Influx of Chinese Garlic Wrinkles Noses in U.S.

California farmers say imports of the bulbs from China, which now exceed the state's output of the crop, constitute illegal dumping.

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When California farmers complain about the stink in the garlic market these days, they aren't talking about the pungent aroma emanating from the fields around Gilroy, the nation's garlic capital.

The thousands of shipping containers full of Chinese garlic passing through the ports of Long Beach and Los Angeles are what have put their noses out of joint.

Growers say exporters from China are using a loophole in trade laws to dump millions of pounds into the U.S., eating away at a market once dominated by California farmers.

For the first time last year, imports of fresh garlic from China to America outstripped the state's production of 81 million pounds, said the Fresh Garlic Producers Assn. The Chinese imports totaled 86 million pounds, 10 times their level just three years earlier.

The foreign garlic has contributed to a 12% drop since 2001 in the average price California farmers receive, according to state figures. That has cut way into their bottom lines.

"We have not made a profit in two years," said Joe Lane, co-owner of Garlic Co., a major grower in Bakersfield.

The Chinese typically sell a 30-pound box in the U.S. for $11 to $12 — and occasionally cut the price to half that. To make any money, Lane said, he needs to collect upward of $20 for a box of that weight, depending on the size and quality of the bulbs.

California accounts for more than 90% of the nation's garlic production, but it is a shrinking industry. Farmers here grew $129.5 million of the herb last year, according to state figures, compared with $269 million eight years ago.

Growers are leaving the business or scaling back their operations by canceling leases for prime growing plots in Gilroy and the Central Valley or by shifting to other crops.
The state's biggest fresh garlic producer, Gilroy-based Christopher Ranch, has slashed the land it farms by 40% to slightly more than 3,000 acres since 2001, said Bill Christopher, one of the owners. "We are shrinking 10% every year, and it is going to continue unless something is done," he said.

All told, total California garlic acreage has fallen from a peak of 40,000 in 1999 to 26,000 last year, according to the state Department of Food and Agriculture.

What's especially irksome to growers is that they fought this battle once before and thought they had it won.

In 1994, U.S. trade officials determined that Chinese exporters were pumping garlic into the market at far less than their cost of production. So the federal government levied a 377% duty on the produce.

Under those rules shippers could pay lower tariffs if they could prove they weren't selling below cost. But they had to put up cash deposits equal to the top rate and wait for trade officials to review their production and sales data to determined if they were eligible to pay less.

The huge tariff increase had the intended effect, grinding imports to a halt.

Just a year later, however, Congress amended the regulations to allow shippers that were not part of the original trade probe to post bonds instead of paying the duties or putting up cash deposits. If dumping is found to have occurred, U.S. Customs is supposed to use the bond to collect duties and penalties.

California growers say this loophole has effectively let the Chinese resume selling garlic below cost in the U.S.

"They want to corner the U.S. market," said Michael Coursey, a Washington, D.C.-based attorney for the garlic trade group.

Coursey said the Chinese had created dozens of garlic exporting companies that use the loophole to avoid putting up cash deposits. In many instances, U.S. trade officials eventually determine that the Chinese companies are dumping product.

"But when the day of reckoning comes and Customs sends a bill to the importer, it is either gone or bankrupt," Coursey said.

Customs found itself stuck with $25 million of uncollected Chinese garlic duties last year, according to federal records.

U.S. Customs spokeswoman Erlinda Byrd said, "We have found that some importers of garlic have used fraudulent schemes to circumvent paying dumping duties." Others, she said, have simply defaulted.

Requiring all shippers to post cash deposits would fix much of the problem, said Lane, the Bakersfield farmer.

Garlic growers in China don't deny that some exporters take advantage of the loophole to bolster U.S. sales. Also, Chinese farmers said, they sometimes will avoid the tariffs by sending the goods through other
countries such as Vietnam.

One major producer, however, said the price Chinese garlic was commanding in America didn't constitute dumping.

"No, no, no" — exporters in China make a comfortable profit at that price, said Cao Menghui, general manager of Jinan Yipin Corp., a garlic producer in China.

Cao said the U.S. calculations for determining dumping were faulty. He said U.S. trade officials failed to take into account China's unusually low costs for things such as boxes and plastic cans that are used to ship agricultural goods.

And it is hard to beat China's advantage in wage costs. The typical worker on a Chinese farm makes $1 to $2 a day — a fraction of what U.S. agricultural workers earn in an hour.

Yipin, which grows about 1,650 acres of garlic, operates near Jinxiang County, China's garlic capital. Jinxiang, in Shandong Province in east China, is home to about 800,000 acres of garlic farmlands.

Early last year, Yipin stopped exporting garlic to the United States because of the high tariffs. But Yipin expects to resume shipping containers to Long Beach soon. The company has filed for a review of the anti-dumping charges with the U.S. government, as have some other Chinese growers, and Cao expects a decision shortly that will reduce his tariff to just 10%.

"I think there's nothing to stop it," he said. "The growing and processing of garlic will move to China."

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Hirsch reported from Los Angeles and Lee from Beijing.