



Center for Agricultural and
Rural Development (CARD)

February 2004

The Expanding U.S. Market for Fresh Produce

Roxanne Clemens

Review Paper (IAR 10:1:8-9)
February 2004

Center for Agricultural and Rural Development
Iowa State University
Ames, Iowa 50011-1070
www.card.iastate.edu

Roxanne Clemens is managing director of the Midwest Agribusiness Trade Research and Information Center, an affiliate of the Center for Agricultural and Rural Development at Iowa State University.

This paper originally appeared in the *Iowa Ag Review*, vol. 10, no. 1, Winter 2004. It is available online on the CARD website: www.card.iastate.edu/iowa_ag_review/. Permission is granted to reproduce this information with appropriate attribution to the author(s), the *Iowa Ag Review*, and the Center for Agricultural and Rural Development, Iowa State University, Ames, Iowa 50011-1070.

For questions or comments about the contents of this paper, please contact Roxanne Clemens, 578 Heady Hall, Iowa State University, Ames, IA 50011; Ph: 515-294-8842; Fax: 515-294-6336; E-mail: rclemens@iastate.edu.

<p>Iowa State University does not discriminate on the basis of race, color, age, religion, national origin, sexual orientation, sex, marital status, disability, or status as a U.S. Vietnam Era Veteran. Any persons having inquiries concerning this may contact the Director of Equal Opportunity and Diversity, 1350 Beardshear Hall, 515-294-7612.</p>

THE EXPANDING U.S. MARKET FOR FRESH PRODUCE

The U.S. Center for Nutrition Policy and Promotion urges consumers to eat between five and nine servings of fresh fruits and vegetables per day. Not all consumers are reaching that goal, but per capita consumption of fresh produce is steadily increasing (see Figure 1). Between 1980 and 2001, per capita consumption of fresh fruits increased by 19 percent and consumption of vegetables (including potatoes) increased by 29 percent. At the same time, new technologies to extend shelf life and new trade agreements have increasingly allowed imports of fresh produce to fill gaps where domestic supplies are too small and domestic products are out of season.

As a result, between 1980 and 2001, fresh fruit imports increased by 155 percent and fresh vegetable imports increased by 265 percent (see Figure 2). In 2001, imports accounted for 38.9 percent of U.S. fresh fruit consumption, up from 24.2 percent in 1980. Fresh vegetable imports accounted for 11.6 percent of U.S. consumption in 2001, up from 5.5 percent in 1980.

Pounds per Year, Retail Weight

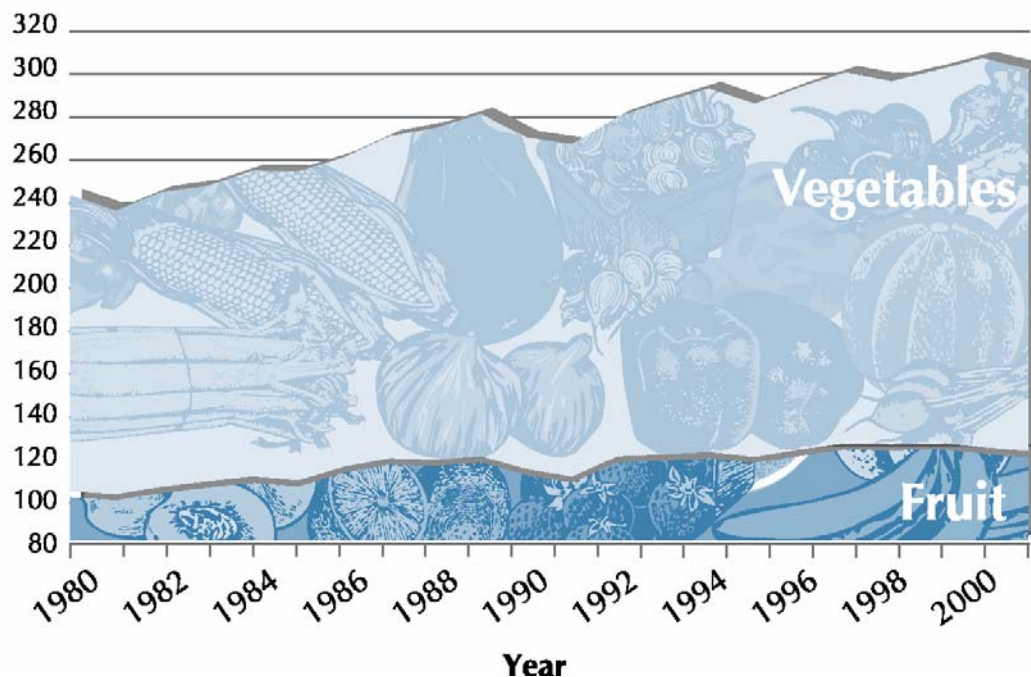


Figure 1. Per capita US. fresh fruit and vegetable consumption

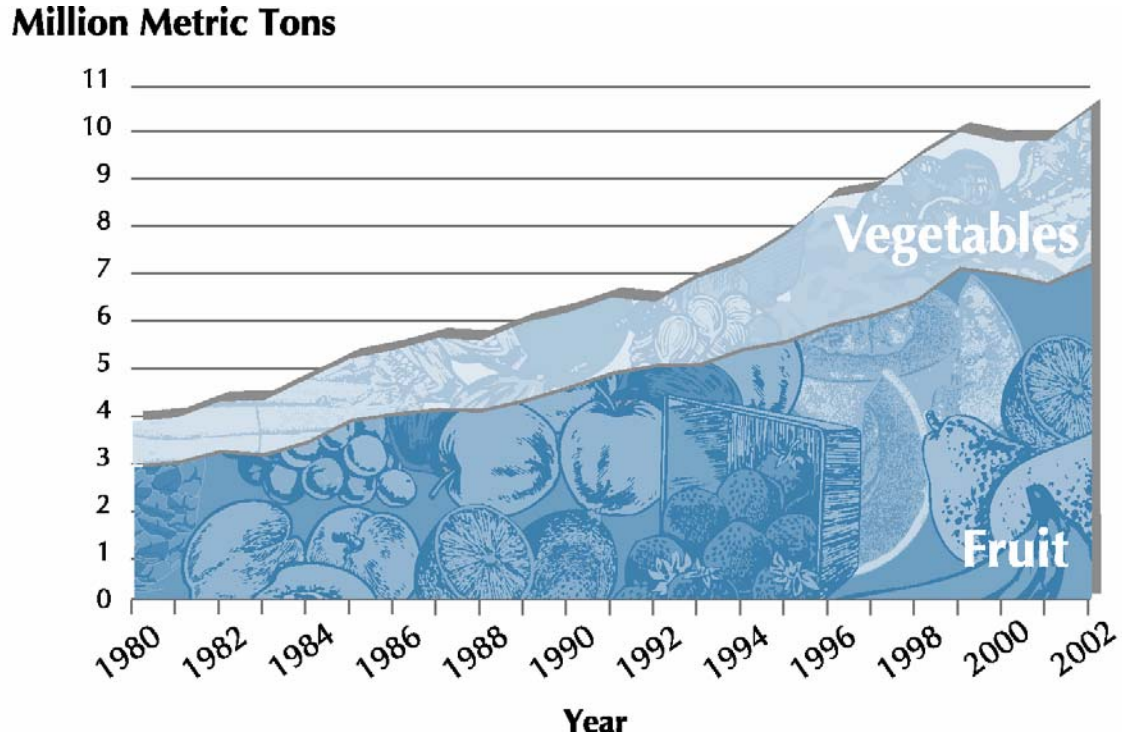


Figure 2. U.S. fresh fruit and vegetable imports

Imports from North and South of the Border

As shown in Table 1, the majority of imported produce is comprised of a few products originating from a few countries within the Americas (see Table 1). Costa Rica's tropical climate makes it the largest supplier of fresh fruits. Mexico is the largest supplier of fresh vegetables (including potatoes), in part because of relatively low transportation costs. And although import volumes from Canada are lower than are those from other top suppliers, Canada supplies a surprisingly large volume of vegetables to the U.S. market, in part because of increased greenhouse production.

As expected, produce imports are highly dependent on U.S. production and seasonal fluctuations. For example, bananas account for more than 22 percent of total fresh fruit consumption and for 60 percent of total fresh fruit imports. Because banana production is virtually nonexistent in the United States, imports are not strongly affected by seasonal changes. This contrasts with melon imports, which are the second largest fresh fruit import by volume but highly seasonal. Imports are large in March and April and negligible for July through September.

The USDA forecasts that the trend toward increased consumption of fresh fruits and vegetables will continue. Per capita expenditures on fruits and vegetables are expected to have the highest increases among all types of foods through 2020. These increases will be driven by higher incomes, the large number of aging baby boomers, a gradually

Table 1. U.S. fresh produce imports by largest suppliers, 2002

Product	Metric Tons	Percentage of Total Imports	Percentage of Product by Country
Total Fruit	7,417,776		
Bananas	4,144,627	55.9	
Ecuador	1,094,600		26.4
Guatemala	968,941		23.4
Costa Rica	914,235		22.1
Melons ^a	680,275	9.2	
Guatemala	213,393		31.4
Costa Rica	174,159		25.6
Mexico	128,106		18.8
Grapes	518,267	7.0	
Chile	399,015		77.0
Mexico	103,175		19.9
Pineapples	405,714	5.5	
Costa Rica	344,731		85.0
Total Vegetables^b	3,178,567		
Tomatoes	859,502	27.0	
Mexico	723,425		84.2
Canada	100,499		11.7
Peppers	401,159	12.6	
Mexico	322,627		80.4
Canada	41,545		10.4
Cucumbers/Gherkins	394,040	12.4	
Mexico	334,681		84.9
Vegetables, Fresh	351,239	11.1	
Mexico	293,685		83.6
Potatoes	281,890	8.9	
Canada	281,785		99.9
Onions and Shallots	270,243	8.5	
Mexico	157,468		58.3
Canada	55,133		20.4

Source: USDA data.

^aExcludes watermelons.

^bIncludes potatoes.

increasing population, increasing consumption of ethnic foods, and higher levels of education among consumers. Of these factors, higher real income is the most important because consumers can purchase more expensive food products and can pay premiums for desired attributes.

Additional Spending for Quality, Variety

Food choices are moving toward safe, nutritious products, a greater variety of foods, and convenience. Consumer willingness to pay more for safe, high-quality, value-added products will create niche markets that commodity-style imports cannot supply. For vegetables (excluding potatoes), away-from-home consumption is expected to grow more quickly than is at-home consumption, but the proportion of each market held by commodity suppliers is expected to remain almost unchanged. For fruits, consumption at home will increase more than will that away from home. In both cases, a segment of U.S. consumers will pay more for additional variety and quality that commodity production cannot provide.

In determining where to spend their food dollars, consumers are demanding more natural foods. Organic production is growing, and the USDA reports that fresh produce is the top-selling organic category. Also, a desire to “buy local” and a preference for foods produced in an environmentally sound manner are important considerations for some consumers.

Greater Selection Fills the Shelf Space

Consumers are also demanding greater variety. In 1994, small and large supermarkets stocked less than 350 produce items. This year, large supermarkets are expected to stock 558 items, and small supermarkets are expected to stock about 540 items. These data include floral and other nonfresh items, but the majority of the increase is attributable to fresh produce. Supermarkets are delivering greater variety by offering more items, more kinds of a single item, and more further-processed items (for example, pre-cut fruits and vegetables). Packaging can increase the desirability and value of produce by adding convenience (for example, resealable bags), more desirable packaging materials, or a broader selection of sizes.

The sheer size of the U.S. market for fresh fruits and vegetables dictates that commodity-type products will continue to dominate the market and that the percentage of the market supplied by imports will continue to increase. In a growing portion of the market, however, consumers will be willing to spend more money on higher-quality produce. As a result, growing niche markets for noncommodity products are expected to provide greater opportunities for both foreign and domestic producers to increase the farm value of fresh produce. □