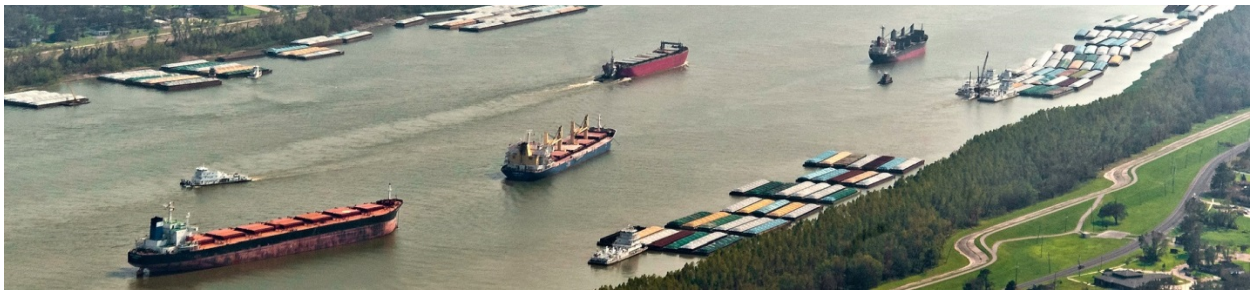




## **U.S. SPECIALTY CROPS**



## **TRADE ISSUES**



## **2014-2015 ANNUAL REPORT TO CONGRESS**



**2014-2015 US SPECIALTY CROPS  
TRADE ISSUES REPORT**

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## **FORWARD**

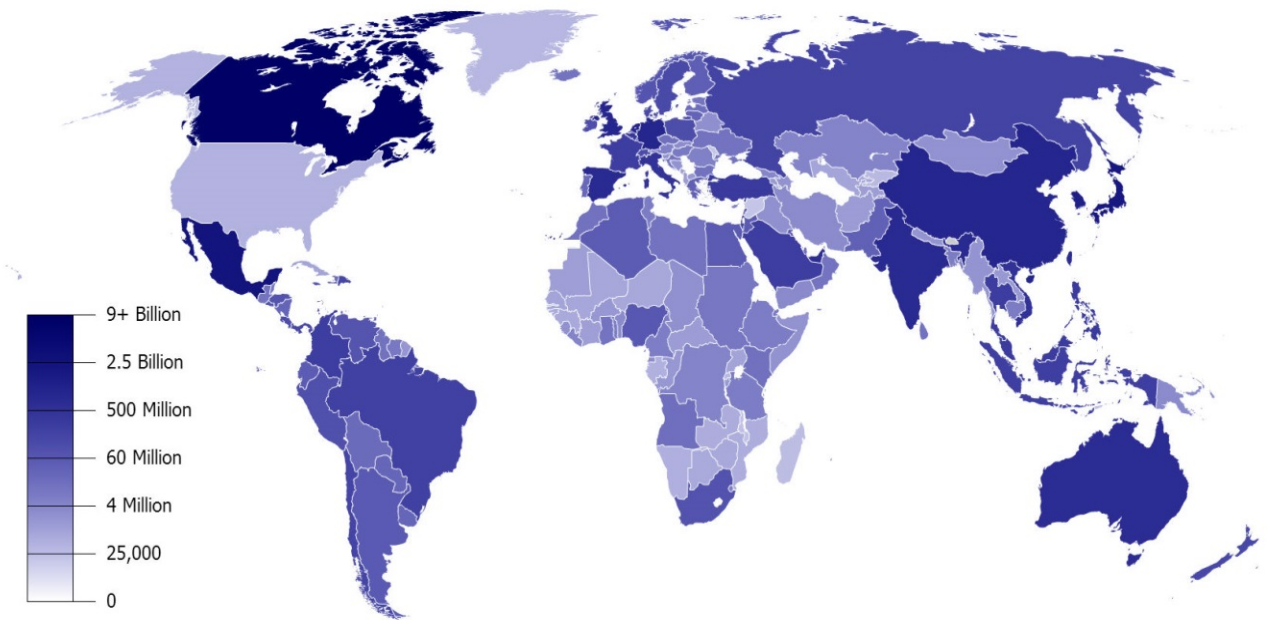
The United States Department of Agriculture (USDA) is pleased to provide the *U.S. Specialty Crops Trade Issues 2014-2015* report to the U.S. Congress. This report is provided as required under Section 3203 of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill), extended in the Agricultural Act of 2014. For the purpose of this publication, “specialty crops” are defined in accordance with the Specialty Crops Competitiveness Act of 2004 – (Sec. 3), as amended by Section 10109(a) of the 2008 Farm Bill, as fruits, vegetables, tree nuts, dried fruits, horticultural crops, and nursery crops (including floriculture).

Access to foreign markets is critical to the growth of the U.S. specialty crop industry and to the livelihood of those employed by farms or in related industries. USDA remains committed to expanding export opportunities for the U.S. specialty crop sector. This specialty crops report: provides an overview of trade, identifies market access barriers confronting producers and exporters, and highlights the resources used by the U.S. agricultural industry and USDA to advance the exports of U.S. agriculture products. In addition, this report describes initiatives and partnerships between USDA and U.S. agricultural industry stakeholders that were developed to address trade barriers.

A key tool in addressing market access issues is the Technical Assistance for Specialty Crops (TASC) program. In 2002, USDA’s Foreign Agricultural Service (FAS) implemented the TASC program to assist the U.S. specialty crop industry in establishing and improving foreign market opportunities by removing sanitary and phytosanitary (SPS) issues and related trade barriers. With the passage of the Agricultural Act of 2014, the program goals were expanded to address technical barriers to trade (TBT). With annual funding of \$9 million dollars, TASC program grants have produced positive results in pest and disease research, food safety workshops, study tours, pesticide field trials, and pre-clearance programs.

FAS works closely with U.S. agricultural industry groups, U.S. regulatory agencies, and the Office of the United States Trade Representative (USTR) to open, expand, and maintain access for U.S. specialty crop products to export markets. Continued cooperation between USDA and the U.S. agriculture industry assists in establishing new markets for U.S. products and results in significant economic gains for U.S. producers and the rural economy.

The challenges of overcoming foreign market trade barriers can be daunting and may discourage some U.S. specialty crop producers from shipping products overseas. However, with USDA’s commitment to assisting U.S. agricultural stakeholders, the United States is well positioned to overcome many of the barriers that deter U.S. specialty crop exports and increase the U.S. ability to compete in the global specialty crop marketplace.



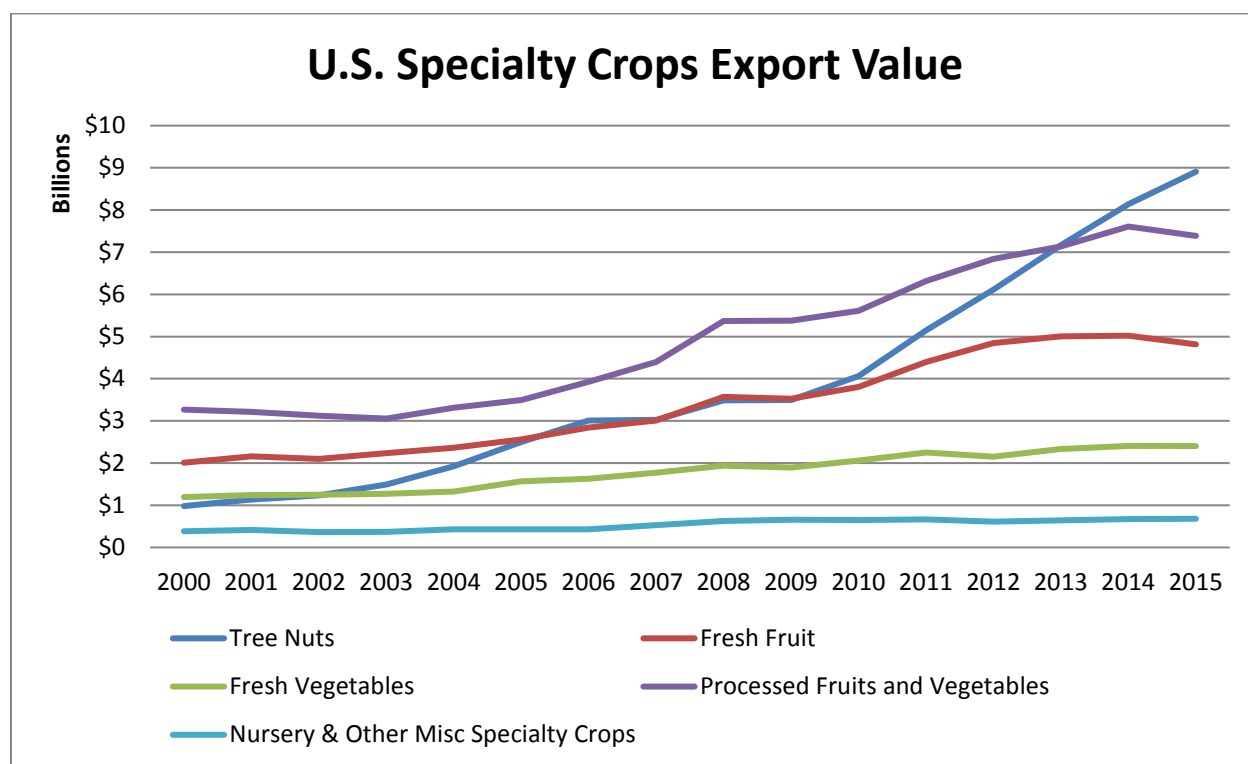
U.S. exports of specialty crops increased by more than \$16 billion, nearly tripling in just over a decade. These exports reached a record level of over \$24.2 billion in fiscal year (FY) 2015 after an increase of 2 percent from FY14 and now make up 17.3 percent of total U.S. agricultural exports. This growth is not due to a short-term phenomenon, but rather reflects several factors contributing to the long-term growth of U.S. specialty crop exports including emerging economies. For example, as a result of increased purchasing power, middle class populations in these countries are becoming accustomed to consuming a variety of high valued, quality specialty crops grown in the United States. Technological innovation is another factor, particularly in production efficiency and in improved transportation systems, which has lowered the costs of international trade making U.S. exports more affordable. Improvements in infrastructure and supply chain efficiency have also facilitated the trade of highly perishable products such as fruits, vegetables, and floriculture, positioning these exports for continued future growth. Finally, the efforts of the Administration to establish trade agreements with partner countries to facilitate exports to those countries will continue to expand markets for U.S. agricultural products.

(in millions)	<b>FY02</b>	<b>FY14</b>	<b>FY15</b>
Tree Nuts	\$1,233	\$8,134	\$8,908
Fresh Fruit	\$2,098	\$5,020	\$4,815
Vegetables	\$1,249	\$2,406	\$2,401
Processed Fruits & Vegetables	\$3,126	\$7,608	\$7,384
Nursery & Misc. Specialty Crops	\$364	\$675	\$680
<b>Total</b>	<b>\$8,069</b>	<b>\$23,842</b>	<b>\$24,187</b>

## **U.S. SPECIALTY CROP EXPORTS**

### **CHALLENGES**

Overseas demand presents opportunities for U.S. exporters, yet exporters face commercial risks when market access is constrained or threatened by unwarranted trade barriers. As global trade expands, new measures may be implemented by foreign governments that restrict market access. Often times, such measures unnecessarily restrict the import of commodities that compete with domestic production.



In order to address these trade issues, the United States uses a variety of fora including the World Trade Organization (WTO), committees under Free Trade Agreements (FTAs), Codex Alimentarius Commission (Codex), and the International Plant Protection Convention (IPPC) to raise concerns. The participation of the United States in such fora involves numerous U.S. Government agencies. USTR is the lead trade agency for the United States and is responsible for developing and coordinating U.S. international trade and investment policy through an interagency consultative process. The Environmental Protection Agency (EPA) plays a key role in the trade of U.S. agriculture exports. EPA establishes pesticide Maximum Residue Limits (MRLs) to ensure a safe food supply, promotes the use of safe pest control methods, and implements science-based standards and requirements with regard to pesticide management. The Food and Drug Administration (FDA), which is responsible for ensuring the safety of the U.S. food supply, plays an important role in helping to assess foreign food safety measures implemented by U.S. trading partners and demonstrating the safety of U.S. exports.

### **UNITED STATES DEPARTMENT OF AGRICULTURE'S ROLE**

Within USDA, several agencies play key roles in enhancing international trade of U.S. specialty crops.

#### *FOREIGN AGRICULTURAL SERVICE*

FAS maintains a global network of 93 overseas offices that cover 171 countries. These offices are the eyes, ears, and voice of U.S. agriculture overseas, and help FAS maintain a network of global contacts that contribute to the agency's unique market intelligence capacity. FAS/Washington commodity analysts provide objective intelligence on foreign market opportunities, prepare production forecasts, and track changes in policies affecting U.S. agricultural trade.

To expand market access, FAS participates in trade negotiations and partners with USTR to enforce U.S. rights under existing trade agreements. FAS has unique expertise in agricultural trade, drawing on our understanding of global agricultural markets, policies in foreign countries, and understanding the situation of American producers. FAS manages the interagency process to review approximately 2,000 foreign regulations per year that may impact agricultural trade by developing unified interagency comments with input received from stakeholders. This foundational work provides a basis for further engagement with foreign governments to help address emerging barriers.

FAS manages the Administration's private sector agricultural advisory committees on trade including the Agricultural Policy Advisory Committee and the Agricultural Technical Advisory Committee (ATAC) for Trade in Fruits and Vegetables. The advisory committees ensure that USDA and U.S. agricultural industry are coordinated in identifying and resolving important issues impacting trade.

To address the growing number of technical issues facing U.S. exporters, FAS employs technical experts that build upon the expertise in U.S. regulatory agencies to assist in coordinating resolutions to technical barriers to trade, including SPS measures. In addition, while not yet of principal concern to the U.S. specialty crop sector, FAS collaborates with like-minded trading partners to prevent barriers to agricultural products developed with the benefit of emerging technologies, such as genetic engineering and "new breeding technologies."

In addition to managing the TASC program and negotiating market access with foreign governments, FAS partners with representatives from a cross-section of the U.S. food and agricultural industry and manages a toolkit of market development programs to assist U.S. exporters in developing, expanding, and maintaining markets for hundreds of products. Included in this toolkit is the ability to provide foreign technical training in areas like food safety and pest risk assessment that strengthen global support for science-based trading systems. FAS representatives advise exporters on market opportunities and resolving non-commercial disputes.

#### *ANIMAL AND PLANT HEALTH INSPECTION SERVICE*

APHIS promotes the health of U.S. agriculture in the international trade arena and advances science-based standards with trading partners to ensure America's agricultural exports are protected from unjustified restrictions. APHIS's Plant Protection and Quarantine (PPQ), directs U.S. phytosanitary export policies and export protocols implemented by PPQ and State and County regulatory officials. APHIS supports U.S. specialty crop exports with an on-the-ground network of agricultural counselors in key export markets for U.S. plants and plant products.

#### *AGRICULTURAL MARKETING SERVICE*

Agricultural Marketing Service (AMS) programs facilitate the efficient marketing of U.S. agricultural products. AMS certification, auditing, inspection, and laboratory analysis services are effective tools for ensuring exported product complies with food safety requirements in foreign markets. AMS also plays a key role in regulating and providing guidance on the certification, production, handling, and labeling of USDA organic products. To date, TASC program funds have helped establish five Organic Equivalency Arrangements with Canada, the European Union, Japan, Korea, and Switzerland. These Arrangements eliminate additional certification burdens to producers and facilitate the trade of organic specialty crops. In addition, there are ongoing equivalence discussions with Mexico and Taiwan, and several other countries have expressed interest in a future arrangement.

#### *AGRICULTURAL RESEARCH SERVICE*

By understanding the biology and ecology of insects and harmful weeds, Agricultural Research Service (ARS) is able to develop technology to manage pest populations with the integration of environmentally compatible strategies. The efforts of ARS in conducting research to develop effective pest mitigations (e.g., systems approach, fumigation treatments, and irradiation) have proven effective in opening and maintaining access to export markets for the U.S. specialty crop industry.

### **INTERAGENCY COLLABORATION**

Trade barriers to U.S. specialty crop exports can be complex, and the U.S. government's response generally occurs within an interagency context. FAS representatives overseas, or their APHIS counterparts, may be the first to learn of an issue. If the issue is recent and the shipment has arrived at the destination port, representatives are best positioned to facilitate a quick release of perishable products to minimize spoilage. Representatives may also receive information on pending regulations before measures are formally notified to the WTO and are best placed to advise stakeholders of the possible motivation and potential efforts of a trading partner's proposed regulatory measures. This enables USDA and other relevant agencies to take necessary actions to provide feedback to trading partners on proposed regulations at an early stage.

Once trading partners issue notifications through the WTO, FAS undertakes a full interagency review process to develop and provide formal comments to the proposed measures to minimize disruptions to U.S. agricultural trade. The participation of scientific experts from regulatory agencies including APHIS, EPA, and FDA ensures that the U.S. position is science-based and articulated persuasively.

Also at a technical level, various U.S. regulatory agencies may be involved in the international standards setting process related to food safety and plant health that directly impact U.S. specialty crop trade. FAS coordinates with the regulatory agencies to ensure U.S. trade policy positions are science-based and reflect U.S. agricultural export interests. While U.S. delegations to standard setting bodies participate in the development of trade-related standards, FAS provides diplomatic expertise to build support for U.S. positions. The standards set by Codex, IPPC, and others organizations become benchmarks for the national regulations imposed by trading partners.

When technical solutions are not within reach, USTR is able to bolster U.S. trade policy negotiations to bring greater international attention to issues to seek resolutions.

### **SANITARY AND PHYTOSANITARY MEASURES AND TECHNICAL BARRIERS TO TRADE**

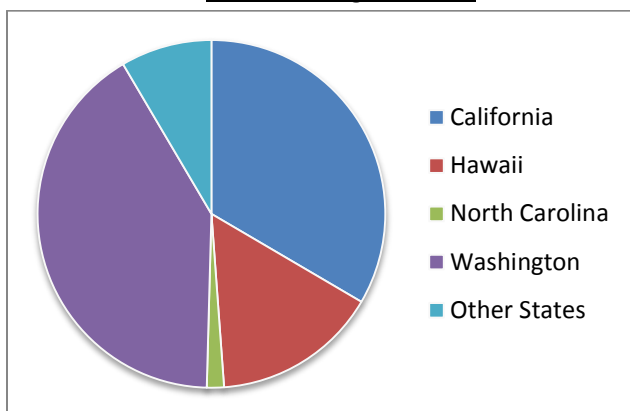
SPS and TBT measures can be significant obstacles to U.S. agricultural exports. SPS measures are applied by governments to maintain food safety, and to protect human, animal, or plant life or health from risks arising from animal diseases or plant pests. The WTO Agreement on the Application of SPS Measures (SPS Agreement) recognizes the rights of governments to implement SPS measures provided they are based on science and do not unjustifiably discriminate against countries and agricultural products. However, at times, trading partners have applied SPS measures that contradict WTO obligations and are unjustifiably trade prohibitive. These barriers can impede U.S. agricultural exports.

Technical regulations and standards (e.g., quality, labeling, etc.) can vary significantly between countries and, if set arbitrarily, can limit trade. The WTO Agreement on Technical Barriers to Trade attempts to ensure that these regulations and standards do not create unwarranted obstacles for trade between countries while permitting governments to apply TBT measures for legitimate purposes.

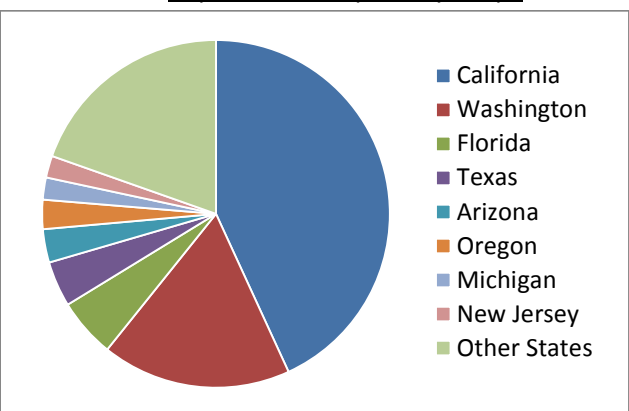
### **TECHNICAL ASSISTANCE FOR SPECIALTY CROPS PROGRAM**

The Farm Security and Rural Investment Act of 2002, reauthorized by the Agricultural Act of 2014, directed the Secretary of Agriculture to establish the TASC program and operate the program using funds of USDA’s Commodity Credit Corporation. The TASC program assists U.S. agriculture by funding projects that address SPS and TBT issues that prohibit or threaten exports of U.S. specialty crops. Activities must benefit the industry at large rather than a specific company, and applicants must provide a clear strategy for overcoming trade barriers and market access issues. FAS awards funds on a competitive basis. Any U.S. organization with a demonstrated role or interest in exporting U.S. specialty crops may apply to the program. Eligible projects may receive funding for up to 5 years, but may not exceed \$500,000 per year. The TASC program is an important tool for the U.S. specialty crop industry and supports USDA’s efforts to address challenges faced by U.S. producers and exporters.

TASC funding to States



Top States for Specialty Crops





## 2014 TASC PROGRAM ACTIVITIES

Organization	Title	Award	Description
Synergistic Hawaii Agriculture Council	Maintaining Competiveness of U.S.-Grown Coffee Through Control of the Coffee Berry Borer (CBB) in Hawaii	\$450,000	Educate coffee growers on sanitization practices of pruning, denuding trees, trapping, and using biological controls and chemicals.
Cal-Pure Pistachios, Inc.	Improved Navel Orange-worm (NOW) Control in Pistachios	\$399,000	Conduct research and field trials to develop new interventions to control NOW, a damaging and intrusive insect.
California Grape & Tree Fruit League	Australia Phytosanitary Preclearance Program for California Peach and Nectarine	\$172,893	Implement: record keeping and tracking throughout the packing house, labeling and pallet identification protocols for compliance, safeguarding and cold storage segregation plans, maintenance of all data pertaining to the treatment in preparation to phytosanitary inspections by AQSIS
Animal and Plant Health Inspection Service	Data and Infrastructure Improvements for Export Analyses That Support Exports of U.S. Specialty Crops	\$117,500	Develop an IT system that help prioritize, track, archive, and search export analysis. Facilitate communication with other groups involved in U.S. specialty crop exports. Correct inaccurate published reports of pest status that negatively affect exports of U.S. specialty crops.
Agricultural Research Service Pacific West Area	Postharvest Pest Control on Fresh Commodities	\$84,158	Study oxygenated phosphine fumigation and nitric oxide fumigation as a methyl bromide alternative to control several postharvest insect pests on fresh fruit and vegetables. Both methods are being evaluated to control codling moth in apples and light brown apple moth on cut-flowers.
Agricultural Research Service HI	Phytosanitary Irradiation Treatments for High-impact Invasive Pests	\$88,245	Research radiation doses for certain invasive pests associated with various fruits determined to be a concern in developing treatment protocols.
California Dried Plum Board	Retaining Export and Food Security of U.S. Specialty Crops: Low-emission Methyl Bromide Fumigations for Quarantine and Pre-shipment Uses	\$494,191	Identify materials and processes that will cost-efficiently eradicate pests in export shipments in compliance with destination market requirements and U.S. environmental regulations.
Synergistic Hawaii Agriculture Council	Quick Response Technical Support for Hawaii GMO Papaya Deregulation Petition for China	\$250,000	Conduct virology, molecular analysis, and food safety testing of transgenic papaya from Hawaii.
Washington Tree Fruit Research Commission	Development of Enhanced Pest Risk Analyses for Temperate Tree Fruit Pests	\$494,909	Use models to map potential suitable habitat for insect pest species in WA and tree fruit importing countries.
Almond Board of California	India's Food Safety & Standards Act (FSSAI) Labeling Requirements	\$12,000	Host FFSAI officials in the U.S. to provide a better understanding of the commodity supply channel practices, industry export procedures, labeling/certification, and wholesale vs bulk consignments.
USDA Agricultural Research Service	Host Status of Temperate and Tropical Fruits for Apple Maggot Fly	\$59,638	Documents the actions of the apple maggot fly populations in the major apple-growing regions of Washington.
U.S. Apple Export Council	Full Market Access for all Apple Varieties, from All States to China	\$50,000	Host China's AQSIQ representatives in New York state and other Eastern states to inspect apple orchards, packing houses, and storage facilities.
Washington Apple Commission	Identifying and Managing Sources of Quarantine-Significant Post harvest Diseases in Pacific Northwest Apple and Pear Orchards	\$488,216	Research & validate the systems approach on the prevention of crabapple decay, a combination of disease inoculum removal from the infected 'Manchurian' crabapple pollinizer coupled with appropriate post-harvest fungicide treatments and rigorous pre-export inspection will be used. Research will show that these methods can reduce Neofabraea, Phacidiopycnis and Sphaeropsis decay to non-detectable levels.
California Citrus Quality Council	China Market Access for California Citrus	\$19,622	Host a Chinese delegation tour including the technical experts of AQSIQ
Bryant Christie, Inc.	One Time Technical Enhancements to the Grower MRL Priority Database	\$89,625	Technical enhancements of the ongoing Grower Priority Database.
U.S. Highbush Blueberry Council	Technical Assistance for Market Access Issues for Fresh Highbush Blueberries	\$57,813	Research for effective mitigation measures for blueberry maggot in fresh shipments to Australia, New Zealand, Chile and South Africa
American Seed Trade Association	Effects of Seed Quality Management Practices on Phytosanitary Risk Reduction	\$169,539	Develop a probabilistic risk-based model to assess the efficacy of seed quality management practices in reducing phytosanitary risks and enhancing disease control. Quantitatively assess how individual steps in production practices reduce risks associated with seed borne pathogens.
National Potato Council	Addressing Legal Challenges in Mexico to U.S. Fresh Potato Market Access	\$350,000	To understand the Mexican government's political perspective, legal aspects, regulatory environment and technical SPS issues in order to engage in challenges from the AMPARO in Mexico.
DFA of California	Phosphorous Acid MRL Barrier to EU Export of California Tree Nuts: Fundamentals of Environmental Analysis, Fate, and Transport	\$431,085	Research phosphorous acid MRL barriers by developing methods for phosphorous acid analysis and identifying dynamics of phosphorous acid residue formation and elimination in tree nuts and orchards.
Administrative Committee for Pistachios	Phosphorous Acid MRL Barrier to EU Export of California Tree Nuts: Residue Studies	\$360,000	Research and report technical findings to the California tree nut industry and USDA.

## 2015 TASC PROGRAM ACTIVITIES

Organization	Title	Amount	Description
Alcohol and Tobacco Tax and Trade Bureau (TTB)	International Wine Technical Forum	\$50,000	Annual event for wine industry and regulators to collaborate on methods, to discuss scientific aspects of wine trade, and to educate each other on domestic and foreign scientific standards.
American Seed Trade Association (ASTA)	Effects of Seed Quality Management Practices on Phytosanitary Risk Reduction	\$380,267	Develop probabilistic risk-based model to assess the efficacy of horticulture seed quality management practices in reducing phytosanitary risks and enhancing disease control.
Washington State University (WSU)	Develop Standardized Export Work Plan Training for Apple and Stone Fruit Pre-packing Evaluators to Ensure Access of U.S. Fruit for Export to Taiwan, Mexico and Canada	\$93,326	Convert existing export work plan mandated trainings for apples to Canada, Mexico, and Taiwan and training for stone fruit to Mexico and Canada into online training courses. Expand on the resources on the identification of fruit defects, pest damage and quarantine pests.
California Table Grape Commission (CTGC)	Postharvest Treatments to Eliminate Invasive Pests of Concern to the California Table Grape Industry Using Methyl Bromide, Alternative Fumigants and Cold Treatments and Evaluating Their Impact on Grape Quality	\$144,000	Facilitate the continuation of an invasive species postharvest research program. Funds support researchers. Activities focus on conducting experiments to develop postharvest techniques to control pests of concern for table grape exports.
South Carolina (SCC) and Georgia Peach (GPC) Councils	Sustainability and Market Development Efforts in Mexico for Fresh Peaches from the Southeastern United States	\$84,000	Facilitates the consistent export of fresh peaches grown in GA and SC to Mexico by conducting pest mitigation activities of the systems-approach orchard management system and post-harvest treatment of fruit using methyl bromide as a fumigant.
Organic Trade Association (OTA) and Sustainable Strategies (SS)	Issues Assessments	\$499,000	Develop and deliver international trade issues assessments and strategic advice to FAS, National Organic Program, and USTR regarding technical and non-tariff barriers to trade for U.S. organic products. The assessments also address the emergence of organic standards in various countries.
Agricultural Research Service	Phytosanitary Irradiation for High-impact Invasive Species	\$47,500	Research radiation doses for certain invasive pests associated with various fruits determined to be a concern to develop treatment protocols.
California Strawberry Commission (CSC)	Phytosanitary and Food Safety Approval by China's AQSIQ for California Strawberry Market Access	\$77,750	Conduct field inspection tours with China's AQSIQ focusing on the phytosanitary and food safety aspects of strawberries upon export shipping and educational workshops.
California Grape & Tree Fruit League (CGTFL)	Australia Phytosanitary Preclearance Program for California Peaches, Nectarines and Plums	\$172,893	Implement: record keeping and tracking throughout the packing house, labeling and pallet identification protocols for compliance, safeguarding and cold storage segregation plans, maintenance of all data pertaining to the treatment in preparation to phytosanitary inspections by AQSIQ
USDA Agricultural Research Service HI	Development of a Low-Cost Cabinet X-ray Tube Machine for Phytosanitary Irradiation	\$360,000	Build, develop, and test low-cost cabinet x-ray system to control quarantine insect pests and permit movement of sweet cherries out of quarantined areas and to facilitate the exports of fruit to overseas destinations.
Iowa State University (ISU)	International Harmonization of Standard Seed Health Tests Through the National Seed Health System to Support U.S. Seed Exports (Four Year Proposal)	\$114,061	International harmonization of standardized seed health testing methods to support U.S. seed exports by evaluating the International Seed Health Initiative (ISHI) and International Seed Testing Association (ISTA) methods that currently lack National Seed Health System (NSHS) approval.
DFA of California	Phosphorus Acid Maximum Residue Level (MRL) Barrier to EU Export of California Tree Nuts (Three Year Proposal)	\$477,605	Develop methods for fosetyl-aluminum and phosphorous acid analyses, determine how residue levels vary, identify dynamics of phosphorous acid residue formation and elimination in tree nuts and orchards.
National Potato Promotion Board	Addressing the Potato Rot Breakdown Policies in Key Export Markets	\$73,000	Draft potato rot breakdown guidance on how to handle shipments when they arrive with potato rot and participate in a rot meeting with foreign markets to discuss the potato rot situation.
California DFA	Biological Control of Pink Hibiscus Mealybug (PHM) in Riverside County	\$193,056	Conduct morphological and molecular diagnostics on the PHM populations for detecting species and strains of parasitoids.
Cal-Pure Produce	Improved Navel Orange Worm (NOW) Control in Pistachios	\$404,000	Conduct research and field trials to develop new interventions to control NOW, a damaging and intrusive insect.
California Strawberry Plant Growers Association	Identification of Inoculum Sources and the Development of Methods That Reduce Dispersal of Xanthomonas Fragariae to Minimize its Impact on International Trade of Strawberry Nursery Stock	\$221,591	Characterize the incidence and distribution of Angular Leaf Spot (ALS) in strawberry nursery stock and develop methods for sampling and detection of <i>X. fragariae</i> to mitigate risks of dispersal and minimize impact on trade.
U.S. Hop Industry Plant Protection Committee	Generating Data Necessary to Obtain a Codex Tolerance and Subsequent European Union and Japanese Import Tolerances for Clofentezine on Hops	\$210,500	Obtaining lab quotes to conduct the needed hop metabolism studies, independent laboratory validation of the analytical method, and storage stability study for clofentezine.

## **SUCCESSSES, HIGHLIGHTS AND ISSUES**

### **PESTICIDE MAXIMUM RESIDUE LIMITS**

The U.S. agricultural industry benefits from having available the latest and most effective crop protection technologies approved for use in the United States. Access to the latest chemical technologies enables U.S. agricultural producers to safely and effectively mitigate pest and disease threats. However, the regulatory authorization of new pesticides in the United States without corresponding approval in export markets can lead to rejections of U.S. agricultural exports that do not comply with foreign MRL regulatory standards. FAS coordinates with EPA; the U.S. specialty crop industry; the U.S. chemical industry; and foreign chemical regulatory agencies to address MRL issues and reduce the potential of MRL violations.



Historically, **TAIWAN'S** system for reviewing and approving pesticide MRL applications has been unpredictable, slow, and nontransparent. This hampers U.S. producers' ability to meet Taiwan's MRL requirements, increasing the risk of MRL violations. In order to address these concerns, FAS and USTR negotiated with Taiwan to accept a MRL priority list. FAS and EPA worked extensively with U.S. producers and pesticide registrants to develop a pesticide MRL priority list for Taiwan. Stakeholder outreach was facilitated by the TASC program funded MRL Grower Priority Database ([www.mrlpriority.com](http://www.mrlpriority.com)). This database allows grower groups and registrants to input priority MRL information and provides a convenient systematic process for developing MRL priority lists.

In May 2014, USDA and EPA submitted a MRL priority list to Taiwan that included more than 250 chemical-commodity combinations. As of November 2015, Taiwan worked quickly to process over 160 MRLs from the priority list.

A future challenge for the U.S. specialty crop industry is **KOREA'S** proposal to transition to a MRL positive list system (PLS). Korea will no longer defer to Codex standards, and MRLs that were established with no supporting risk assessment will be removed from the national food safety regulations. Korea is expected to implement a PLS in two phases. The first phase is expected to become effective on December 31, 2016 for tropical fruits, oilseeds, and tree nuts. Phase two is scheduled to go in effect in January 2018 for all remaining commodities. In most cases, it requires several years for a country to establish a credible and transparent MRL regulatory system. The U.S. agricultural industry is concerned that Korea's envisioned schedule may not provide time to implement a PLS without significant trade disruption. FAS is working with U.S. growers, registrants, EPA, and USTR in cooperatively engaging Korea in its efforts to transition to the PLS while minimizing trade disruption.

Other trading partners, such as Japan, have successfully implemented a PLS with minimal disruption to trade. In this case **JAPAN** established provisional MRLs (many of them based on Codex) while completing corresponding risk assessments for permanent MRLs.

U.S. specialty crops also face challenges in the **European Union (EU)**. For instance in 2013, the European Commission modified the residue definition of fosetyl-aluminum (fosetyl-al). The new definition created an issue wherein the use of phosphonate and phosphate-based fertilizers may result in a false positive

test reading for fosetyl-al residues. In the United States, phosphite-containing products are primarily used as fertilizers rather than pesticides. They produce similar chemical residues as fosetyl-al, which are exempt from EPA tolerances due to their low toxicity. The U.S. specialty crop industry believes if the EU tests U.S. fruit for fosetyl-al, there is a strong potential for false-positive test results that may jeopardize U.S. exports.

The EU had temporary MRLs of 75 parts per million (ppm) fosetyl-al on a variety of commodities, including tree nuts. The temporary EU MRLs expired on December 31, 2015, and reverted back to 2 ppm. FAS awarded TASC program funds to the tree nut industry to research testing methodologies and perform field residue trials to support the establishment of a permanent MRL in the EU. In FY15, the U.S. tree nut industry exported over \$3.0 billion in consumer goods to the EU. Due to the coordination between the tree nut industry, USDA, EPA, and USTR, the EU agreed to maintain the fosetyl-al MRL for most tree nuts at 75 ppm until March 1, 2019, thus, saving this major market until the TASC-funded work can be completed. However, imports of berries and other commodities that use fosetyl-al or other phosphonate crop inputs are still threatened by the return to the default MRL of 2ppm. FAS awarded funds to the U.S. berry industry to develop data to submit to the EU for consideration of a higher MRL. Close to \$100 million of U.S. fresh and dried fruit exports are now subject to the default MRL as of January 1, 2016.

The EU is also preparing to create regulations concerning chemicals classified as endocrine disrupters (EDs). EDs are naturally occurring compounds or man-made substances that have the potential to mimic or interfere with the function of hormones in the body. In November 2012, the EU released a proposal for the definition, identification, and categorization of ED's, and may ban active substances that are considered to have endocrine disrupting properties. Depending on how the EU defines and identifies these EDs, the ban could affect established import tolerances; causing MRLs to either be withdrawn entirely or to be set at an extremely low default level of 0.01 ppm. The loss and decrease of MRLs may disrupt trade of U.S. tree nuts and fruit products. In September 2014, the EU began consultations to define criteria for determining EDs. The United States provided comments emphasizing the need to base ED classification on internationally-recognized scientific principles. As the EU moves forward, USDA will continue to engage the EU on this issue in consultation with EPA and USTR.

## **APPLES**



The apple tree originated in Central Asia and has been growing for thousands of years in Asia and Europe. It was first introduced in North America in the 17<sup>th</sup> century when the first apple orchard was reportedly planted in Boston in 1625. Today, a wide variety of apples are cultivated for an array of uses and tastes. Apple trees are susceptible to a number of diseases and pests and therefore, an array of foreign market access issues confronts the U.S. apple industry. Producers address the issues with organic and inorganic methods. In FY15, 77 million tons of apples were produced around the world with China producing 43 million tons alone. The EU follows, producing 12 million tons, while the United States produced 4.6 million tons in 2015. The United States exported nearly \$1 billion worth of apples worldwide with Mexico and Canada accounting for \$367 million.

Since the 1990's, **CHINA** limited access for U.S. apples to two varieties (red and golden delicious) from Idaho, Oregon, and Washington due to fire blight, a contagious bacterial disease. In 2012, China banned apples from Washington after detecting a quarantine fungal pathogen in a shipment. China did not reinstate access until November 2014 after extensive engagement between China and USDA. In May 2015, USDA and China reached an agreement authorizing U.S. apple market access of all varieties from all U.S. states.

USDA's efforts to gain access for apples from the Pacific Northwest (PNW) to **AUSTRALIA** are ongoing. Due to concerns relating to the potential introduction of postharvest rots of apples caused by fungal pathogens, Australia determined that the unmitigated risk related to U.S. apples exceeded Australia's Appropriate Level of Protection. Australia also expressed concerns relating to fire blight, a contagious bacterial disease that can infect apples and pears. USDA and the US apple industry provided research to Australia demonstrating that mature, symptomless apples pose no risk of transmission of fire blight. Australia formally ceased (or "stopped the clock" on) its market access review in March 2010.

During the following 4 years, Washington State University scientists used TASC program funds to conduct and publish research on the efficacy of new pre- and post-harvest control measures for fungal pathogens on apples. This research was provided to Australia in December 2014. As Australia continues to review this research, APHIS requested Australia to restart the clock to work towards finalizing the Import Risk Analysis for market access of PNW apples. Australia will advise APHIS in the upcoming months when it plans to restart the clock.

**Indonesia** has proven to be a difficult market to maintain access for U.S. apples and many other specialty crop products. Indonesia imposes numerous prohibitions on the imported product including: the restriction of the application windows and validity periods for import permits; the type, quantity, and country of origin of products that may be imported; as well as imports on a seasonal basis. Taken as a whole, these measures amount to a non-automatic import licensing regime that the United States believed were inconsistent with WTO measures. The United States initiated WTO dispute settlement proceedings against Indonesia in July 2012; again in September 2013; and in June 2014 as Indonesia modified its regime, without sufficiently addressing the concerns so that the revised measures continue to restrict imports of apples and other horticultural products. WTO Panel hearings were held in February and April 2016. The Panel is considering the evidence and is expected to release a public report of its findings in late 2016. Despite these restrictions, Indonesia remains a top market for U.S. apples. Full resolution of the import restrictions issues could lead to 10-20 percent annual export growth for apples and other fresh fruit and vegetable products.



**INDIA** is the U.S. apple industry's sixth largest export market, importing apples worth \$123.8 million in FY15. On September 14, 2015, without advance notice, India's Ministry of Commerce and Industry announced that apples may only be imported through the port of Nhava Sheva. Subsequently, India published a notification without sufficient justification for the port closures. The main port of entry for U.S. apples into India had been Chennai, which was closed as a result of this sudden notification. As the fall apple harvest began in the United States, the U.S. apple industry became concerned that the Nhava

Sheva port would not meet storage and other infrastructure requirements needed to handle the annual export of 5 million cartons of U.S. apples to India. The United States, New Zealand, Chile, and the EU all raised this issue with India in multiple WTO Committee meetings including: the WTO Committee on Agriculture, SPS, TBT, and Import Licensing. FAS worked with USTR to press India at meetings of the United States - India Trade Policy Forum. The FAS coordinated efforts with other embassies, hosted multi-mission meetings with India's Ministry of Commerce and Industry, and also hosted meetings with importer groups on this issue. On January 12, 2016, India amended the measure to allow importation of apples through nearly all major ports.

## **CHERRIES**

The United States produces two main types of cherries: sweet cherries and tart (or sour) cherries. Washington, California, and Oregon account for more than 97 percent production of sweet cherries. Meanwhile, Michigan, accounts for nearly 90 percent of tart cherry production.



Cherries are consumed in a variety of ways, including: fresh, frozen and canned, or as juice, wine, brined or dried. In recent years, 75 percent of U.S. sweet cherries are utilized for the fresh market and 25 percent are used in processing. With regard to tart cherries, 99 percent of production is used for processing, with the majority processed as a frozen product. The remainder is canned or used for juice, wine, and brined and dried products. The marketing season for U.S. sweet cherries lasts from early May to mid-August, while the marketing season for tart cherries lasts from mid-June to mid-August.

Asia is a new and attractive market for U.S. cherries. **SOUTH KOREA** provided new opportunities for U.S. exporters following successful implementation of the United States-Korea Free Trade Agreement (KORUS) in 2012. KORUS immediately eliminated Korea's 24-percent tariff on cherries upon entry in force of the agreement. As a result, U.S. cherry exports to Korea increased from \$40 million in 2011 to \$109.4 million in FY15.

FAS worked with the U.S. cherry industry to demonstrate to Korea that a systems approach work plan operating in California, Idaho, Oregon, and Washington were effective in mitigating cherry leaf spot plant disease. TASC program funds were used to support a visit by South Korean plant health officials to U.S. cherry production regions in California and the Pacific Northwest. The program was a success and Korea recognized five U.S. counties as free of cherry leaf spot disease: Butte, Yolo, and Yuba Counties in California; Hood River County in Oregon; and Owyhee County in Idaho. Ultimately, Korea authorized access for cherries produced in those counties.

**CHINA** represents a vast and growing market for U.S. cherries. While major cities such as Beijing, Shanghai, and Guangzhou are existing high-end markets for premium fruit, FAS attributed over 80 percent of U.S. cherry sales to smaller cities throughout China in 2014, indicating new growth opportunities, much due to the growth in e-Commerce.

Shanghai is the dominant port for direct cherry imports from the United States. Guangzhou is the major port in South China, and Beijing and Dalian serve as the lead ports in North China. Direct U.S. cherry shipments to Shanghai and Guangzhou have increased rapidly since 2010.

U.S. packing houses ship fresh cherries by air to wholesale markets in Shanghai within two working days. The quick transportation time guarantees superior quality of fresh cherries, which is key for major upscale supermarkets and hypermarkets in Beijing, Shanghai, and Guangzhou.

## **CITRUS**

Citrus fruits are believed to originate from Australia, New Caledonia, and New Guinea. The U.S. citrus industry is dominated by Florida and California, accounting for roughly two thirds and one third of total U.S. citrus production, respectively. Citrus for consumption as fresh fruit is mainly grown in California, while most orange juice and grapefruit is produced in Florida. Key California citrus export markets are South Korea, Canada, Hong Kong, and Japan; California alone exported just over \$800 million in fresh citrus in 2014. California citrus growers continue to work to open markets and maintain access in an industry often challenged by SPS barriers, all while facing stiff competition from Brazil, the EU, China, and Turkey.



**CHINA** is California citrus growers' sixth largest market for exports representing roughly \$32 million in exports in FY15. However, in April 2013, China suspended all imports of California citrus after intercepting six shipments with brown rot. The suspension cost the California citrus industry millions of dollars, as fruit was redirected to other export markets and sold on the U.S. market at discounted prices.

In April 2014, China reopened the market after a series of technical meetings between APHIS and China's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) to address China's plant health concerns. Technical discussions were supported by high-level trade policy discussions with FAS and USTR pressing AQSIQ to remove the ban on citrus. In order to reopen the Chinese market, the citrus industry agreed to adopt a series of grove management activities and host AQSIQ on a technical visit to observe their implementation in California.

FAS provided TASC Program funds for the industry to host AQSIQ's technical visit to California. These funds facilitated successful planning, organization, and execution of the visit and assisted in the re-opening of the Chinese market to California citrus.

**KOREA** is the top market for citrus from the United States with exports valued just over \$225 million in FY15. In 2012, Korea expressed concerns with frequent detections of Fuller's Rose Beetle (FRB) in California orange shipments and worker safety associated with the mandatory Methyl Bromide (MB) fumigation at the port of arrival. Korea stressed that alternative measures should be proposed including fumigation at the port of origin. In 2015, APHIS and Korea initiated a pilot mitigation program requiring pre-shipment fumigation of oranges destined for Korea. However, the pilot program proved ineffective and was ultimately suspended after numerous detections of FRB and California Red Scale (CRS). Currently, Korea fumigates all California orange imports with MB upon arrival. In order to maintain access to Korea,

FAS provided TASC program funds to the California citrus industry to develop research to identify a MB alternative to control FRB and CRS.

## POTATOES



Idaho and Washington State account for roughly two thirds of total U.S. potato production. U.S. potatoes are consumed as fresh and processed products. Processed potato products include frozen French fries, chips, shoestrings, dehydrated, canned products, starch, flour, livestock feed, and other fresh and frozen products. Canada, Mexico, Japan, Taiwan, and South Korea are the leading export markets for U.S. potatoes accounting for \$3.4 billion in exports in FY15. FAS continues to work with the U.S. potato industry to open and maintain access to markets with challenging plant health trade barriers. In FY15, the United States exported \$4.6 billion in potatoes, virtually unchanged from FY14, but up nearly 17 percent from FY11. Import demand from Asian markets accounts for over 65 percent of that growth, despite strict phytosanitary restrictions in many of those markets. In Asian markets, consumers are increasingly using potatoes as an affordable alternative to traditional staples.

Market access in **MEXICO** for U.S. fresh potatoes is a long-standing trade issue. Shortly after the U.S. potato industry gained expanded access to Mexico in 2014, the Mexican potato producers association (CONPAPA) obtained ten legal injunctions against the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) citing various plant health concerns. The injunctions effectively prohibit access for U.S. fresh potatoes beyond a 26-km border zone. USDA made its experts available to assist SAGARPA in its technical defense. The National Potato Council (NPC) has gained third party status through Grupo PM (a marketing agency). This allows the U.S. potato industry to address the impact that the injunctions are having on U.S. potato trade. Of the 10 injunctions, one was overturned, one was withdrawn, and eight remain in place. In June 2016, Mexico issued a regulation that repeals the regulation authorizing expanded market access for U.S. potato exports that cancelled the legal challenges from CONPAPA. It is not clear at this time how this may impact potential future legal challenges from CONPAPA. USDA is reviewing the new regulation to determine if it contains the agreed upon market access conditions and the legal means for authorizing expanded access to U.S. potatoes. Mexico is the second largest export market for U.S. fresh potatoes. U.S. potato exports to Mexico were valued at \$35.6 million in FY15, a 7.4-percent decrease over the previous year.

In February 2007, **JAPAN** reauthorized access for fresh U.S. chipping potatoes produced in fourteen states. Japan suspended trade in April 2006 due to the detection of Potato Cyst Nematode (PCN) in Idaho. Japan continues to restrict entry of fresh potatoes from Idaho despite an extensive survey delineating the area in Idaho where PCN was detected. Currently, chipping potatoes from 15 states are eligible for importation.



In addition, due to unwarranted phytosanitary concerns in the U.S. view, Japan continues to prohibit overland transportation of chipping potatoes from port to processing facilities. As a result before 2015, only one facility in Japan could process U.S. chipping potatoes. In March 2015, Japan approved overland transportation of U.S. chipping potatoes to a second plant. Further, Japan currently limits the importation of U.S. potatoes to 6 months out of the year. The U.S. potato industry requested Japan to expand the shipping season to 12 months due to the increased Japanese demand for potato chips. Technical discussions are ongoing between APHIS and Japan on the expansion of market access for potatoes.



In 2002, the United States requested market access for fresh potatoes from Idaho, Oregon, and Washington to **CHINA**. China is slow



to complete the necessary pest risk assessment (PRA). In September 2003, China agreed to make immediate progress to complete the PRA, but it was 2008 before the PRA was complete and was not provided to APHIS until 2014. In March 2015, APHIS responded to China's PRA, laying out procedures and conditions for shipping potatoes to China. In July 2015, APHIS invited AQSIQ officials to visit potato production areas in the United States. AQSIQ agreed to the visit but would not come before an agreement on the protocol is reached. FAS and APHIS continue to press China in trade policy and technical forums for progress on this issue.

In April 2012, **COSTA RICA** banned U.S. chipping potatoes due to the interception of a shipment containing Zebra Chip. Zebra Chip disease is named after the dark stripes it forms inside afflicted potato tubers when cut and fried to make chips. Zebra Chip has caused millions of dollars in losses to the potato industry since 2000 when the disease was first reported in the United States. The disease, which has above-ground symptoms that include necrosis and purplish, upward-curling leaves, among others, has been reported in several U.S. states (California, Nevada, Kansas, Nebraska, New Mexico, Colorado, Wyoming, Washington, Oregon, and Idaho), Mexico, parts of Central America, and New Zealand. In June 2012, APHIS and Costa Rica agreed on import requirements addressing Zebra Chip for resuming imports of U.S. potatoes. In September 2013, Costa Rica again suspended imports due to the detection of Zebra Chip and excessive soil in two U.S. potatoes shipments. APHIS sent official correspondence in September 2014 to discuss Zebra Chip diagnostic protocols.

In November 2015, Costa Rica visited potato production areas in Washington, Oregon, and California. Costa Rica provided positive feedback about the visit during the exit meeting. In May 2016, Costa Rica began issuing import permits for U.S. potatoes. In FY15, the United States exported \$671,100 of chipping potatoes to Costa Rica. This number is significantly lower compared to previous years.

On June 29, 2015, **VIETNAM** released Decision 2515, promulgating a list of Harmonized System (HS) codes for regulated articles subject to plant quarantine inspection/phytosanitary certification. Dehydrated potatoes, which are cooked and highly processed, are included on Vietnam's list requiring APHIS to issue

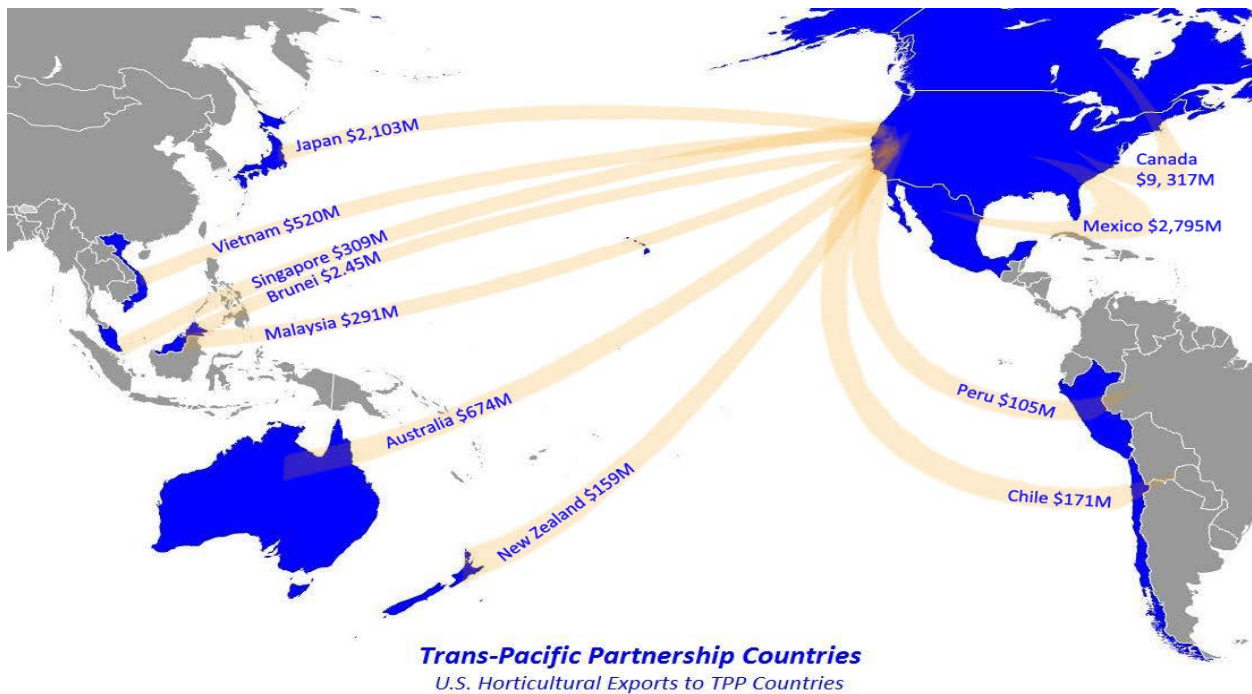
phytosanitary certificates. In addition, exporters shipped frozen French fries (FFF) using different HS codes due to inconsistencies in the regulation which led Vietnam to require phytosanitary certificates for FFF as well. APHIS does not issue phytosanitary certificates for processed products such as FFF due to low pest risk. International standards categorize processed commodities (depending on the method and degree of processing) as low pest risk. In response to FAS’s request to correct the HS codes discrepancy, Vietnam issued a WTO notification clarifying HS code designation. In November 2015, FAS responded to Vietnam’s WTO notification and provided a list of HS codes to be removed from the list including dehydrated potatoes and FFF. Despite difficulties, the United States continues to export processed and fresh potatoes to Vietnam.



**SOUTH KOREA** is limiting access to U.S. chipping potatoes. In 2012, Korea prohibited imports of table stock potatoes from Idaho, Oregon, and Washington due to concerns with the Zebra Chip disease. APHIS continues technical engagements with Korea to reinstate the importation of table stock potatoes. In 2015, APHIS and Korea made significant progress in developing a market access agreement for U.S. table stock potato. APHIS is working to address the few remaining details of the agreement by fall 2016.

**TRANS-PACIFIC PARTNERSHIP**

The Transpacific Partnership (TPP) is a regional trade agreement that will open access to new export markets for U.S. specialty crops, principally by cutting tariffs. Currently, there are 12 Pacific Rim nations that are a part of the TPP, with a number of other countries expressing interest to join. In February 2016, participating countries signed the TPP agreement, and now partner country governments are focusing on the completion of their respective domestic approval procedures.



TPP is expected to boost U.S. exports by eliminating or significantly reducing foreign tariffs on the vast majority of U.S. agricultural exports to TPP countries. In certain cases where tariffs remain, U.S. products will have access to new preferential tariff-rate quotas. TPP also requires participants to develop and implement food safety, animal health, and plant health measures in a transparent manner and to ensure that those measures are science-based. Finally, TPP creates new tools for resolving disagreements between members and enforcing high standards. TPP includes a new consultative mechanism for regulatory experts to resolve SPS issues in a timely manner for cooperating members of the trade agreement.

For U.S. specialty crops, the benefits of TPP will be significant. In FY15, U.S. exports of specialty crops to TPP member countries were valued at a record \$15.1 billion. The TPP countries provide market potential for U.S. specialty crops. On average, U.S. specialty crop exports represent 25.5 percent of all agricultural exports to TPP countries, compared to 19.3 percent to non-TPP countries.

Individual specialty crops will benefit from TPP. For example, the United States exported \$35 million in fresh apples to the TPP region in FY15, facing tariffs as high as 17 percent. Under TPP all apple tariffs will be eliminated. Without the TPP agreement, U.S. fresh apple exports to Vietnam face a competitive disadvantage because Australia, New Zealand and the ASEAN countries are able to export fresh apples to Vietnam at lower tariff rates due to the ASEAN-Australia-New Zealand Free Trade Agreement.

U.S. tree nut exports will also increase in competitiveness as a result of lower tariffs. In FY15, U.S. exports of tree nuts to the TPP region were valued at \$2 billion, yet faced tariffs as high as 35 percent. However, TPP will eliminate tariffs in Japan, Malaysia, Vietnam, New Zealand, and Brunei, immediately in many cases. Without TPP, U.S. exporters are at a competitive disadvantage.



U.S. organic produce (fruits and vegetables) also stands to benefit from the TPP agreement. Nearly 90 percent of exported U.S. organic produce is shipped to TPP countries, totaling \$474 million in FY15. Equivalency agreements with two TPP member countries, Canada and Japan, are instrumental in facilitating this level of exports. Looking to build on this success, the TPP agreement sets out specific provisions to promote cooperation and consideration of the equivalency in organic standards among the TPP countries. Additional equivalency recognition agreements will facilitate exports of U.S. organic agricultural products.



As global demand for U.S. specialty crops grows, it is important for these products to remain competitive. This high-standard TPP agreement will open markets and support expanded exports of U.S. specialty crops, increase farm income where those crops are grown, and promote job growth.

## **CONCLUSION**

This report provides an overview of activities and tools FAS utilizes to reduce trade barriers to U.S. specialty crops. It highlights how FAS works with the U.S. industry, U.S. regulators, foreign governments, and USTR to establish international standards and rules to improve accountability and predictability for U.S. specialty crops exports. The report also emphasizes the critical role the Fruit and Vegetable ATAC plays for ensuring that U.S. industry trade priorities are thoroughly vetted with stakeholders. Going forward, FAS continues to look for opportunities to increase services to effectively resolve barriers to trade of U.S. specialty crops.