Food import and food safety in Europe: The role of aflatoxins in pistachios

Bo Xiong (boxiong@ucdavis.edu)
Daniel Sumner (dasumner@ucdavis.edu)

Agricultural Issues Center, University of California

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Bo Xiong and Daniel Sumner*

Introduction
Food safety measures have proliferated over the past decade, particularly in developed countries. Some food safety issues have resulted in high-profile trade disputes at the WTO. Depending on their capacity to confirm, food safety regulation affects different producers and processors differently.

The EU aflatoxin control in food and feed is among the most stringent in the world. The European market for pistachio, a tree nut frequently subject to aflatoxin contamination, relies heavily on the imports from Iran and US. By analyzing this market, we illustrate the role of food safety measures in shaping international competitiveness in agriculture.

US and Iran dominate the world production of pistachios. Figure 1 shows that Iran produces 280,000 tons of pistachios each year, of which 70% is exported. The U.S. production has increased from 100,000 tons in early 2000s to 250,000 tons in 2012. Over 70% of U.S. pistachios are exported in recent years.

Figure 1. Pistachio production and export, Iran and US

What explains the U.S. rise and the Iranian decline in the EU pistachio market? Figure 3 suggests that the change in relative prices is a cause. Specifically, U.S. pistachios became significantly cheaper than Iranian pistachios after 2008.

Figure 3. EU import prices of Iranian and US pistachios

The EU aflatoxin concerns is another potential reason. Since 1996 the European Commission has implemented mandatory aflatoxin control in nut products (Xiong and Beghin). The EC maximum residue level is 10 ppb for ready-to-eat pistachios and 15 ppb for pistachios subject to further processing. Figure 4 shows that the RASFF system in EC issues more aflatoxin alerts concerning Iranian pistachios than U.S. pistachios. Specifically, there are 98 alerts targeting aflatoxin-contaminated pistachios traced back to Iran from 1999 to 2012. In comparison, only 21 alerts concern U.S. pistachios during the same period. Therefore, the relative safety of U.S. pistachios might have provided incentives for EU importers to source pistachios from US instead of Iran.

Figure 4. EC aflatoxin alerts concerning pistachios originated from Iran and US

Data, method, and preliminary results
We model the EU demand for pistachios, with the food safety alerts as potential shifters.

We propose characterizing the EU demand for pistachios using the two equations. Table 1 provides the variable definitions. Because EU is the largest foreign market for both U.S. and Iranian pistachios, changes in the EU demand are likely to affect the prices of U.S. and Iranian pistachios. To address the potential endogeneity of prices, we use the Iranian yield data and U.S. yield data as the instrumental variables.

(a) \[ q_{US} = \alpha_{US} - \alpha_{IR} p_{US} + \beta_{US} y_{US} + \delta_{US} p_{IR} + \epsilon_{US} \]

(b) \[ q_{IR} = \beta_{IR} - \beta_{US} p_{US} + \gamma_{IR} y_{IR} + \delta_{IR} p_{US} + \epsilon_{IR} \]

Table 1. Definitions for variables

Preliminary results suggest that U.S. and Iranian pistachios are highly substitutable. More importantly, we find that EC aflatoxin alerts concerning pistachios tend to reduce EU demand for pistachios from the identified origin but increase EU demand for pistachios from the alternative origin.

We use EU monthly import data from January 1999 to December 2012 and compute unit values as measurements of prices. We use quarterly GDP series from EUROSTAT. We get EC-wide alerts concerning aflatoxins in pistachios from the RASFF database. We also compute EU import price of almonds and walnuts from the EU custom data.

Conclusions
The growing U.S. pistachio industry has shown concern about their food safety and reputation in all markets (Gray et al). The relative safety of U.S. pistachios provides incentives for EU importers to change their import source from Iran to US. The case study illustrates the impact of food safety policies on international competitiveness in agriculture. The difference in food producers and processors’ capacity to meet the food safety measures helps explain changes in markets that are not fully reflected in market prices.

Reference


* Bo Xiong is a postdoctoral scholar at the University of California Agricultural Issues Center and Daniel Sumner is Director, University of California Agricultural Issues Center and Frank H. Buck, Jr, Professor, Department of Agricultural and Resource Economics, University of California, Davis.