long period of time.

Values in Thousands of U.S. dollars		2009	2010	2011	2012	2013	2014	
Partner	Product	Value	Value	Value	Value	Value	Value	Period/Period % Change (Value)
Peru	080211 - Almonds, In Shell	0	191	98	0	6	20	213
Peru	080212 - Almonds, No Shell	312	1,093	973	2,039	4,142	5,302	28

Singapore

Singapore is a small country, but still an important market. Each country regardless of size is an important export market for Blue Diamond Growers. Collectively, all the small markets together add up to large export volumes.

Singapore is the model for Free Trade. It demonstrates the benefits of open markets. It is a very good market for California almonds. The following table¹⁷ clearly demonstrates the continued growth in almond exports to Singapore. This growth has occurred due to the strong demand in Singapore. The growth has occurred due to the persistent work of the USTR and USDA to reduce trade barriers. Blue Diamond Growers is responsible for developing this market over a long period of time.

Values in Thousands of U.S. dollars		2009	2010	2011	2012	2013	2014	
Partner	Product	Value	Value	Value	Value	Value	Value	Period/Period % Change (Value)
Singapore	080211 - Almonds, In Shell	920	931	1,618	218	9	8	-16
Singapore	080212 - Almonds, No Shell	3,111	3,493	5,441	4,177	9,807	11,336	16

¹⁶ Ibid.

¹⁷ Ibid.

CONCLUSION

Consumer retail sales are very important and have a positive effect on the total consumption of almonds in Australia, Bahrain, Canada, Chile, Colombia, the Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Israel, Jordan, Korea, Morocco, Oman, Panama, Peru, and Singapore. It is anticipated that termination of all the duties on U.S. almonds in every tariff category would result in additional U.S. exports of over \$1 billion within two to three years.

The California almond industry contributes additional billions of dollars and thousands of jobs to the California economy. In 2014, the California almond industry contributed \$11 billion of value added to the California gross state product and 104,000 jobs statewide, three quarters of which are outside the almond industry.

The California almond industry has harvested the largest crops in history during the past during each of the past four years of over one billion pounds per year. Over 70% of this crop is exported. In order to increase trade, tariffs on almonds must be eliminated.

This expanded trade will then result in job creation and growth. Currently, 30,000 jobs are generated by almond exports. Removal of all almond duties imposed would result in increased jobs in the range of 15% to 25%.

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

Respectfully submitted,

Ms. Alicia Rockwell
Director of Corporate Communications
Blue Diamond Growers