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US TOMATOES IN JAPAN: EVOLUTION OF A SUCCESS STORY

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In 1989, a member of the California fresh tomato industry suggested that Japan could be a profitable market for our growers and shippers. In 1997, the first shipments of U.S. fresh tomatoes arrived in Japan. The eight years between the idea first being raised, to the arrival of the first imports, is a study of cooperation, frustration, and a struggle to keep industry focused on the challenges of developing an export market some 7500 miles away.

Since 1951, Japan prohibited the entry of fresh tomatoes because of the disease tobacco blue mold. Japan's position was, although the chance of tomatoes being infested with the disease is exceedingly low, there is no clear authoritative reference that the fungus does not transmit to fruit. Therein lies the problem: A lack of conclusive evidence that would address the concerns of the Japanese government and Japanese tomato and tobacco growers.

Prior to first contacting USDA-APHIS, the Commission enlisted the support of pathologists within the University of California system, and through an exhaustive literature search, found no evidence of tobacco blue mold ever being found on tomatoes; in fact, the only occurrence in California, was in 1885 on wild tobacco. There was significant doubt among the U.C. researchers that the fungus found in San Diego County was actually the "blue mold" in question.

Concurrently, the Commission undertook a market study of Japan, to determine the potential market share for our product. The study, conducted by Harvard Business School, concluded that the market for US tomatoes was the emerging fast food industry.

Looking back, I believe the Harvard and University of California studies were essential to lending credibility to our initial discussion with the USDA. From these initial discussions, we sought a partnership with USDA APHIS and ARS that would bring about a united effort to open Japan to US Tomatoes. It was a partnership that would require a financial investment on our part, and the resources of USDA over an extended period. In short, a relationship between private industry and the Federal government with a common goal: To open Japan's food service market to US tomatoes thus improving the financial position of the US fresh tomato industry.

In 1991, the Commission formally requested through APHIS that ARS undertake research that would address the concerns of the Japanese. The two-year study would cost \$130,000 and would be funded in part by the Commission. This study would seek to clear ten tomato varieties for export to Japan.

The proposed research protocol did not set well with California growers. First, we knew from our own research that tobacco blue mold does not infect tomatoes, and that tobacco blue mold is not found in California. Second, to limit the study to but a few specific varieties would limit our opportunities for success once the market is open, as varieties change every few years. It was possible that if the market did not open quickly, only a few of the listed varieties would still be in production. There were additional concerns: What of adding additional varieties, would this require another \$130,000 investment? And, because of the historical lengthy discussion on phytosanitary issues between the United States and Japan on other fresh fruits, apples for example, many industry members thought the research would never satisfy the Japanese. Only by reinforcing to industry the market potential, and the high level of support we had witnessed from the USDA, was the Commission convinced to go forward with the initial research investment.

The research was completed in 1994, with the results being summarized and presented to the Japanese in the following year. The results being: Tomatoes are not a host of tobacco blue mold.

However, the lifting of the phytosanitary barrier by Japan did not follow quickly. Two years of discussion followed, characterized by frustration and false hopes. Industry was losing faith. At the same time, the relationship between industry and the USDA, both APHIS and FAS was on very solid footing. There were frequent discussions on the status of talks, the need for additional information to be gathered and presented to MAFF, and importantly, extensive strategy on the issue of “what after the market opens.”

In April 1997, the 46-year-old quarantine on US tomatoes to Japan fell.

Once the phytosanitary barrier was lifted, but prior to the first shipments, the Commission worked closely with APHIS on issues related to pesticide use. The Commission has maintained a database on pesticide use, which proved essential to answering the questions of Japan’s Health and Welfare Ministry. In addition, we provided residue analysis on 75 million pounds of fruit, again, to reassure the Japanese as to fruit safety, and to minimize the inspection process upon arrival.

And now, as has been said...the rest of the story.

Again, prior to the opening of the Japanese market to US tomatoes, the Commission had conducted extensive meetings with the Japanese trade; our goal was to target US tomatoes to food service, thereby eliminating the speculation buy, where trading companies use volume to secure market share, regardless of demand. Nearly all of the US tomatoes cleared for export are not suited for the Japanese consumer, only to food service, where the tomatoes are sliced or diced, and speculative buys could undo much of the groundwork done by the Commission and the Embassy in Tokyo.

We were successful, as most initial shipments were of test volume, several thousand pounds, not

thousands of cartons brought into Japan on speculation. From these test shipments, many of our concerns, regarding the trade perception of our product, were realized.

By far, the most pressing issue from the Japanese trade was: What does tobacco blue mold look like? What if a US tomato has it? While both governments recognized that tobacco blue mold was a non-issue, the trade believed it was a scientifically sound issue, worthy of their concern.

The first commercial use of US tomatoes came about four months after the market opened. The product launch in Japan was by Wendy's, the US hamburger chain with 70 outlets in Tokyo. Their reasoning for purchasing US tomatoes was cost. Their tomato costs declined 40% with US tomatoes, just as the Harvard study predicted. In the first season, California exported 55,000 cartons of fresh tomatoes to Japan, with a FOB value of 425 thousand dollars. Now, six months later, the number of outlets featuring US tomatoes has nearly grown tenfold. By May, over 3,000 outlets of nearly a dozen fast food chains will use US tomatoes. At a box and half per outlet per day that amounts to 1.6 million cartons annually, or about 16 million dollars in FOB sales.

But...the continued growth of US tomatoes in Japan is clearly linked to the resolution of phytosanitary issues.

For example, the first load of US tomatoes from Florida in November was lost, unable to clear customs because of a lack of documentation regarding Caribbean fruit fly. Today, only tomatoes picked and shipped green can be exported from Florida to Japan, even though tomatoes are a poor host to the fly. The alternative, fumigation with methyl bromide is not acceptable, as fumigation will destroy the tomato. An alternative, the 28-day holding period at 32 degrees used in the Florida citrus industry, is also not acceptable, in terms of holding time and temperature, as it would destroy the tomato.

Restricting US exports to Japan to green tomatoes is a threat to our continued market growth. In October and November, a California vine ripe tomato shipper sent 10,000 cartons of ripe tomatoes for sale in Japan through Department stores. Importers say, without twelve-month availability, the growth potential for vine ripe tomatoes in Japan is questionable.

The greatest concern of the Commission, and of the Florida Tomato Committee, our partner in marketing in Japan, is the continued limitation on what varieties may be exported to Japan. As mentioned, the original list of varieties was developed in the early 1990's. Today, of the 26 varieties cleared for export, only four are grown in California. Today, we have tomatoes of much higher quality that are well suited for the Japanese market, and those tomatoes remain in the United States. Further, from additional market research, we estimate a significant market for roma style, plum tomatoes in Japan. For now, because of continued restrictions on the basis of the tobacco blue mold issue, those tomatoes cannot be exported to Japan. And, Japanese growers are introducing new tomatoes, better suited for the local fast food market. If we cannot also introduce new tomatoes, the true market potential for US growers in Japan will never be

realized.

Which takes us back to the original conflict within industry on phytosanitary issues: We believe that tobacco blue mold is not an issue. USDA-ARS research confirms our own studies. If we are to grow the Japanese market for US tomatoes, there is a need to clear more tomato varieties for export. Once again, the tomato industry is faced with difficult questions. Will this next effort to lift the remaining varietal restrictions require another eight years and the expenditure of hundreds of thousands of dollars and countless hours of manpower? Unlike the climate that surrounded the decision first made in 1991 by the Commission, there will likely be little debate on the potential of the Japanese market for our growers.

At the Commission, we believe our partnership with USDA, first established in 1990, continues today. Much of our success in Japan today can be linked to the promotional support made possible through our participation in the Market Access Program. Our partnership must also continue, through APHIS, so to recognize that until the limitations on US tomato exports are lifted, that phytosanitary barriers remain in place, limiting the growth of US tomatoes in the Japanese market.

The responsibility to open a foreign market to a US commodity must be regarded as a partnership. And, I would suggest that much of the responsibility reside with the grower organization, such as the Commission, researching not only the market, but also the phytosanitary issues affecting your commodity. Second, there is the responsibility once the market is open to prevent small problems from becoming major issues.

Today, our in-country representatives use digital cameras to monitor arrivals and upload images to the Internet our tomatoes in Japan. Today, we can view fruit quality just minutes after we record the images. The following case illustrates the importance of such technology: A test shipment to a major fast food chain was being evaluated in Osaka. We were informed that an insect was found in the shipment. The importer demanded of the exporter an explanation and questioned whether they could ever use US tomatoes because of insect contamination in the field. By uploading the image, it was determined the pest was the result of on-site cross contamination, not the fault of the US exporter.

In summary, the Japan project was the Commission's first entry into the issue of phytosanitary barriers. Over the last eight or nine years, we've come to recognize several key issues: The fresh fruit and vegetable industry is fast becoming a global marketplace. With this new opportunity for growth and profit, comes a much higher degree of risk for the grower and shipper. Because of that risk, it is essential that industry have a full understanding of phytosanitary issues from governmental and cultural perspectives; and to use that understanding to establish a partnership with the USDA based upon science and marketing research. Assume a pro-active role on issues that will influence your success. Finally, look to the future. Opening a market can easily take years. While an opportunity may exist today, it's how you will market your crop five, perhaps ten years from today, that will determine whether the investment of the organization, and the

support directed to the project by USDA, provides a return on a substantial up-front investment.