

Analysis of 2007 Avocado Exports to the U.S.

In 2007, 48 Chilean companies exported a total of \$US 93,374,739 in avocados to the United States. This represents approximately 16.5% of all U.S. imports of avocados. Under the Harmonized Tariff System, these exports are labeled product code 0804.40.00 and are divided into two time periods: January 1 to September 30 and October 1 to December 31. Only this product code type of avocado export will be discussed herein.

The Free Trade Agreement between the U.S. and Chile provides that avocados may be exported to the U.S. free of tariff up to a certain quota, measured in metric tons, depending on the time of the year. From January 1 to September 30, 17,364 metric tons may be exported to the U.S. free of tariff and from October 1 to December 31, 39,359 metric tons may be so exported. Once the quota is reached, amounts exported above the quota are subject to the tariff outlined in the Free Trade Agreement. For 2007, the applicable tariff was 11.20 cents per kilogram. For 2008, it is 10.27 cents per kilogram.

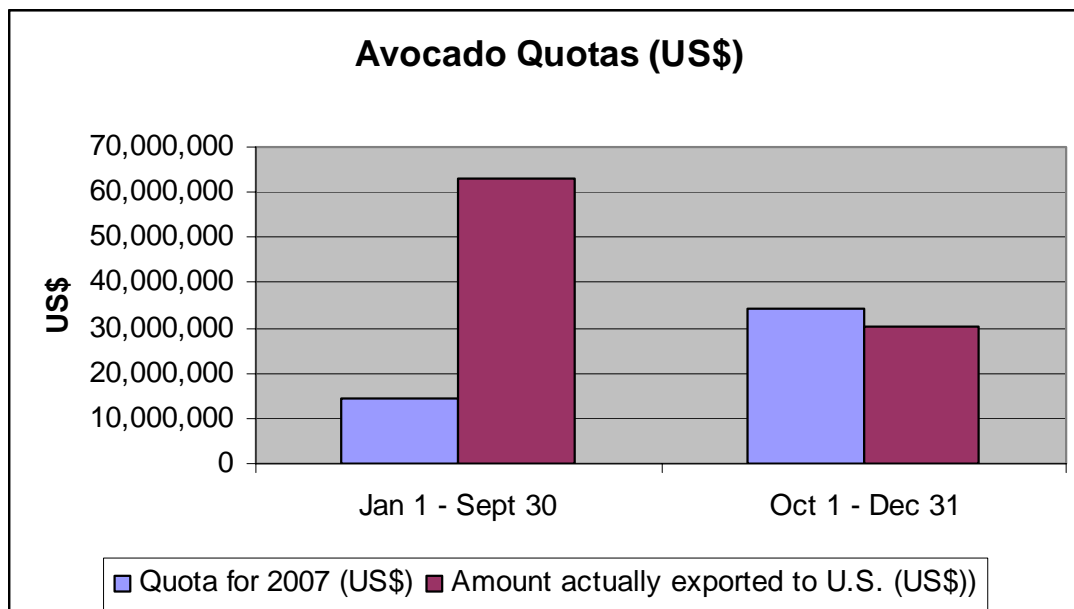
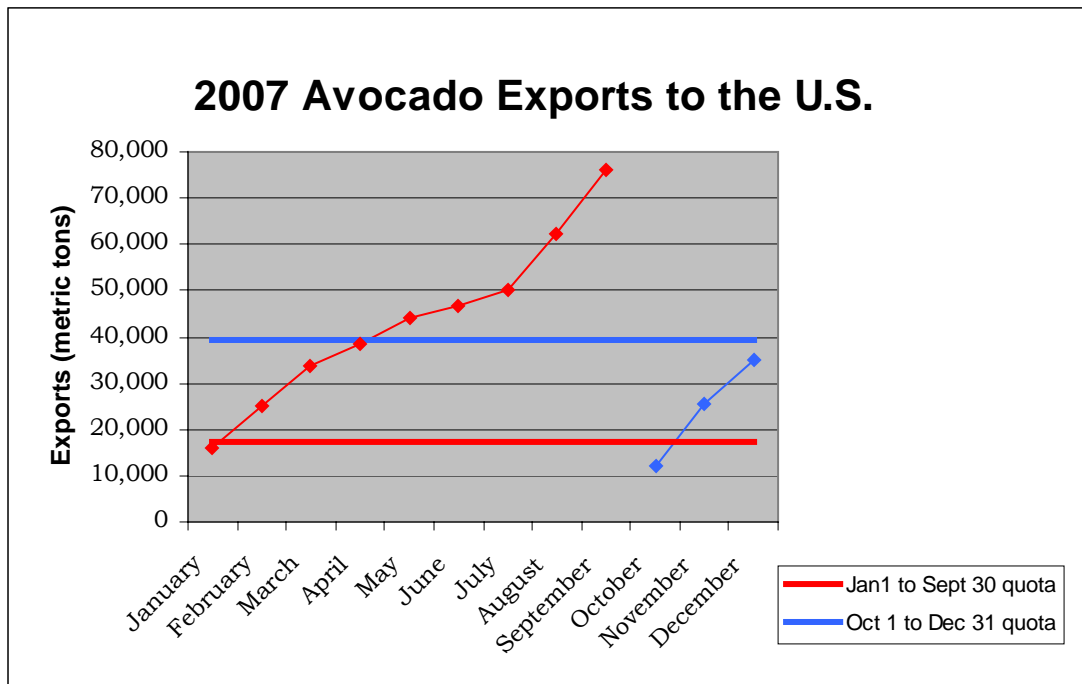
In the period from January 1 to September 30, the quota was reached on February 3. Thereafter and through September 30, a further 58,761 metric tons above the quota were exported resulting in the payment of \$US 6,581,298 in tariffs. Viewed as currency rather than in metric tons, a total of \$US 62.9 million in avocados were exported during this period, \$US 48.5 million of which were exported after February 3 when the quota was reached. A total of 44 Chilean companies exported the amount over the quota, three of which exported 70% of that excess amount. Exports to the U.S. were much higher than usual during this period due to the agriculture freeze in California in early 2007.

Between October 1 and December 31, the 39,359 metric ton quota for Chilean avocados was never met. Thirty-one Chilean companies exported 35,103 metric tons, leaving 4,256 metric tons of the quota unused. That is 4,256 metric tons or US\$ 3.7 million of exports free of tariff. For example, had that amount been exported in the second period rather than the first, at a rate of 11.20 cents per kilogram, the unused

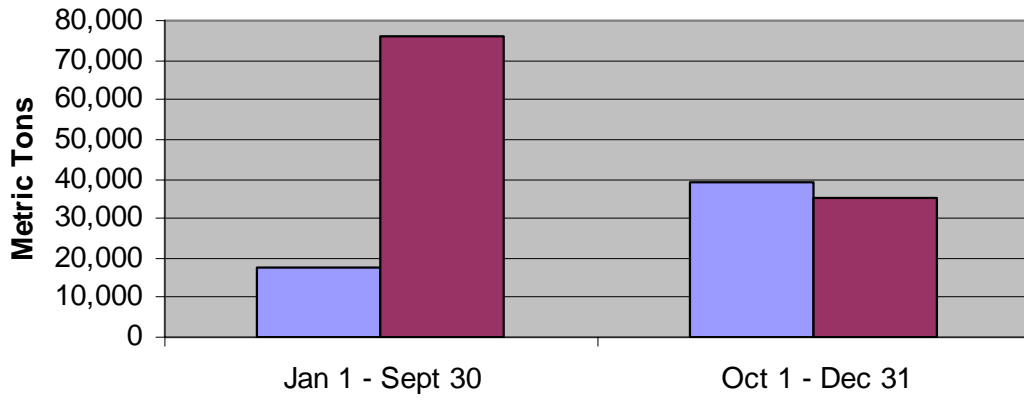
portion of the quota would have amounted to a potential savings of \$US 476,705. The same three companies again represented 69% of the amount exported.

In considering 2007 as a whole, 8 Chilean companies had avocado exports to the U.S. greater than \$US 1,000,000. The same top three exporters, mentioned above, accounted for over 70% of the total.

This year, in 2008, the quota for January 1 to September 30 increased to 18,233 metric tons (an increase of almost 1,000 metric tons), and the quota for October 1 to December 31 increased to 41,327 metric tons (an increase of almost 2,000 metric tons). The tariff on excess quantity in both periods has decreased to 10.27 cents.



Avocado Quotas (Metric Tons)



■ Quota for 2007 (metric tons) ■ Amount actually exported to U.S. (metric tons)