

Statement of Dr. Gopi Munisamy
University of Georgia, Athens

Good morning! Thank you for the opportunity to speak with you today. Let me begin by saying that the Georgia vegetable industry faces a challenging market environment. I will present the case of two major vegetables grown in Georgia – bell peppers and cucumbers – where recent import and price patterns point to factors outside of Georgia challenging produce markets.

I am going to use numbers and graphs to help tell you a story that there is a strong correlation between import volumes and market prices that appear to directly impact the profitability and of the Georgia farmers that put healthy, nutritious vegetables on America's dinner tables. In my humble opinion, it will require proprietary and administrative data to determine whether that correlation is actual causation and help address challenges faced by this important corner of the U.S. food supply chain.

Fresh seasonal vegetables (and fruits) are unlike many other commodities in that they ripen at specific times during a calendar year and, unless used as ingredients in prepared foods, have a limited shelf life. This pattern is what you see in my Exhibit 1: the peaks represent when the market is heavily supplied by ripening imports and the valleys represent periods when domestic sources would normally expect to supply a greater portion of the market. You already have, or shortly will, hear an explanation of the market dynamics during these peaks from Florida growers. I seek to complement this discussion by focusing on the valleys – the lower import volume periods when Georgia's bell peppers come into season.

You have, no doubt, already noted that the depth of the valleys – that is, the low-point (or floor) of the import volumes – has risen considerably over the four years represented in Exhibit 1. If you turn to Exhibits 2 and 3 where I have isolated bell peppers and cucumbers, the consistent rise in the overall lower bound of import volumes is even more obvious. Specifically, bell pepper imports averaged \$72 million in May-October of 2015, but increased to \$104 million in the corresponding period in 2019. Likewise, cucumber imports increased from \$129 million to \$186 million during April through November, again Georgia's ripening season, in just 4 years.

A few other important data points:

- 1) Total value of the national crop of bell peppers and cucumbers declined by 24% and 19%, respectively, over this same period from 2015-2019, with roughly 45% of the import growth of each occurring during the Georgia ripening season.
- 2) Roughly 68% of the annual imports of both bell peppers and cucumbers now come from Mexico.
- 3) Greenhouse bell peppers and cucumbers accounted for a majority of imports during the Georgia ripening season.

The evidence presented shows a decrease in Georgia's market share of both vegetables, in spite of an overall increase in per capita consumption during this time. That is, Georgia's market

share is falling despite growing aggregate demand in the U.S. market. A strong correlation exists between the growth of protected agriculture acres in Mexico and its produce exports to U.S. markets. Moreover, Mexican support to protected agriculture has witnessed dramatic growth since 2009. Again, it will require additional data, likely through the information sharing provisions of USMCA, to ascertain whether that correlation is actual causation.

Now let's talk about produce pricing patterns during 2015-2019 in Exhibit 4 through 6. Using the Atlanta terminal market and bell peppers for illustration purposes, Exhibit 4 clearly shows that monthly prices of bell peppers originating from Georgia are trending downward. In addition to Atlanta, monthly prices for Georgia-origin peppers show a declining trend in New York and Chicago markets as well during 2015-2019. Coincidentally, shipping point prices reflect the same downward trend for (South) Georgia growers in Exhibit 5. There is also some evidence that vegetable imports are arriving in terminal markets at lower prices: Exhibit 6 shows the downward price trend of Mexican-origin bell peppers similar to Georgia-origin produce sold in the Atlanta terminal market. Note that Mexican-origin produce price includes shipping costs, but shows substantially high variability with lower prices mostly occurring during Georgia's ripening season.

In closing, there is a strong correlation between rising imports and falling prices for GA vegetable growers. Professionally, as a professor, researcher, and former executive at a federal agency, I have conducted and called for comprehensive analysis of trade policies focusing on not only gains and losses in the aggregate, but also the specific segments of the economy adversely affected from trade. The South-Eastern produce industry presents an excellent opportunity to do just that by using a combination of data from retailers and wholesalers, administrative data already collected by agencies like USDA and other data from provisions of trade agreements such as USMCA. The profitability and long-term financial health of the South-Eastern produce industry may very well depend upon the study's findings.

Thank you again for the opportunity to speak with you today. I would be very pleased to discuss my findings further and respond to any questions you may have during the question and answer portion.

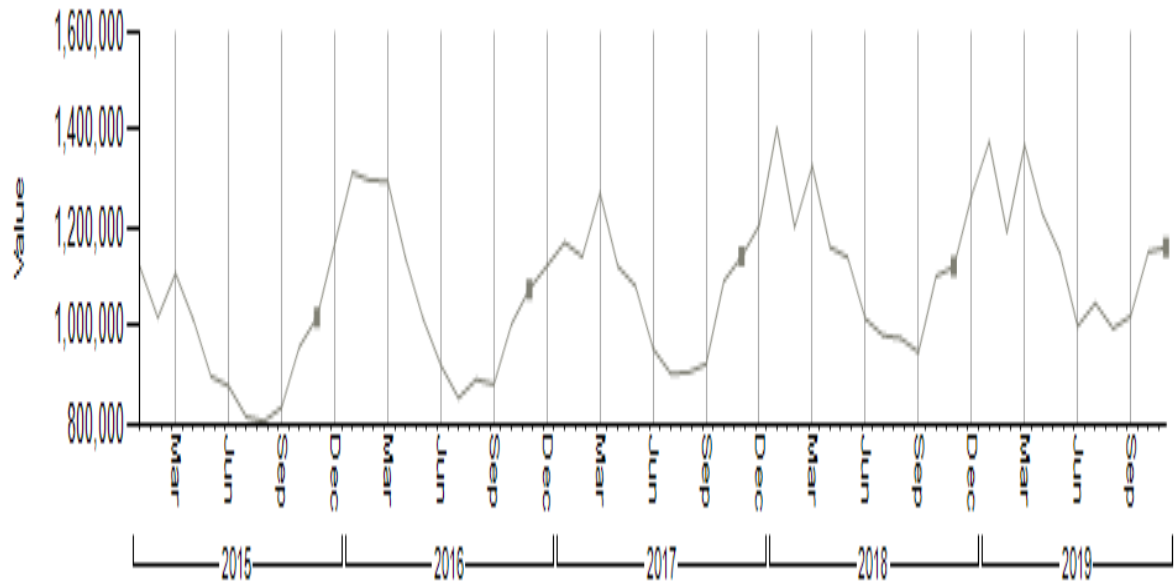


Exhibit #1: U.S. Vegetable Imports, 2015-2019
 Source: USDA Economic Research Service

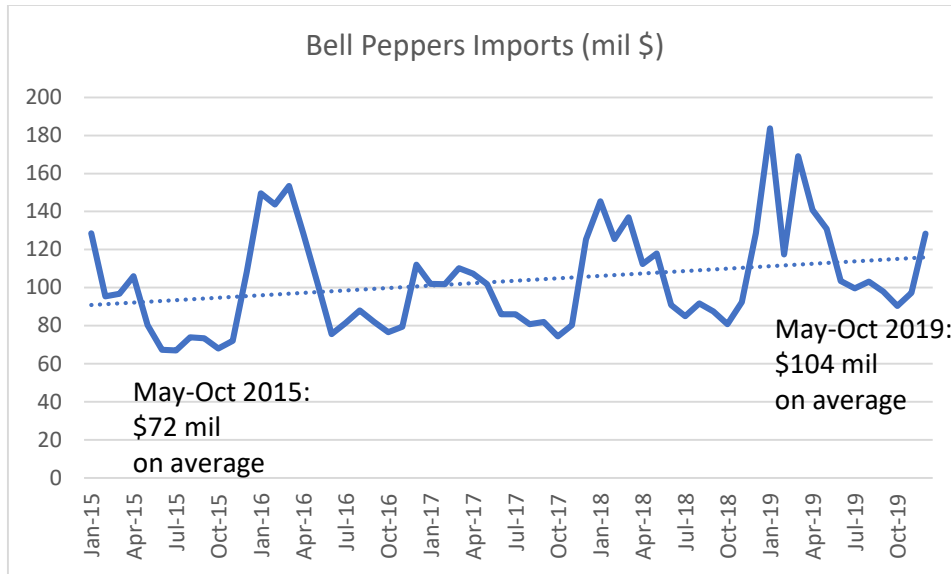


Exhibit #2: U.S. Bell Pepper Imports, 2015-2019
 Source: U.S. International Trade Commission

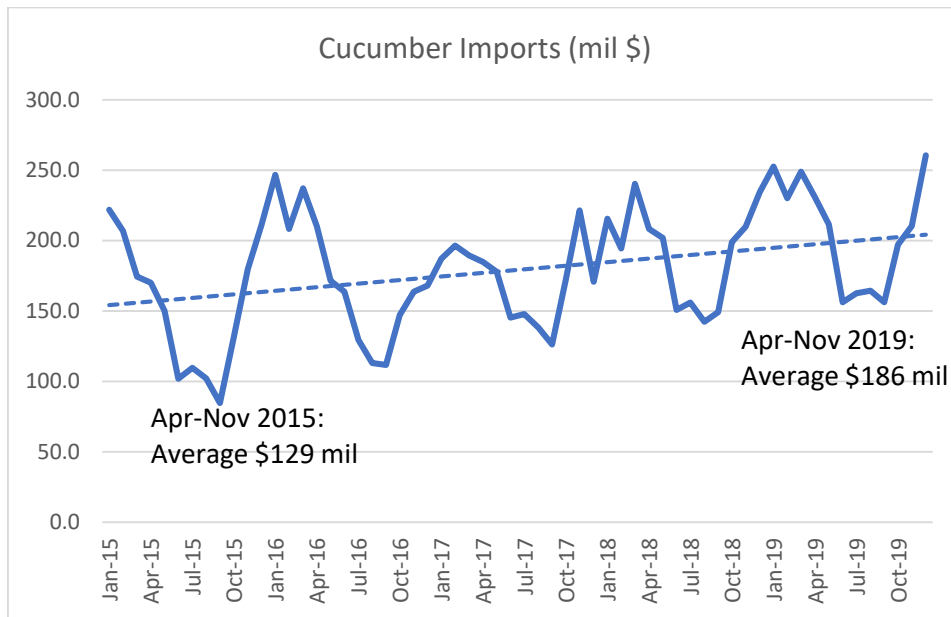


Exhibit #3: U.S. Cucumber Imports, 2015-2019
 Source: U.S. International Trade Commission

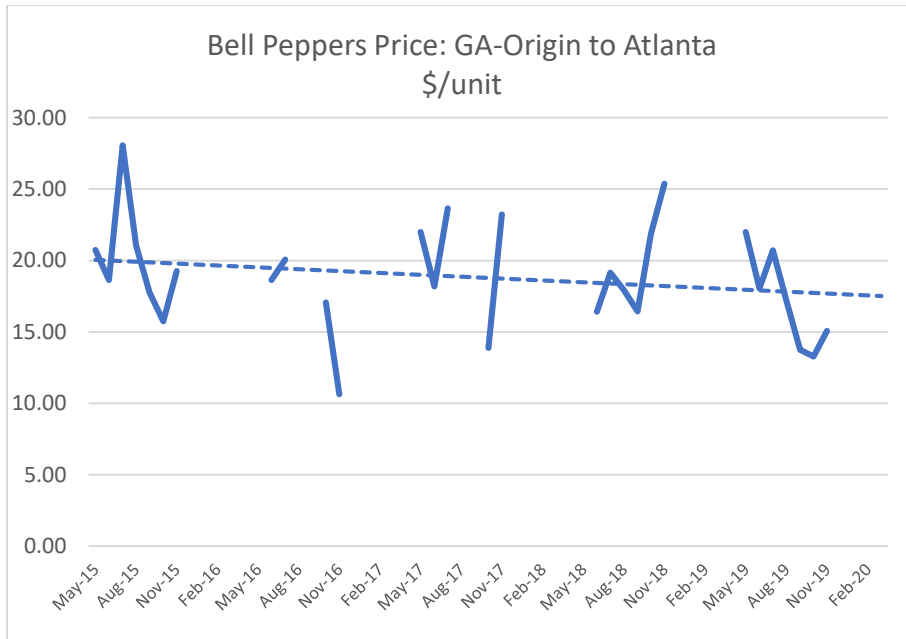


Exhibit 4: Atlanta Terminal Market Bell Peppers Price
 (Green, Non-Organic, 1-1/9 cartons, Extra Large)
 Georgia Growing Season Only
 Source: USDA Agricultural Marketing Service

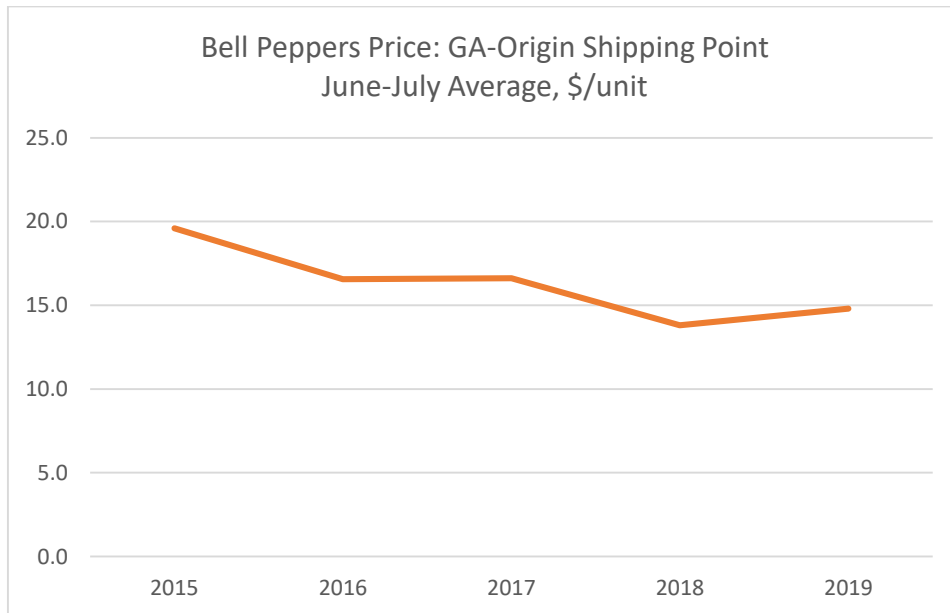
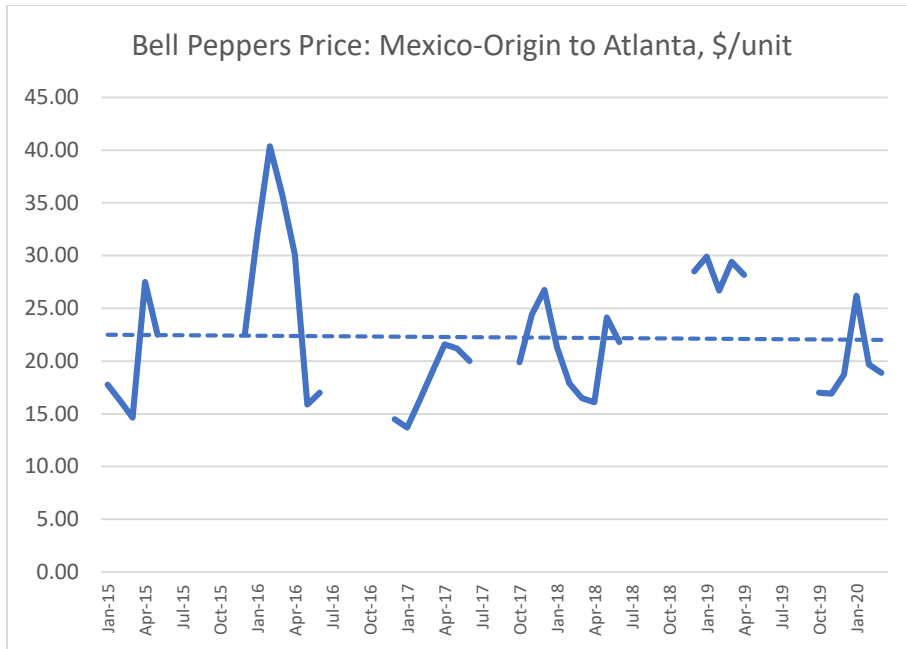


Exhibit 5: Shipping Point Bell Peppers Price – South Georgia
 (Green, Non-Organic, 1-1/9 cartons, Extra Large)
 Source: USDA Agricultural Marketing Service



**Exhibit 6: Atlanta Terminal Market Bell Peppers Price
 (Green, Non-Organic, 1-1/9 cartons, Extra Large)
 Source: USDA Agricultural Marketing Service**