

U.S. Specialty Crops Trade Issues

2016 Annual Report to Congress

United States Department of Agriculture



2016 U.S. SPECIALTY CROPS

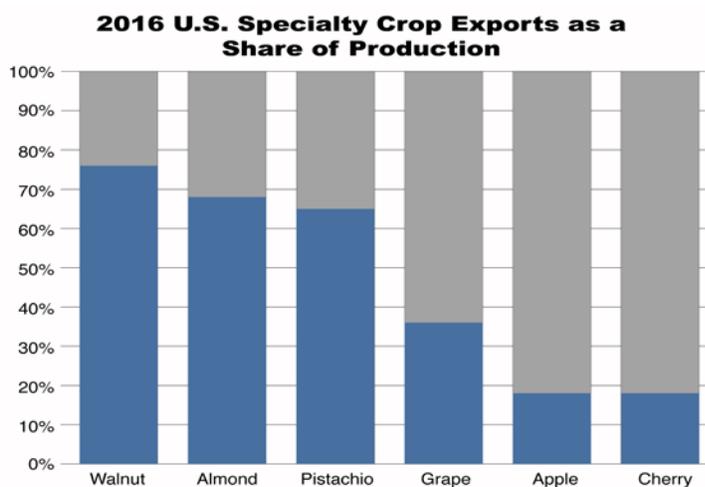
TRADE ISSUES REPORT

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FOREWORD

Since 2002, annual U.S. exports of specialty crops have nearly tripled. In fiscal year (FY) 2016, the United States exported \$22.7 billion in specialty crops, which accounted for more than 17 percent of total U.S. agricultural exports. Tree nuts represented nearly one third of FY 2016 specialty crop exports.



Source: USDA-FAS Production, Supply and Distribution System

The U.S. specialty crop industry must have access to foreign markets in order to grow while supporting the livelihood of those on farms and in related industries. The Foreign Agricultural Service (FAS) and its USDA partners remain committed to expanding export opportunities for the U.S. specialty crop sector. This report provides an overview of specialty crop trade, identifies market access barriers confronting producers and exporters, and highlights the efforts and resources used by USDA and the U.S. agricultural industry to facilitate the export of U.S. specialty crops. In addition, this report describes partnerships between USDA and involved stakeholders, and initiatives taken to address trade barriers to U.S. specialty crops.

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of specialty crops have nearly tripled to \$22.7 billion.

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. Cooperation between USDA and the U.S. agricultural industry is not only important for maintaining existing export markets, but also for establishing new markets for U.S. products.

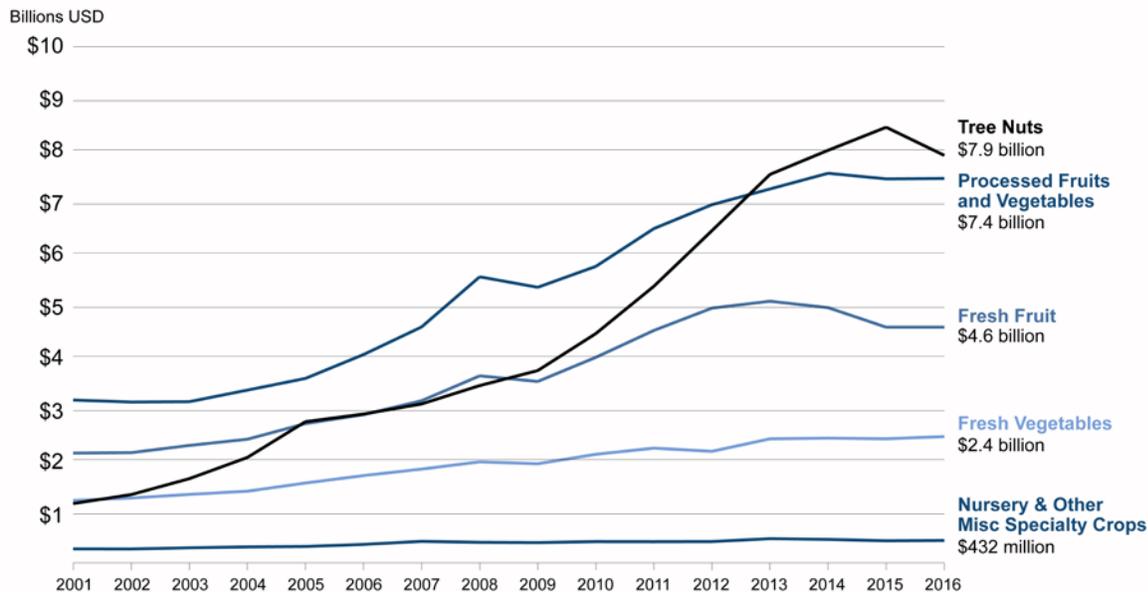
Trade barriers such as burdensome requirements related to pre-export plant health inspections, labeling, or quality certification may discourage some U.S. specialty crop producers from shipping products overseas. However, with USDA's commitment to assist U.S. agricultural stakeholders, the United States is well positioned to overcome many of the barriers that deter U.S. specialty crop exporters, thereby increasing their ability to compete in the global marketplace.

USDA is pleased to provide the 2016 *U.S. Specialty Crops Trade Issues* 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 as fruits, vegetables, tree nuts, dried fruits, horticultural crops, and nursery crops.

U.S. SPECIALTY CROP EXPORTS

In 2016 export volumes were above 2015 levels for most U.S. specialty crops. Although there was growth in export value for U.S. fresh citrus, potatoes, and vegetables in 2016, it did not offset the slight decline for the entire sector from a record high in 2015.

U.S. Specialty Crop Export Value, 2001-2016



Source: USDA-FAS Global Agricultural Trade System (GATS)

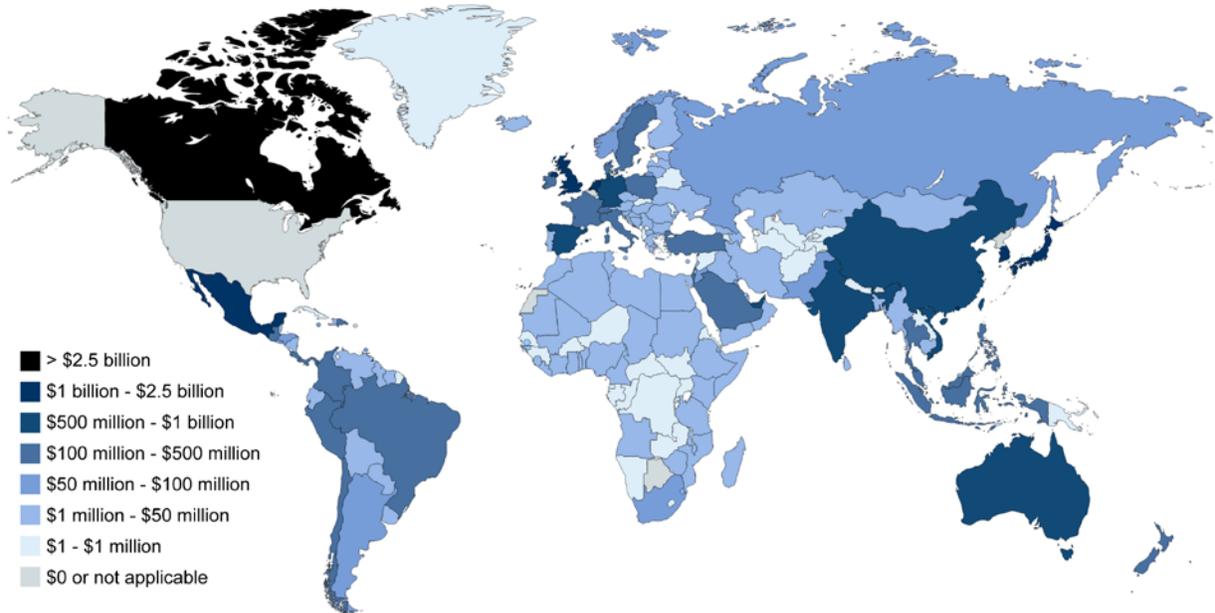
While our North American neighbors are still our largest customers, increasing consumer purchasing power among the middle class in other markets around the world is spurring demand for high quality specialty crops grown in the United States. Technological innovations in production methods and improved transportation systems have made U.S. exports more affordable. Improving transportation infrastructure and supply chain efficiency facilitates the distribution of highly perishable products such as fruits, vegetables, and floriculture, further benefitting prospects for continued export growth.

EXPORT CHALLENGES

Overseas demand presents opportunities for U.S. exporters, but many countries require risk analysis and negotiated trade protocols to protect their own producers against plant pests and diseases before accepting new commodities. Risk analysis and export protocol negotiations take time and resources. Also, as global trade expands and middle class consumers grow more concerned about food safety, foreign governments may implement new measures that inadvertently or intentionally restrict market access. For example, in recent years a number of countries have introduced new residue standards for pesticides. Exporters face commercial risks when market access is constrained or threatened by differing foreign standards or regulations. Such measures often disadvantage U.S. agricultural exports that compete with domestic production, and can act as trade barriers.

The United States addresses these barriers to trade in many ways – from technical dialogues with foreign governments, to support for the establishment of international standards, to formal consultations with foreign governments under the framework of our trade agreements. Numerous U.S. Government agencies participate in these efforts, taking leadership at the appropriate time.

U.S. Exports of Specialty Crops by Country, 2016



Source: USDA-FAS Global Agricultural Trade System (GATS)

FAS is the primary agency promoting U.S. agricultural exports. FAS’s overseas offices and Washington-based technical experts work with other USDA agencies to develop strategies to facilitate exports. Several agencies outside of USDA also play a critical role. USTR is the lead U.S. agency responsible for developing and coordinating U.S. international trade and investment policy, and for enforcing trade agreements through an interagency consultative process. The Environmental Protection Agency (EPA) and the Food and Drug Administration (FDA), like their USDA regulatory counterparts, help develop international standards that facilitate trade, and also provide technical expertise to FAS and USTR upon request. EPA establishes pesticide Maximum Residue Limits (or MRLs, which are maximum acceptable levels of pesticides in food and agricultural products) to ensure the safe production of food, to promote the use of safe pest control methods, and to implement science-based standards and requirements related to pesticide management. FDA ensures the safety of the U.S. food supply and assists in assessing foreign food safety measures implemented by U.S. trading partners.

USDA'S ROLE IN FACILITATING TRADE IN U.S. SPECIALTY CROPS

Within USDA, several agencies play key roles in facilitating exports of U.S. specialty crops.

FOREIGN AGRICULTURAL SERVICE (FAS)

FAS maintains a global network of 93 overseas offices that cover 171 countries. These offices provide unbiased public information on foreign markets, develop strong relationships with foreign governments to solve emerging problems, and advise Washington agencies on strategies to support U.S. exports. Washington-based commodity analysts provide objective intelligence on foreign market opportunities and regulatory requirements, prepare market forecasts, and address foreign policies affecting U.S. agricultural trade. In responding to potential threats to U.S. agricultural exports, FAS plays a unique role in analyzing technical and policy actions taken by trading partners and also coordinating resources within the U.S. Government and with the U.S. agricultural industry to address trade issues.

FAS leads the interagency review of new foreign regulations, participates actively in trade negotiations, and partners with USTR to enforce U.S. rights under existing trade agreements. FAS manages several private sector advisory committees, including the Agricultural Policy Advisory Committee (APAC) and the Agricultural Technical Advisory Committees (ATACs) for trade in fruits and vegetables and trade in processed foods. These committees help keep USDA well informed about issues affecting the U.S. agricultural industry.

The Technical Assistance for Special Crops (TASC) program is used to provide technical support to address market access issues. Other FAS programs, including the Emerging Markets Program and the Cochran Fellowship Program, strengthen global support for science-based policies by providing technical training for foreign officials in areas such as food safety and pest risk analysis. In addition, the Market Access Program and Foreign Market Development program provide funding to the U.S. agricultural industry to offset expenses for overseas marketing and promotional activities that help build commercial export markets for U.S. agricultural products and commodities.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS)

APHIS safeguards the health of U.S. agriculture in the international trade arena and advances science-based policies among trading partners to help ensure that U.S. agricultural exports are protected from unwarranted barriers. The APHIS Plant Protection and Quarantine (PPQ) program directs U.S. phytosanitary export policies and export protocols implemented by PPQ and by state and county regulators. APHIS supports U.S. specialty crop exports with an on-the-ground network of agricultural attachés in key export markets abroad, and also maintains offices at key U.S. export facilities.

AGRICULTURAL MARKETING SERVICE (AMS)

AMS programs facilitate the efficient marketing of U.S. agricultural products. AMS certification, auditing, inspection, and laboratory analysis services are effective tools in some cases for demonstrating that exported products comply 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, the TASC program has assisted in establishing organic equivalency

arrangements with Canada, the European Union, Japan, South Korea, and Switzerland, while discussions with Mexico and Taiwan are ongoing. Organic equivalence arrangements eliminate additional certification burdens on producers and facilitate the trade of organic specialty crops.

AGRICULTURAL RESEARCH SERVICE (ARS)

By understanding the biology and ecology of insects and noxious weeds, ARS is able to develop technology to manage pest populations with the integration of environmentally compatible strategies. By developing efficacious pest mitigation methods (such as fumigation treatments and irradiation) ARS continues to help open and maintain access to export markets for the U.S. specialty crops industry.

INTERAGENCY RESPONSE TO TECHNICAL BARRIERS

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 a potential barrier to trade. If the issue is recent and a shipment has arrived at the destination port, USDA overseas staff is best positioned to facilitate the rapid release of perishable products from customs, thus minimizing storage costs and spoilage. USDA's presence overseas facilitates communication with foreign governments and helps keep U.S. concerns high on the priority list.

USDA representatives abroad receive information on pending regulations before those measures are formally notified to the World Trade Organization (WTO) for international public consultation, and are in a good position to advise stakeholders on emerging issues. This enables USDA and other relevant agencies to engage with trading partners on proposed regulations at an early stage. When trading partners notify proposed regulations to the WTO, FAS leads an interagency review process to provide formal comments on proposed measures in order to minimize disruptions to U.S. agricultural trade.

The participation of scientific experts from regulatory agencies, such as APHIS, EPA, and FDA, ensures that the U.S. position is scientifically sound and persuasively articulated. USTR evaluates foreign measures for consistency with international obligations and to hold our trading partners accountable. USTR leads the interagency team addressing measures that appear to be in violation of international trade agreements, while FAS or APHIS often take the lead on the technical issues affecting trade. These interactions can occur at many levels, from informal meetings with government officials to formal consultations in the WTO.

U.S. regulatory agencies may also be involved in establishing international standards related to food safety and plant health that directly impact U.S. specialty crop exports. FAS coordinates with them to ensure U.S. policy positions relating to international standards are science-based and reflect U.S. agricultural export interests. Delegations of U.S. officials participate in the development of trade-related standards by international bodies, with FAS providing diplomatic expertise to build support for U.S. policy positions. Standards set by the United Nations' Codex Alimentarius Commission or included in the International Plant Protection Convention (IPPC) often serve as the basis for national regulations adopted by many trading partners, and FAS and USTR encourage our trading partners to adopt

conforming standards to facilitate trade. FAS capacity building programs reinforce this message and help countries build the technical capacity needed to meet their international obligations.

TECHNICAL ASSISTANCE FOR SPECIAL CROPS (TASC)

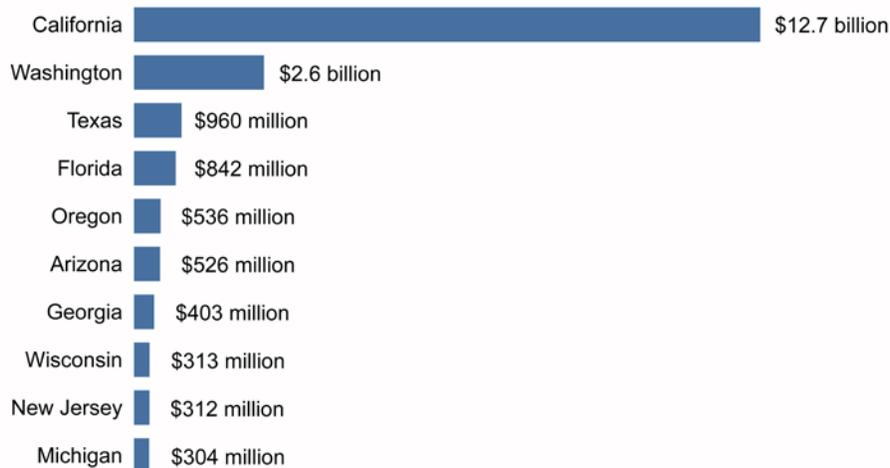
The TASC program has been instrumental in addressing market access issues since it was authorized by Congress in 2002. FAS integrated the program into its strategic efforts to maintain and grow foreign markets, working in close consultation the U.S. specialty crop industry, to establish and improve foreign market opportunities by addressing sanitary and phytosanitary (SPS) issues and related trade barriers.

The TASC program was established under the Farm Security and Rural Investment Act of 2002, which directed the Secretary of Agriculture to operate the program using funds from USDA’s Commodity Credit Corporation. The Agricultural Act of 2014 reauthorized the program and expanded its goals to address technical barriers to trade (TBTs) such as restrictions related to labeling or quality certification.

The TASC program assists U.S. agriculture by funding projects to address SPS and TBT issues that 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, private or public, with a demonstrated role or interest in exporting U.S. specialty crops may apply for funding under the program. Eligible projects may receive funding for up to five years and a project’s funding may not exceed \$500,000 per year.

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.

Top 10 U.S. States for Specialty Crop Exports, 2016



Source: USDA-FAS Global Agricultural Trade System (GATS)

2016 TASC PROGRAM ACTIVITIES

Organization	Title	Award	Description
Alaska Agricultural Development & Marketing, Inc.	Overcoming Non-Tariff Trade Barriers on Export of U.S. Certified Seed Potatoes to China: Phase II	\$280,971	Gather fundamental scientific evidence and information on the prevalence of phytoplasma and virus diseases on potatoes and other crops in China.
Alcohol and Tobacco Tax and Trade Bureau	International Wine Technical Summit	\$50,000	Enable wine industry and regulator collaboration on methods, to discuss scientific aspects of wine trade, and to educate each other on domestic and foreign scientific standards.
Almond Board of California	China's AQSIQ and Port Authorities Seminar and Tour	\$47,500	Host Chinese delegation visit to learn about the California Almond industry.
Almond Board of California	Establish a Permanent Tree Nut MRL for Fosetyl-AI in the EU	\$30,000	Establish a permanent MRL for the fungicide Fosetyl-AI and engage with EU authorities to ensure consideration of MRL is expedited.
California Avocado Commission	Open Market Access for California Avocados to China, Phase I	\$40,700	Conduct technical site visit to California's avocado groves and packinghouses for representatives from China.
California Avocado Commission	Open Market Access for California Avocado to China, Phase II	\$24,336	Conduct technical site visit to California's avocado groves and packinghouses for representatives from China.
California Citrus Quality Council	Vapormate for Postharvest Control of Fuller Rose Beetle (FRB)	\$268,912	Develop a Vapormate phytosanitary treatment alternative to methyl bromide to control FRB eggs and mites on citrus.
California Fresh Fruit Association	Australia Phytosanitary Preclearance Program for California Stone Fruit	\$82,500	Establish an Australian phytosanitary preclearance program for California peaches, plums, and nectarines.
California Fresh Fruit Association	Confirmation trials on CA Plum and Peach Varieties for Export to Japan	\$147,624	Conduct postharvest research that proves insect pests can be eliminated or removed from stone fruit destined for key export markets.
California Strawberry Commission	Phytosanitary and Food Safety Approval by China for California Strawberry Market Access	\$60,960	Conduct field inspection tours with China focusing on the phytosanitary and food safety aspects of strawberries upon export shipping, and educational workshops.
California Table Grape Export Association	Equipment Upgrade Needed for Kern and Tulare Counties	\$126,512	Improve pest identification capabilities in the Central Valley of California through the purchase and training of digital imaging equipment
Cranberry Marketing Committee	Generating Additional Necessary Chlorothalonil Data to Retain the Cranberry Codex MRL	\$80,000	Generate additional chlorothalonil data to retain the cranberry MRL at Codex.
CropLife America	Import MRL Establishment in South Korea and Taiwan	\$73,749	Conduct workshops on MRL establishment in South Korea and Taiwan.
Ginseng Board of Wisconsin	A Pest Survey and Postharvest Mitigation Measures to Export Fresh Wisconsin Ginseng to Taiwan	\$118,040	Conduct field pest surveys directly with commercial ginseng growers and to develop literature for regulatory officials in Taiwan that explains the Wisconsin ginseng pest surveys and their results.
International Research Project 4 (IR-4)/Rutgers	Develop Sufficient Residue Data to Satisfy International Requirements to Establish MRLs to Facilitate Exports	\$356,559	Develop and utilize additional field residue trials, the collection of additional samples from field trials, and the analysis of additional metabolites.
National Potato Council	U.S. Fresh Potatoes to Mexico: Addressing Mexican Legal Challenges	\$435,000	Address continued Mexican legal challenges for U.S. potatoes.
National Potato Promotion Board	Official Plant Health Visits for Fresh and Seed Potato Market Access	\$90,200	Bring foreign plant officials to the U.S. to review the U.S. potato industry as part of market analysis negotiations.
National Potato Promotion Board	Zebra Chip and Potato Exports: Pest Delimitation and Vector/Pathogen Monitoring Impacting Trade	\$214,593	Conduct field surveys and monitoring programs to determine potato psyllid and Candidatus Liberibacter solanacearum/zebra chip distribution and abundance in Northwest potato production.
Synergistic Hawaii Agricultural Council	Maintain Competitiveness of U.S.-Grown Coffee Through Control of Coffee Berry Borer (CBB) in Hawaii	\$500,000	Educate coffee growers on sanitization practices of pruning, denuding trees, trapping, and using biological controls and chemicals.
U.S. Highbush Blueberry Council	Establish a New Phosphorous Acid MRL for U.S. Blueberry Exports to EU	\$73,920	Establish a new potassium phosphonate MRL for U.S. blueberry exports to the EU.
U.S. Highbush Blueberry Council	Eliminating Insect-Related Trade Barriers for the Eastern U.S. Highbush Blueberry Industry	\$351,985	Conduct postharvest research that proves insect pests can be eliminated from blueberries grown in the eastern United States that are destined for key export markets.
USDA Animal and Plant Health Inspection Service	Data/Infrastructure Improvements for Analyses That Support U.S. Exports	\$283,475	Update published reports of pest status that negatively affect exports of U.S. specialty crops.
USDA Agricultural Research Service-Washington	Host Status of Temperate and Tropical Fruits for Apple Maggot Fly	\$70,638	Study the threat of apple maggot flies to apples in Washington state.
Washington Red Raspberry Commission	Establish a New Potassium Phosphonate MRL for U.S. Caneberry Exports to EU	\$49,665	Establish a new potassium phosphonate MRL for U.S. caneberry exports to the EU.
Washington Red Raspberry Commission	Develop Caneberry Pesticide Degradation Curves to Avoid MRL Violations in Foreign Markets	\$223,201	Perform field residue trials and analyze samples for residue levels to develop degradation curves for selected insecticides and fungicides, using maximum application rate allowed on raspberry and blackberry in the Pacific Northwest

2016 SUCCESS STORIES

AUSTRALIA – Stone Fruit: In July 2016, USDA obtained market access to Australia for fresh apricots and stone fruit hybrids (pluots and plumcots) from California and the Pacific Northwest, fulfilling market access efforts dating back to 2006. In July 2013, Australia opened its market to peaches and nectarines with a pre-export methyl bromide fumigation requirement. In December 2014, Australia agreed to accept methyl bromide fumigation against spotted wing drosophila in plums, which succeeded in opening the market to California plum exports for the 2015 season.

CHINA – California Strawberries: In June 2016 USDA and China agreed to an export protocol for California strawberries subsequent to a final inspection tour of shipping facilities supported by TASC program funds. In October 2016, the first shipment of California strawberries was exported to China after ten years of U.S. efforts led by USDA and the California strawberry industry. The strawberry industry predicts annual U.S. strawberry exports to China will grow to more than \$30 million in the next few years.

EUROPEAN UNION (EU) – Fresh Fruit: In response to information provided by FAS, the EU's Standing Committee on Plants, Animals, Food, and Feed voted to allow two additional years for the U.S. industry to provide additional data in support of higher MRLs. On December 6, 2016, the European Commission (the Commission) voted to postpone the lowering of MRLs for fenpyroximate on citrus fruits, apples, pears, almonds, cherries, and cranberries. The EU had proposed to reduce the MRLs on a wide range of plant products, threatening over \$2 billion of U.S. exports to the EU.

EU – Citrus: In response to a concerted effort by FAS, APHIS, and USTR over 10 years to demonstrate that citrus fruits are highly unlikely to be vectors of citrus canker, the EU voted to amend import regulations to remove a requirement that U.S. citrus be sourced from groves displaying no symptoms of the disease citrus canker in April 2017. This requirement had previously eliminated access to the EU market for a majority of Florida citrus groves. Full implementation of the amended regulations across all EU Member States will begin starting January 1, 2018. As a result of the amended regulations, grove surveys will no longer be required, saving U.S. producers an estimated \$5.6 million dollars per year. Florida producers grow 25,000 acres of grapefruit, of which 70 percent is intended for shipment to the EU market, and citrus exports are expected to increase by 25 percent (about \$15 million) during the first year of the new regulations.

INDIA – Almonds: In August 2016, India amended import restrictive labeling requirements for primary food products following repeated interventions from FAS and a visit by Indian regulators to almond orchards and processing facilities in California demonstrating the effectiveness of industry traceability and record keeping mechanisms. As per the amendment, dry fruits (such as almonds) that are imported and not meant for direct sale to consumers are exempted from requirements listing the name and address of the importer on the exterior packaging. Prior to the amendment, the importer details needed to be stitched onto each bag or printed onto each box. This modification reduced warehousing and processing costs for a range of U.S. exports, including tree nuts, to India which exceeded \$523 million in 2016.

INDONESIA – Fresh Food of Plant Origin (FFPO) Food Safety Agreement: On December 10, 2015, subsequent to numerous interventions by FAS, Indonesia authorized a two-year renewal of the FFPO food safety agreement with the United States, maintaining market access for U.S. plant products valued at \$926.6 million in 2016. FFPO status (food safety systems recognition) with Indonesia ensures that U.S. products are not subject to chemical and biological residue testing prior to entering Indonesia and removes restrictions that banned access to the Port of Jakarta. On August 16, 2016, Indonesia signed a decree allowing an additional 33 product lines, including legumes, to be eligible for recognition under the FFPO protocol. FAS continues to work closely with Indonesia to expand the list.

ISRAEL – Apples: During a 2016 bilateral meeting, USDA secured an agreement from Israel to accept a cold treatment protocol for U.S. apples. On January 1, 2017, Israel amended their import regulation that provides new flexibility to U.S. apple exporters that expands the shipping window to Israel. In 2016, U.S. apple exports to Israel were valued at nearly \$8 million.

JAPAN – California Nectarines: After more than a decade of negotiations, USDA obtained market access for U.S. nectarines for the 2016 shipping season to Japan. In July 2016, the first shipment of California nectarines, valued at approximately \$10,800, was exported to Japan. The 2016 export program concluded on August 30, 2016, with 35 successful shipments. A total of 14,279 cartons of California nectarines were exported to Japan with a value of approximately \$385,000, which exceeded the industry’s projected goal of 12,500 cartons.

JAPAN – U.S. Potatoes: On December 20, 2016, Japan approved a one-time extension of the six month (February-July) import window for U.S. chipping potatoes by 42 days resulting in an additional \$4.8 million in export. In response to a shortage of potato supplies in Japan, USDA and the Japanese food industry had pressed the Japanese government to extend the U.S. potato shipping season to Japan. While the extension is only for the current season, it is anticipated that Japan will approve an extension for the 2018 shipping season as well. In 2016, the United States exported \$19.4 million of fresh potatoes to Japan.

PANAMA – Seed Potatoes: In July 2016, USDA obtained agreement from Panama to amend the U.S.-Panama Seed Potato import protocol. The amended agreement authorizes exports of U.S. seed potatoes to Panama under less stringent quarantine conditions, with a 0.5-percent tolerance for bacterial stem rot. The amended protocol is expected to be signed by APHIS and Panama in the near future. The United States currently holds a 51-percent share of Panama’s import market for seed potatoes, and U.S. exports of potato seed to Panama reached a five-year high of \$416,000 in 2016.

SANITARY AND PHYTOSANITARY 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 these technologies enables U.S. agricultural producers to safely and effectively mitigate threats of pests and diseases. However, new pesticides are often authorized for use in the United States before other countries, resulting in

asynchronous approvals that can be barriers to U.S. agricultural exports in markets where those pesticides have not yet been approved. 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 for MRL violations.

TAIWAN: Historically, Taiwan's system for reviewing and approving pesticide MRL applications has been unpredictable, slow, and nontransparent, hampering U.S. producers' ability to meet Taiwan's MRL requirements. In order to address these concerns, FAS and USTR reached an agreement with Taiwan to prioritize setting MRLs for a list of chemicals of interest to U.S. agricultural exporters. FAS and EPA worked extensively with U.S. producers and pesticide registrants to develop the list. Outreach was facilitated by the TASC program funded MRL Grower Priority Database (www.mrlpriority.com), which allows stakeholders to input MRL information and provides a convenient, systematic process for developing MRL priority lists.

In May 2014, FAS and EPA submitted an MRL priority list to Taiwan that included more than 250 chemical-commodity combinations. As of February 2017, Taiwan has processed over half of the identified priorities, while 116 proposed MRLs remain under review. On February 13, 2017, a TASC program funded workshop on MRL requirements was held in Taipei where U.S. growers, pesticide registrants, FAS, and Taiwanese regulators discussed challenges with establishing tolerances and strategies to address the remaining MRLs from the 2014 priority list.

As recently as October 2016, Taiwan notified FAS of residue findings on certified organic products exported to Taiwan. Following such detections, Taiwan may mandate that all originating product from the "violating" USDA organic certifier be subject to batch-by-batch inspections. Under the 2009 organic equivalency recognition from Taiwan, certification language was developed for U.S.-certified organic products entering Taiwan stating, "Organic agricultural products ... were produced or processed using zero prohibited substances." Despite this production-focused language, U.S.-certified organic products are routinely subject to testing requirements to confirm adherence with Taiwan's limit of detection or limit of quantification. While these limits are not technically a zero tolerance, they are significantly lower in most cases than EPA's five-percent tolerance level under USDA organic regulations. This hold and test requirement is a significant barrier to trade, especially for perishable fresh produce. In response to the detections, USDA initiated investigations with the certifiers and producers of the products. To date, very few of the investigations have revealed an intentional violation of USDA organic regulations, and have not convinced Taiwan to end the batch-by-batch testing. USDA's National Organic Program and FAS will continue to address this issue with Taiwan during ongoing equivalence discussions.

KOREA: The implementation of a positive list system (PLS) by Korea for pesticide MRLs by the end of 2018 has the potential to disrupt U.S. agricultural exports if Korea does not establish a sufficient number of MRLs for critical pesticides in a timely manner. FAS is working with U.S. growers, pesticide registrants, EPA, and USTR to engage Korea in order to minimize such disruptions during the implementation stage.

In February 2017, a TASC program funded workshop was held in Seoul for U.S. growers, pesticide registrants, FAS, and Korean regulators to exchange information on Korea's risk assessment procedures

and to discuss options for ensuring successful implementation of Korea's PLS with minimal disruptions to trade. Korea originally planned to delete MRLs for substances not registered in Korea on December 31, 2018, but in response to FAS requests and in order to minimize disruption to trade, Korea decided in May 2017 to further delay the deletion of existing MRLs for substances not registered in Korea until the end of 2021.

The first phase of Korea's PLS transition was implemented on December 31, 2016 for tropical fruits, oilseeds, and tree nuts, terminating Korea's previous MRL deferral process and applying a low-level default limit of 0.01 parts per million (ppm) wherever a Korean MRL does not exist. In the second phase of implementation, the deferral process will be terminated for all remaining agricultural commodities and current MRLs that are not based on Korean risk assessments will be invalidated.

HONG KONG: FAS has been working with the U.S. agricultural industry to establish MRLs in Hong Kong for pesticides that are critical to U.S. trade. Since Hong Kong implemented a PLS in August 2014, any food containing a residue for an unapproved pesticide is prohibited from import unless it can be shown that consumption of the food is not dangerous to human health. FAS continues to press Hong Kong to update the PLS to ensure trade is not disrupted.

CHINA: For the past several years, FAS and EPA have been working with China to underscore the importance of science-based policies and the need for timely notifications of these and other food safety issues. FAS has facilitated several rounds of technical engagement between EPA and China's Institute for the Control of Agrochemicals, Ministry of Agriculture on pesticide registration, MRL establishment, and Good Laboratory Practices compliance issues. China is currently in the process of revising a large number of MRLs for food products, and FAS continues to monitor this progress as China strives to establish more than 10,000 MRLs by 2020.

JAPAN: In the early 2000s Japan successfully implemented PLS with minimal disruption to trade. Japan established provisional MRLs (many of them based on Codex standards) while completing corresponding risk assessments for permanent MRLs. FAS continues to liaise with U.S. stakeholders as Japan conducts its review to establish permanent MRLs in Japan allowing exports of U.S. specialty crops to continue without disruption.

EU: FAS is working to address challenges for U.S. specialty crop exports to the EU. In 2016, FAS provided TASC program funds to the Almond Board of California and U.S. Highbush Blueberry Council to support the establishment of permanent MRLs for phosphonate-based residues in the EU to protect over \$2.7 billion in U.S. trade. In 2013, the Commission modified the residue definition for fosetyl-aluminum (fosetyl-Al) such that phosphonate-based fertilizers—which are exempted from EPA tolerances due to their low toxicity but produce similar chemical residues to fosetyl-Al—could result in false positive test readings for fosetyl-Al and potentially jeopardize U.S. exports. As a result of FAS and industry engagement, the EU agreed to maintain a temporary MRL of 75 ppm for most tree nuts until March 1, 2019 while the TASC-funded research is carried out.

FAS is also coordinating with the USTR and EPA to encourage other countries to take a strong stance against the EU's hazard-based MRL regulation that threatens \$5.8 billion in U.S. horticultural products

exports. EU regulations establish several hazard-based “cut-off” criteria that exclude certain categories of substances from authorization in the EU without taking into account fundamental risk-based factors such as exposure or potency. In July 2017, EU Member States voted to approve hazard-based criteria for identifying endocrine disruptors, substances that can potentially mimic or interfere with hormones in the body. For substances that trigger the EU’s hazard-based criteria, the EU will not perform a risk assessment; rather, it will discontinue authorization or, in the case of a new substance, declare it ineligible for authorization. MRLs and import tolerances are currently established under separate legislation that requires risk assessments. However, the United States is concerned that for substances not approved or reauthorized due to cut-off criteria, the EU may ignore the risk assessment process and automatically reset MRLs to the default level of 0.01 ppm and reject import tolerance requests, which will likely have a significant negative effect on U.S. agricultural exports.

OTHER TRADE ISSUES (BY REGION)

AFRICA AND THE MIDDLE EAST

EGYPT – Seed Potatoes: In Egypt, USDA is negotiating market access for U.S. seed potatoes to Egypt. In 2013 and 2014, Egyptian regulatory officials visited the United States to observe potato production sites. Despite these efforts Egypt has refused to sign an export protocol, citing additional plant health concerns. In 2016, FAS provided TASC program funds to support a third visit to observe the cultivation of U.S. seed potatoes with the intent of signing a market access agreement but Egypt did not accept the invitation. USDA continues to press Egypt to open the market for U.S. seed potatoes.

ASIA AND THE PACIFIC

AUSTRALIA – Apples: USDA continues to press Australia to finalize a pest risk analysis for apples from the Pacific Northwest. Australia prohibits U.S. apples due to concerns with the potential introduction of postharvest rot. Australia formally ceased (or “stopped the clock” on) review of this market access request in 2010. During the following four 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.

AUSTRALIA – California Citrus: In Australia, USDA implemented new mitigation measures in response to reported pest (bean thrips) interceptions during the 2016 shipping season for California citrus. The interception of bean thrips (a quarantine pest in Australia) in California citrus shipments is threatening continued access to Australia. In the interim USDA is researching the efficacy of more effective treatments for bean thrips.

CHINA – Avocados: In early 2016, USDA requested that China allow the importation of California avocados. In response, China conducted a site visit to California’s avocado groves and packinghouses in May 2016 with the assistance of TASC program funds. Following the visit, USDA provided China with information on inspection measures for groves and packinghouses, and a list of pests associated with avocados. The next step requires China to provide USDA a pest risk analysis.

CHINA – California Nectarines: In June 2016, USDA facilitated the visit of a Chinese team to observe nectarine production in California. Since 2002, USDA has been seeking authorization to export

nectarines to China. During a 2008 plant health bilateral meeting, China requested an updated pest list due to the extended period of time that passed since the initial market access request. APHIS will press China to a draft pest risk analysis during the bilateral meeting in 2017.

CHINA – Potatoes: In August 2017, USDA facilitated the visit of a Chinese team to observe U.S. chipping potato industry practices. The visit was funded under the TASC program to advance USDA’s request to export chipping potatoes to China. In 2002, USDA requested that China permit imports of fresh potatoes from Idaho, Oregon, and Washington. The pest risk analysis was completed in 2008 but not provided to APHIS until 2014. In 2016, APHIS provided China with technical information related to potato pest management. USDA continues to press China to finalize an agreement for opening the market to U.S. chipping potatoes.

INDIA – Cherries: FAS continues to press India in high-level policy engagements to make progress on granting access for U.S. fresh cherries. In March 2015, APHIS provided India an overview of the operational components of a systems approach implemented by the cherry industry in the Pacific Northwest. APHIS has regularly provided technical information in response to numerous requests from India. In December 2016, APHIS responded to an information request from India. In June 2017, USDA raised the importance of resolving this issue during a visit by the India’s Prime Minister to the United States.

INDONESIA – Potatoes: USDA is working with Indonesia to facilitate the export of U.S. potatoes to Indonesia. Although limited amounts of U.S. fresh potatoes are currently being exported to Indonesia under a complex import permit system, APHIS is seeking to simplify entry requirements. In 2016, FAS provided TASC program funds for a technical visit by Indonesian officials to observe U.S. potato industry practices. In December 2016, APHIS provided responses to Indonesia’s justifying the reduction of 59 pests of potential quarantine significance to six pests.

JAPAN – Idaho Potatoes: USDA is pressing Japan to restore market access for Idaho potatoes after recently discovering that potato cyst nematode in Japan. In 2016, FAS provided TASC program funds for a technical visit by Japanese officials to observe U.S. potato industry practices in Idaho. In February 2006, Japan permitted imports of Idaho potatoes, but suspended access two months later after potato cyst nematode was detected in two Idaho counties. In September 2017, subsequent to a series of interventions by FAS and APHIS, Japan reopened the market to potatoes from Idaho. Currently, 16 states are approved to export potatoes to Japan.

KOREA – Apples and Pears: In response to USDA’s market access request for U.S. apples and pears, Korea has agreed to move forward on finalizing a pest list and mitigation measures. APHIS first requested market access for California and Pacific Northwest apples and pears to Korea in the mid-1990s. APHIS has on numerous occasions responded to Korean requests for information related to U.S. apple and pear harvest and production.

KOREA – Blueberries: In 2016, FAS awarded TASC program funds to develop data for mitigating pests that prevent U.S. blueberry exports to key markets. In February 2012, USDA requested market access for 34 states to Korea. Currently, U.S. blueberries from Oregon have access and Korea has suggested

that if California or Washington has pest complexes similar to Oregon, access for these states could be expedited. However, the eastern U.S. states would require a separate review. APHIS agreed to this tiered approach and in March 2015 requested that the two groups be treated as separate requests. APHIS and Korea are reviewing the pest lists for California and Washington.

KOREA – California Citrus: In 2016, FAS awarded TASC program funds to the citrus industry to develop an alternative postharvest treatment to control pests (Fuller Rose Beetle and California Red Scale). In response to reported pest detections, USDA provided Korea with actions taken by the citrus industry to reduce pest detections in the short term. Although Korea expressed concern with the delay in developing alternative pest risk management measures, it agreed to extend the shipping season.

KOREA – Potatoes: USDA is pressing Korea to accept scientific data that demonstrates that the Potato Spindle Tuber Viroid (PSTVd) is not present in US production areas and not a threat to local production. Korea has been unwilling to accept an export protocol that would restore market access for U.S. potatoes from multiple states. In July 2017, the issue was raised with Korea during high-level trade policy discussions with USDA and USTR. In April 2015, Korea prohibited access to products from areas that are hosts of PSTVd. Despite informational exchanges and technical engagement over the past two years, Korea added 25 States to the prohibited areas list, precluding imports of potatoes from multiple states. USDA has provided data on annual surveillance conducted on U.S. commercial potato fields as evidence that prevention efforts are working and that U.S. potatoes are free of PSTVd. USDA continues to press Korea to accept the export protocol.

In August 2012, Korea suspended imports of all potatoes from Idaho, Oregon, and Washington due to detections of ZC disease in potato production areas. In response, APHIS provided Korea with detailed scientific evidence that ZC cannot be transmitted without a vector (the potato psyllid). APHIS and Korea agreed a short time later to resume U.S. chipping potato trade for product sourced from Idaho, Oregon, and Washington. In 2016, FAS awarded TASC program funds to generate data on the zebra chip (ZC) disease to address import restrictions imposed by Korea on U.S. table stock potatoes. USDA and Korea are close to agreeing to an export protocol provided it precludes chipping potatoes which currently have access.

MYANMAR – Pest Risk Analysis Requirements: In response to USDA concerns regarding the potential import restrictions to U.S. agricultural related to the implementation of a new regulation, Myanmar granted the United States a six-month extension for most of the historically traded commodities until September 1, 2017. The regulation barred imports of U.S. agricultural products until corresponding pest risk analyses have been completed. USDA requested Myanmar to continue to allow market access for U.S. plant commodities while implementing the new requirements. In the interim, FAS is clarifying the need for information related to food safety and pesticides, which are not normally required to complete such analyses. In 2016, the United States exported \$16.4 million of plant products to Myanmar.

VIETNAM – CITRUS: USDA is pressing Vietnam in both high-level trade policy and technical forums to resume the import of U.S. citrus while pest risk analyses are being completed. In October 2016, Vietnam ceased issuing import permits for U.S. citrus pending completion of the pest risk analysis. In January 2015, Vietnam implemented new pest risk analysis procedures in order to issue import permits for new

and traditionally traded commodities. The new process required APHIS to submit data to support the pest risk analysis of more than 100 commodities within six months. APHIS was able to submit data for affected commodities after receiving two extensions that ended on June 30, 2016. Although Vietnam had initially considered U.S. citrus as a traditionally traded product, it has been inconsistent in honoring a commitment to routinely issue import permits for traditionally traded products as it applies to citrus during the review process.

EUROPE

RUSSIA – Import Ban: USDA continues to assess its trade relationship with Russia that has been stymied by sanctions imposed by both countries. In August 2014, Russia imposed an embargo on most U.S. and EU agricultural products for one year and later renewed the ban to extend through 2017. The embargo halted exports of several U.S. horticultural products to Russia including tree nuts (except almonds), apples, pears, grapes and citrus. In 2013, U.S. exports to Russia included \$171.6 million in tree nuts, \$12.3 million in apples, \$12.1 million in pears, \$2.7 million in grapes, and \$1.2 million in citrus. Meanwhile, the ban has caused the diversion of EU products such as pears into the U.S. market.

THE AMERICAS

ARGENTINA – Apples and Pears: In May 2017, FAS raised access for U.S. apples and pears during high level trade discussions with Argentina counterparts. Since 2009, Argentina has blocked U.S. apple and pear exports over concerns about the efficacy of postharvest treatments for fire blight (bacteria). USDA submitted technical information in March 2016 documenting that there is no evidence that mature, symptomless apple and pear fruit are a vector for fire blight. APHIS followed up with a technical meeting in Argentina in November 2016, requesting Argentina to reinstitute the import certificate that would enable U.S. exports to resume while Argentina conducts a pest risk analysis. USDA continues to press Argentina to resume issuing import permits for U.S. apple and pear.

DOMINICAN REPUBLIC – Seed Potatoes: In August 2017, USDA facilitated a sight visit by officials from the Dominican Republic to several U.S. states to observe potato production. FAS provided TASC program funds to support the visit to convince the Dominican Republic to reduce the frequency of required on-site inspections of U.S. seed potato production areas in 48 states. The site visits to the exporting country are required every five years. However, USDA is negotiating with the Dominican Republic to extend the inspection cycle to 10 years. U.S. exports of seed potatoes to the Dominican Republic were valued at \$210,000 in 2016.

MEXICO – Apples: In 2017, USDA and Mexico successfully entered into the final phase of the three year agreement that reduces oversight of apples from California shipped to Mexico. Exports of apples from California, Virginia, and Michigan, to Mexico are facilitated by a work plan that requires a complex, two-stage cold treatment inspection program. California apples are required to undergo a methyl bromide fumigation treatment that includes Mexican verification at origin. California, Virginia, and Michigan requested that Mexico harmonize its inspection regime with import procedures for apples from Washington State. In 2003, USDA successfully negotiated an agreement to remove Mexico's onsite inspectors from the Washington State apple program. Currently, Mexico conducts audits once a year for the Washington program, which operates under a cold treatment protocol. In March 2015, USDA and

Mexico agreed to an oversight reduction plan for apples from California, Virginia, and Michigan. Virginia and Michigan elected not to participate in the export program in 2015 and 2016. The United States is Mexico's largest supplier of apples, with exports valued at \$169 million in 2016.

Mexico—U.S. Stone Fruit: Several U.S. states currently export stone fruit to Mexico. Mexico imposes import restrictions to mitigate the risk of oriental fruit moth and other pests. Since 2009, Mexico has conducted direct oversight of the California Stone Fruit Export Program, paid for by the industry. In 2015, USDA and Mexico agreed to a program that transfers full responsibility for export certification activities to USDA over a three year period. On November 8, 2017, APHIS and U.S. industry met with Mexico to discuss the outcome of the oversight reduction program's third year, and plan for the next shipping season.

Mexico – Potatoes: USDA continues to press Mexico to remove import restrictions for expanding access of U.S. potatoes that date back more than 15 years. However, the Mexican potato industry filed a series of lawsuits that have restricted Mexico's ability to enter into a new market access agreement with USDA. In August and September 2016, USDA and Mexico met with potato industry representatives from both countries to develop a plan for expanding access to U.S. potatoes. These meetings failed to produce significant results. Notwithstanding the opposition from Mexican potato industry, USDA and Mexico agreed to sign a work plan granting U.S. exporters full market access on January 20, 2017. However, the work plan was not signed due additional legal actions taken by the Mexican potato producers. USDA continues to strategize with the U.S. potato industry to make progress on this issue. In 2016, FAS provided TASC program funds to the U.S. potato industry to address legal challenges in Mexico. At \$33 million in 2016, Mexico is the second-largest export market for U.S. fresh potatoes, after Canada.

CONCLUSION

This report provides an overview of activities and tools FAS uses to reduce trade barriers to U.S. specialty crops. It highlights how FAS works with other U.S. government agencies, U.S. industry, and foreign government agencies, to establish science-based international standards and rules to improve accountability and predictability for U.S. specialty crop exports. The report reflects the critical role that the advisory committees for trade in Fruits and Vegetables and Processed Foods play in ensuring that U.S. industry priorities are thoroughly considered. FAS will continue to effectively serve U.S. specialty crop exporters by addressing and resolving barriers to trade.