



United States
Department of
Agriculture

U.S. SPECIALTY CROPS TRADE ISSUES REPORT

2018 ANNUAL REPORT TO CONGRESS

2018 U.S. SPECIALTY CROPS

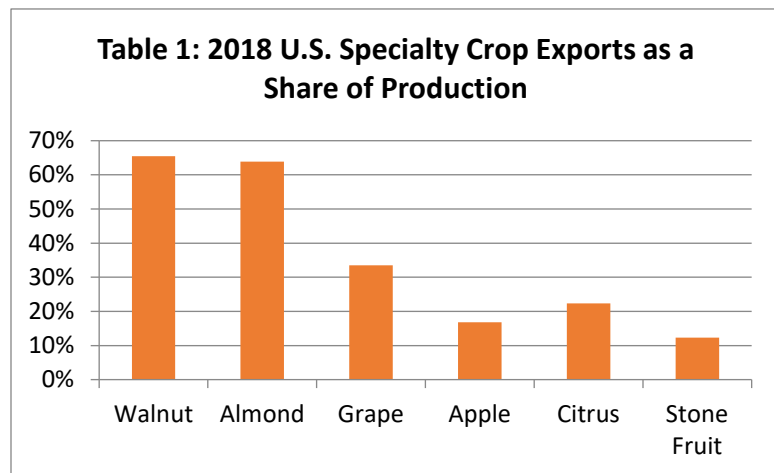
TRADE ISSUES REPORT

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FOREWORD

Since 2002, annual U.S. exports of specialty crops have nearly tripled. In fiscal year (FY) 2018, the United States exported \$23.1 billion in specialty crops, accounting for nearly 17 percent of total U.S. agricultural exports. Tree nuts represented more than one third of FY 2018 specialty crop exports.



Access to foreign markets helps the U.S. specialty crop industry grow while supporting the livelihood of those on farms and in related industries. Table 1 demonstrates the relative dependency some industries have on the export market. The Foreign Agricultural Service (FAS) and its USDA partners are committed to expanding export opportunities for the U.S. specialty crop sector. This report provides an overview of

U.S. Source: USDA/FAS Global Agricultural Trade System (GATS)

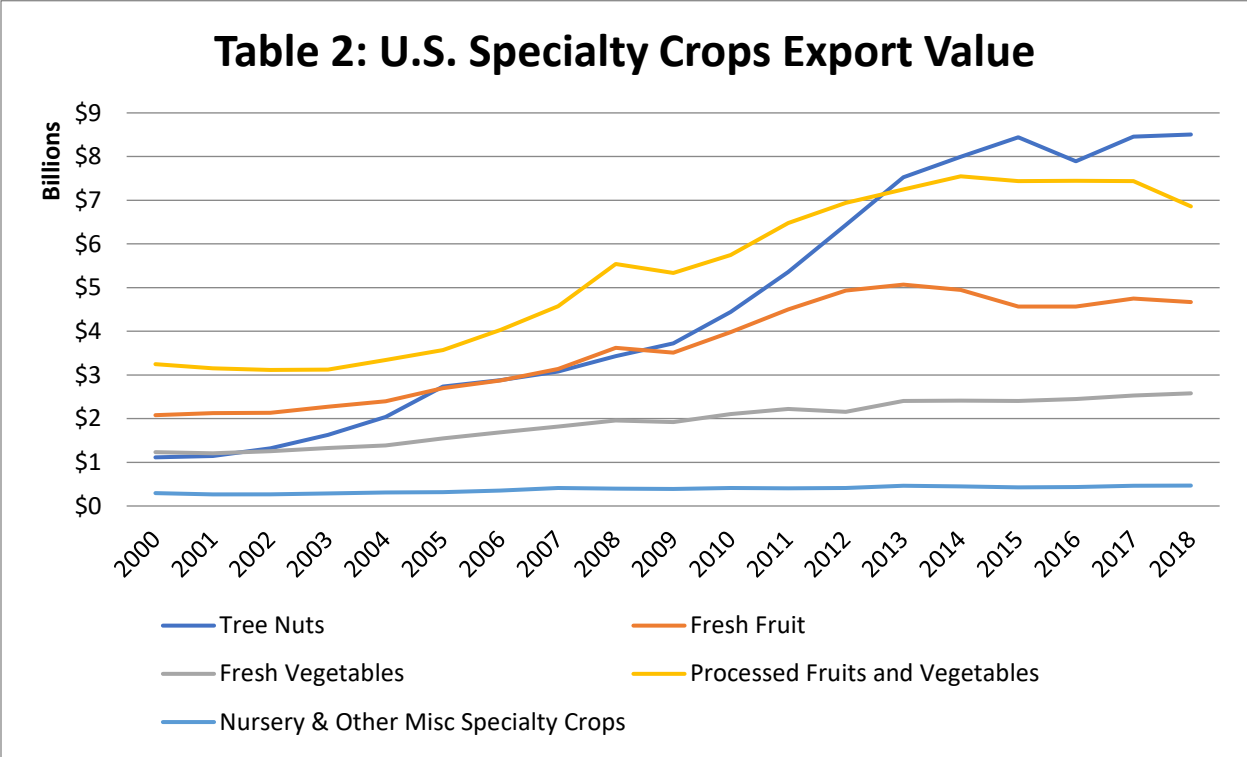
specialty crop trade, identifies market access barriers confronting producers and exporters, and highlights the efforts and resources used by USDA and the U.S. agricultural industry to facilitate the export of U.S. specialty crops. In addition, this report describes partnerships between USDA and involved stakeholders and initiatives taken to address trade barriers to U.S. specialty crops. FAS works with U.S. agricultural industry groups, U.S. regulatory agencies, and the Office of the U.S. 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 barriers that deter U.S. specialty crop exporters and increase their ability to compete in the global marketplace.

USDA is pleased to provide the 2018 *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 Improvement Act of 2018. For this publication, "specialty crops" are defined as fruits, vegetables, tree nuts, dried fruits, horticultural crops, and nursery crops.

U.S. SPECIALTY CROP EXPORTS

In 2018, export value for U.S. specialty crops decreased slightly compared to 2017 levels. The U.S. tree nut, fresh vegetable, and nursery sectors experienced export growth in 2018, while the processed fruits and vegetables and fresh fruit sectors declined. Table 2 indicates that export value of U.S. specialty crop also dipped slightly in 2018 to \$23 billion from \$23.6 billion in 2017 primarily due to lower export sales in processed fruits and vegetables and fresh fruit.



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

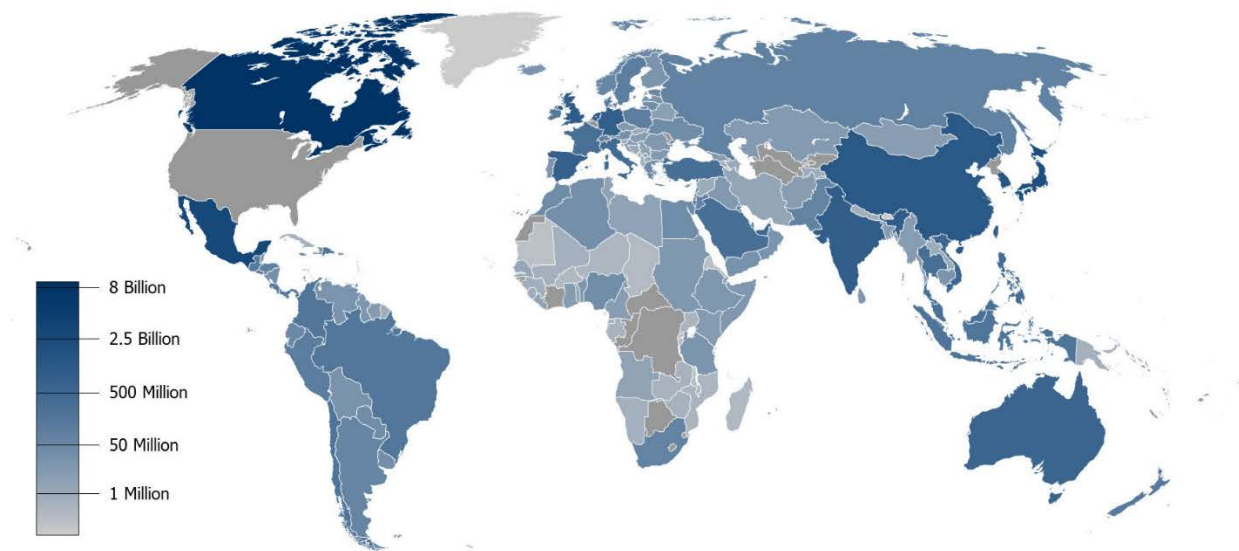
Specialty crop export growth is not due to a short-term phenomenon but reflects several factors contributing to the long-term growth of U.S. specialty crop exports including emerging economies. For example, as a result of increased purchasing power, middle class populations in these countries are becoming 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 Administration is negotiating trade agreements with partner countries to expand overseas markets for U.S. agricultural products.

EXPORT CHALLENGES

Export markets provide opportunities for U.S. specialty crop producers, but before exports to new markets can occur, many countries require risk analyses and export protocols to be in place to protect producers from the transmission of quarantine pests and diseases before authorizing access. Foreign governments may also implement food safety measures to protect consumers. In some cases, aspects of a risk analysis, export protocol, or food safety measure unfairly restrict market access for U.S. commodities. For example, some countries have or are considering establishing new, excessively low pesticide residue standards or maximum residue limits (MRLs), which are maximum acceptable levels of pesticides in or on food and agricultural products for commodities. The MRLs may differ from those in the United States and lack adequate scientific justification, resulting in exporters facing additional commercial risks in cases where foreign standards or regulations are unnecessarily more restrictive than those in the United States. Such measures can be used as trade barriers designed to limit U.S. agricultural exports that compete with domestic production in foreign markets.

To help increase U.S. agricultural exports, the U.S. Government seeks to address unfair barriers to trade through bilateral and multilateral mechanisms, including technical dialogues with foreign governments that support the establishment of international standards as well as formal consultations with foreign governments under the framework of trade agreements. Numerous U.S. Government agencies participate in these efforts to ensure a concerted and strategic approach is implemented to resolve trade issues.

U.S. EXPORTS OF SPECIALTY CROPS BY COUNTRY 2018



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

FAS, as the primary USDA agency representing U.S. agricultural industry interests overseas, has over 90 offices located around the globe. Coordination between FAS and other USDA agencies is critical for developing and implementing strategies to facilitate exports. Several U.S. Government agencies outside of USDA also play a critical role in international trade policy. USTR has the overall responsibility for developing and coordinating U.S. international trade and investment policy as well as 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, develop and implement national standards, participate actively in international organizations that establish international food safety, plant health and animal health standards that impact trade, and provide technical expertise on trade issues. EPA establishes pesticide MRLs 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 offices covering 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 in coordinating resources within the U.S. Government and with the U.S. agricultural industry to address trade impediments.

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.

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 through technical negotiations, thereby ensuring that U.S. agricultural exports are protected from unwarranted barriers. The APHIS Plant Protection and Quarantine (PPQ) program also directs U.S. phytosanitary export policies and export protocols implemented by PPQ and by state and county regulators, which results in successful exports of U.S. agricultural products around the world. APHIS supports U.S. specialty crop exports with an on-the-

ground network of agricultural attachés in key export markets abroad, and by maintaining offices at vital 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 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. 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. ARS continues to help open and maintain access to export markets for the U.S. specialty crops industry by developing efficacious pest mitigation methods (such as fumigation treatments and irradiation).

INTERAGENCY RESPONSE TO TECHNICAL NON-TARIFF BARRIERS

Trade barriers to U.S. specialty crop exports can be complex, and the U.S. Government's response is generally formulated 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 well 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 their priority list.

USDA representatives abroad often 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 to minimize disruptions to U.S. agricultural trade.

The participation in the interagency process of scientific experts from regulatory agencies, such as APHIS, EPA, and FDA, ensures that the U.S. positions are scientifically sound and persuasively articulated. USTR evaluates foreign measures for consistency with international obligations and to hold our trading partners accountable. USTR and FAS lead the interagency team addressing measures that appear to be in violation of international trade agreements, while APHIS, EPA or FDA may 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 these

agencies 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. FAS and USTR encourage U.S. 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 SPECIALTY CROPS (TASC) PROGRAM

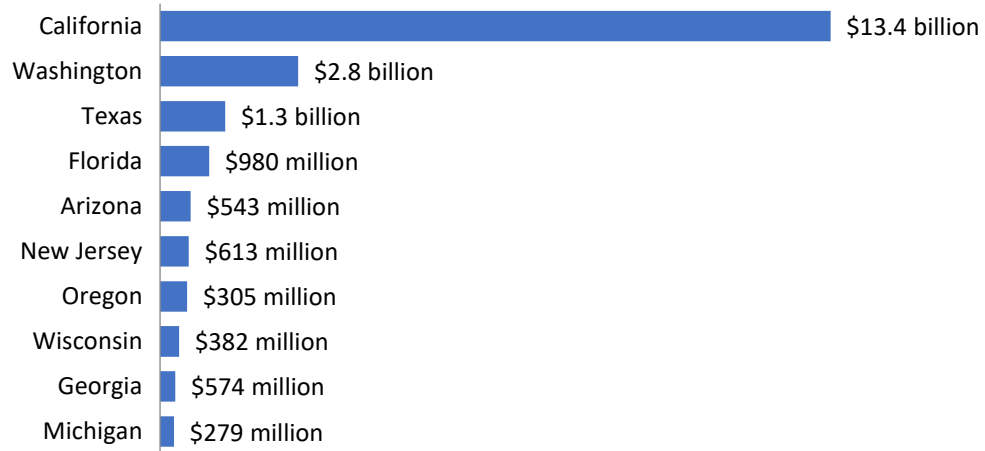
The TASC program, which is administered by FAS, has addressed market access issues since it was authorized by Congress in 2002. FAS integrated the program into its strategic efforts to maintain and grow foreign markets, working in close consultation with the U.S. specialty crop industry, to establish and to improve foreign market opportunities by addressing sanitary and phytosanitary (SPS) issues and other 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 through FY 2007 using funds from USDA's Commodity Credit Corporation. TASC was first reauthorized in the Food, Conservation, and Energy Act of 2008. The Agricultural Act of 2014 reauthorized the program and expanded its goals to address technical barriers to trade (TBT) such as restrictions related to labeling or quality certification. The program was reauthorized in the Agriculture Improvement Act of 2018 at \$9 million per year for five years. 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. Funding for eligible projects is limited to five years with an opportunity for extension based on a determination of the effectiveness of continued funding.

FAS notifies potential program participants of the availability of TASC funding through efforts that include an annual announcement of funding availability on Grants.gov, presentations at U.S. specialty crop industry events and meetings, webinars to Universities and industry groups, newsletters, and outreach directly to eligible industries.

With a total of \$9 million in funding available in 2018, TASC program grants have produced positive results in pest and disease research, food safety workshops, study tours, pesticide field trials, and pre-clearance programs. All eligible proposals received are considered for funding. In FY 2018, FAS awarded a total of \$4,834,473 in TASC program awards, with some awards being funded as multi-year projects. Funding for program administration totaled \$1,124,245, and the authorized funding was reduced by \$594,000 due to sequestration. In 2018, \$2,447,282 in TASC funding was unallocated. Table 4 shows TASC program funds awarded in 2018.

Table 3: Top 10 U.S. States for Specialty Crop Exports, 2018



Source: Global Agricultural Trade System (GATS)

Table 4: TASC Program 2018 Agreement List

No.	Participant	Activity Title	Funded Amount
2018-01	Almond Board of California	Pre-Export Check Educational Seminar for EU Port Authorities	\$59,364
2018-02	Citrus Research Board of California	Breaking Critical Pest-Related Trade Barriers for California Citrus Exports	\$989,769
2018-03	Bryant Christie, Inc.	Addressing the EU MRL Challenge through Early Notification	\$60,405
2018-04	Bryant Christie, Inc.	Expanding MRL Priorities for US Specialty Crop Target Markets	\$106,240
2018-05	California Citrus Quality Council	Maintaining Market Access for California Citrus Exports to Australia and South Korea	\$83,293
2018-06	Bryant Christie, Inc.	Funding to Facilitate Thailand Pest Risk Assessment Audit Visit	\$25,867
2018-07	National Potato Promotion Board	Efforts to Address Non-tariff Barriers to Entry of U.S. Potatoes and Potato Product exports to Taiwan	\$179,267
2018-08	Rutgers University	Development and Utilization of Sufficient Residue Data to Satisfy International Standards	\$278,046

2018-09	Alaska Department of Natural Resources	Eliminating Pest-Related Trade Barriers for the Alaskan Grown Peony Trade Industry	\$1,376,028
2018-10	Ginseng Board of Wisconsin	Research to Reduce Pesticide Residues to Comply with MRLs in Taiwan (Year 4 and 5)	\$240,000
2018-11	California Department of Food and Agriculture	Biological Control of Pink Hibiscus Mealybug in Southern California	\$498,800
2018-12	Cranberry Marketing Committee	Generating Additional Quinclorac Data to Obtain a Critical Cranberry Import Tolerance in the EU	\$100,000
2018-13	National Potato Council	Legal Support for case before Supreme Court of Mexico to allow exports of U.S. Potatoes	\$420,000
2018-14	California Table Grape Export Association	Assessing the Viability of Shipping Non-precleared California Table Grapes to Australia	\$346,756
C2018-01	ARS-WA	Host Status of Temperate and Tropical Fruits for Apple Maggot Fly	\$70,638
		Total	\$4,834,473

2018 SUCCESS STORIES

AUSTRALIA – CITRUS: In March 2018, Australia approved a new phosphine fumigation as a quarantine treatment for bean thrips for California navel oranges and mandarins. The detections of bean thrips threatened continued access for California citrus shipments to Australia. The new mitigation measures were developed by APHIS with TASC program funds awarded by FAS to the citrus industry in response to the bean thrip interceptions. U.S. fresh citrus exports to Australia were valued at over \$26 million in 2018.

ANTIGUA AND BARBUDA – CITRUS: In November 2018, Antigua and Barbuda approved expanded market access for U.S. citrus fruit in response to technical data submitted by USDA. Antigua and Barbuda previously only allowed citrus fruit from Florida but will now allow citrus fruit from California. Antigua and Barbuda also approved the entry of citrus propagative material from Florida. U.S. industry can now ship to Antigua and Barbuda under the new requirements, which include an import permit and fruit washing/waxing. This expanded market access is valued at \$50,000 annually. In 2018, U.S. citrus exports to Antigua and Barbuda were valued at approximately \$2 million, a 9-percent increase over 2017.

GUATEMALA – POTATOES: After multiple USDA and USTR trade policy meetings and technical exchanges, in March 2018, Guatemala reopened the market to fresh and seed potatoes from all U.S. states after closing the market in 2010. In 2018, the United States exported \$1.3 million of seed and fresh potatoes to Guatemala.

INDIA – APPLES: In April 2018 India opened all ports of entry to U.S. apple exports. In response to multiple trade policy meetings with USDA, India expanded eligible ports to include Chennai, Cochin, Kolkata, and both the inland container depot and international airport in New Delhi. India previously restricted imports of fresh apples from all third country suppliers to Mumbai. U.S. fresh apple exports to India totaled \$157 million in 2018.

JAPAN – MRL RESTRICTIONS: In December 2018, Japan agreed to maintain MRL standards for the use of gibberellin, a naturally occurring plant hormone widely used in agricultural production, for 98 horticultural commodities. In July 2018, Japan had proposed lowering its established 2.0 ppm MRL to default tolerances of 0.01 ppm for gibberellin. FAS provided substantial technical data justifying the higher MRL, preventing disruption to U.S. specialty crop exports, totaling \$2.17 billion.

JAPAN – SESAME SEEDS: In 2018, Japan agreed to delay the implementation of a stringent MRL standard for the herbicide 2,4-D on sesame seeds through the 2018 export season thereby preserving a \$10-million market. In May 2018, Japan informed FAS its intention to lower the MRL for 2,4-D from 0.05 ppm to 0.01 ppm. FAS worked with U.S. industry and Japanese importers to provide residue data and the potential economic impacts to convince Japan to delay the implementation of this measure.

KOREA – POSITIVE LIST SYSTEM (PLS): Throughout 2018, FAS and USTR worked with Korea to ensure a smooth transition to a PLS for all agricultural commodities beginning January 1, 2019. As a result, Korea's Ministry of Food and Drug Safety implemented thousands of temporary MRLs, while establishing

permanent MRLs critical to maintaining U.S. exports of specialty crops to Korea. FAS and USTR worked with U.S. industry to make Korea aware of the safety of pesticides that are widely used in U.S. production. These efforts protected over \$13.5 billion in U.S. specialty crop exports to Korea. These temporary MRLs will facilitate trade through December 31, 2021 while FAS and USTR will continue to work with Korea and U.S. industry to establish permanent MRLs.

MEXICO – CALIFORNIA STONE FRUIT: During the 2018 growing season, year four of the oversight reduction agreement for California stone fruit (i.e. peaches, nectarines plums, and apricots) California successfully exported stone fruit to Mexico following the transfer of the oversight program from Mexico’s national plant protection organization to APHIS. Mexico and USDA agreed to a program that transfers full responsibility for export certification activities to USDA after numerous trade policy interventions by FAS during the United States – Mexico Consultative Committee on Agriculture meetings, and technical negotiation by APHIS.

TAIWAN – POTATOES: In response to the potential loss of a \$73 million market for U.S. potato products in Taiwan, a cross agency team was assembled to prevent the closure of the 7th largest market for U.S. producers. USDA quickly addressed this non-scientific barrier as social media attacks on “green” U.S. French fries proliferated. Greening is a natural process in potatoes but may indicate the presence of glycoalkaloids, including solanine, which is toxic at high levels. FAS awarded TASC program funds to the U.S. potato industry to send a technical team to Taiwan to present information that encouraged food safety regulators to adopt international inspection practices and reasonable regulatory standards to address non-quarantine quality issues. In coordination with quick service restaurants, the USDA and U.S. industry countered incorrect media reports at the same time it engaged in discussions and negotiations with the Taiwan Food and Drug Administration (TFDA). As a result of technical and trade policy meetings with FAS, AMS, FDA and USTR, TFDA established a standard and removed onerous testing requirements that allowed the trade of U.S. potato products to continue without disruption.

2018 TRADE ISSUES

PESTICIDE MAXIMUM RESIDUE LIMITS

The U.S. agricultural industry benefits from having the latest and most effective crop protection technologies in the United States. Access to these technologies enables U.S. agricultural producers to safely and effectively mitigate pest and disease-related threats. However, new pesticides are sometimes authorized for use in the United States prior to authorization for use in 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 USTR, EPA, the U.S. specialty crop industry, the U.S. chemical industry, and foreign chemical regulatory agencies to address MRL issues to reduce the potential for MRL violations. In support of this effort, FAS also awarded funding to the U.S. specialty crop industry to maintain a MRL priority database that identifies critical pesticides needed to be approved in target markets thus allowing U.S. specialty crop growers more flexibility in the use of crop protection materials, particularly

new materials that are generally more environmentally friendly. TASC program funding was also provided to support the development of pesticide residue data to support the establishment of Codex MRLs that are key U.S. specialty crop exports.

CHINA: In 2018, China committed, but ultimately failed to release draft regulations for implementing an import pesticide MRL policy by the end of the year. In December 2017, FAS facilitated several rounds of technical engagement between EPA and China's Institute for the Control of Agrochemicals, Ministry of Agriculture (ICAMA). As a result, ICAMA announced intentions to draft regulations for implementing import MRLs that would be notified through the WTO. FAS continues to engage China to clarify its pesticide registration process, to increase transparency of its MRL process, and to improve Good Laboratory Practices compliance, as well as monitors China's efforts to meet its goal of establishing more than 10,000 MRLs by 2020.

EU: FAS continues to address challenges for U.S. specialty crop exports to the EU. In 2018, the TASC program funded the development of an alert system to track upcoming deadlines for data submissions and approval for MRL decisions on plant protection products. This system will help U.S. industry to advocate for key crop protection products early in the EU review process. The TASC program also funded residue data generated by the U.S. blueberry industry for submission to the EU in early 2018 to support the establishment of a permanent MRL for phosphonate-based residues to protect over \$2.7 billion in U.S. trade. The U.S. cranberry industry was also awarded TASC program funding to develop residue data in the EU for a pesticide critical to cranberry production.

In 2018, FAS and USTR continued to raise concerns with the EU's MRL and pesticide regulatory approval process in bilateral and multilateral forums including the WTO SPS and TBT Committee. FAS and USTR also supported other countries that raised concerns during committee meetings questioning the scientific basis for banning the use of pesticides that are critical to U.S. agricultural production.

In March 2018, the EU inconsistently began to modify the transitional arrangements for pesticide MRLs that have been lowered. Previous EU regulations allowed for a six-month transition period for all products to comply with new MRL standards. Recently modified regulations require imported commodities to comply with new MRLs at the time of import even if they were produced prior to the MRLs being lowered, while domestic commodities must only align to new MRLs at the time of production. For some products, there may be multiple years between the application of a pesticide and the sale of the final product. The shortened timeframe between publication of new MRLs and their entry into force is insufficient for these types of products and will create situations in which products that were legally treated in accordance with the EU standards would no longer be considered eligible for import into the EU. The EU has stated that its intention has not changed, and further that there is no entitlement to transitional measures if consumer health concerns justify a more restrictive approach. FAS and USTR emphasized this disparity in trade policy and technical forums.

HONG KONG: In 2018, FAS successfully hosted a technical team comprising Hong Kong regulators in California and the Pacific Northwest that addressed chemical and bacterial contamination control, pesticide risk management, surveillance of pesticide MRLs, product traceability and documentation

requirements. FAS also continued to monitor Hong Kong's efforts to update its PLS for pesticide MRLs to ensure U.S. agricultural exports continue without disruption. Under this system, Hong Kong supplements MRLs developed by Codex that reflect those in the United States, China, and Thailand.

JAPAN: In 2018, FAS worked closely with Japanese officials and U.S. stakeholders to successfully harmonize numerous MRLs under review by providing technical science-based information to support U.S. established MRLs. In the early 2000s, Japan successfully implemented a PLS with minimal disruption to trade. Japan established provisional MRLs, many of which were based on Codex standards, while completing corresponding risk assessments for permanent MRLs. FAS continues to liaise with U.S. stakeholders to monitor Japan's actions in establishing permanent MRLs to ensure exports of U.S. specialty crops continue without disruption.

TAIWAN: In April 2018, FAS and USTR sent letters to Taiwan expressing concern about Taiwan's approach to establishing MRLs, including a major slowdown in its approval process. During a meeting in June 2018, FAS pressed Taiwan's Ministry of Health and Welfare on this issue. In August 2018, FAS provided Taiwan with an MRL priority list. USTR later reinforced in a follow up letter, the importance of completing the review in a timely manner. In September 2018, FAS and USTR asked Taiwan during technical and high-level meetings to complete its MRL approvals in a timely manner. USTR followed up with another letter outlining U.S. priorities. FAS also raised this issue on the margins of WTO SPS Committee meetings. As of December 2018, three of the four priority MRLs have been notified to the WTO. In 2018, the United States exported over \$486 million in specialty crop products to Taiwan primarily comprising potatoes, apples, cherries, grapes, and almonds.

GLOBAL IMPORT RESTRICTIONS FOR WINE

INTERNATIONAL WINE TECHNICAL SUMMIT: U.S. wine exporters continue to see a growing number of overly restrictive foreign import requirements for wine globally. Most notable are requirements for official certificates beyond those normally provided by the U.S. Department of Treasury's Alcohol and Tobacco Tax Trade Bureau (TTB). These certificates often relate to additional laboratory testing or certification of Good Manufacturing Practices, which are unnecessary to ensure the safety of the product. USDA provides funding through the TASC Program to the California Wine Institute, a cooperator and leading trade association representing California wineries. This funding has been used to develop the International Wine Technical Summit, an annual event bringing industry and regulators from the United States and trading partners together to discuss and learn about wine as a low-risk, shelf-stable product that should not require stringent import requirements. The International Wine Technical Summit is organized by the U.S. Government and the Wine Institute under a Memorandum of Agreement between the U.S. Department of Commerce (DOC) and the Wine Institute. Participating U.S. agencies include USDA, DOC, and the TTB.

OTHER TRADE ISSUES (BY REGION)

AFRICA AND THE MIDDLE EAST

EGYPT – SEED POTATOES: In 2018, USDA continued efforts to gain market access for U.S. seed potato exports to Egypt. USDA and USTR maintain negotiations with Egypt through high-level policy

engagements and at the technical level. Egypt assured the United States that it would give written approval for the import of seed potatoes from California and Idaho but has not done so. Egypt continues to stall the approval process, repeating technical concerns that have previously been addressed by visits to U.S. potato producing areas and relevant scientific data. The United States will raise these long-standing technical issues during Trade and Investment Framework Agreement discussions in 2019. The EU exported \$77 million of seed potatoes to Egypt in 2018 and is the primary potato seed supplier and importer of potatoes from Egypt.

ASIA AND THE PACIFIC

AUSTRALIA – APPLES: Australia prohibits imports of U.S. apples due to concerns about the potential introduction of postharvest rot and several pests. USDA continues to press Australia to finalize a pest risk analysis (PRA) for apples from the Pacific Northwest (PNW) states of Idaho, Oregon and Washington. USDA raised this issue with Australia through meetings with the Australian Ambassador in Washington and Australian delegations to the United States, as well as in-country meetings with Australian government officials. On November 1, 2018, Australia published a stakeholder notice announcing that it will renew the risk analysis for PNW apples. Australia also announced that it intends to publish an updated draft PRA for PNW apples in 2019 for a 60-day public comment period, consider comments from stakeholders, and publish a final report and import conditions.

AUSTRALIA – BLUEBERRIES: USDA continues to press for progress on U.S. blueberry access to Australia in technical and trade policy discussions. During a March 2018 plant health bilateral, Australia indicated that it would initiate its formal review of the 2014 U.S. request for U.S. blueberries from California, Oregon, and Washington after it completes work on other U.S. market access priorities. Australia has requested that APHIS provide research to support mitigations for U.S. blueberries, including research to support methyl-bromide fumigation of blueberries to mitigate blueberry maggot and spotted wing drosophila (SWD), which APHIS advised that it would provide once complete. In 2016 APHIS provided additional PRA information to support the mitigation of key pests. In 2014, USDA requested market access to Australia for U.S. blueberries from California, Oregon, and Washington.

AUSTRALIA – PISTACHIO: USDA is working with Australia for approval of expanded mitigation options to include sulfuryl fluoride (SF) to increase pistachio exports to Australia. Australia requires methyl bromide or aluminum phosphide fumigation for imports of U.S. pistachios. The U.S. pistachio industry requested that USDA seek approval from Australia to use SF as a post-harvest treatment in 2017. In 2018, \$25 million of U.S. pistachios were exported to Australia.

AUSTRALIA – OFFSHORE PRE-SHIPMENT INSPECTION (OPI) PROGRAM: USDA continues to work with Australia and U.S. industry to prepare for the 2020 phase out of the OPI program. FAS and APHIS are working directly with industry stakeholders and continue to raise this issue in meetings with Australia. The California and PNW fruit industries value the OPI program to facilitate prompt clearance of fruit upon arrival in Australia, as it reduces the risk of rejections at destination ports and the uncertainty of seeking alternative markets. During a March 2018 bilateral meeting both countries agreed to continue to work together on techniques to improve the likelihood that shipments will successfully clear Australian on-arrival inspections. Australia plans to remove all inspectors from the United States under the OPI

program by 2020. FAS awarded TASC program funding to the California table grape industry to assess the viability of shipping non-precleared grapes to Australia. In 2018, the United States exported over \$100 million in fresh fruit to Australia.

CHINA – AVOCADOS: In 2018, USDA and USTR pressed China to approve a draft pest list for California avocados. This issue was part of the 2018 trade negotiations with China led by USTR. USDA requested market access for California avocado exports to China in 2016.

CHINA – BLUEBERRIES: In 2018, USDA invited China to observe the U.S. blueberry industry in multiple states, requested immediate acceptance of the U.S. export protocol for blueberries, and asked that this issue be included during the 2018 U.S.-China Plant Health Bilateral. This issue was part of the 2018 trade negotiations with China led by USTR. The United States first requested market access for fresh blueberries in January 2012.

CHINA – CALIFORNIA NECTARINES: In 2018, USDA requested that China immediately accept the U.S. export protocol for nectarines and asked that the issue be included during the 2018 U.S. – China Plant Health Bilateral. This issue was part of the 2018 trade negotiations with China led by USTR. USDA has been seeking access for nectarine exports to China since 2002.

CHINA – CHIPPING POTATOES: In 2018, USDA urged China to immediately accept the export protocol for U.S. potatoes and allow imports to begin during the 2018 shipping season. This issue was part of the 2018 trade negotiations with China led by USTR. Negotiations for gaining access to China for exports of U.S. potatoes have been ongoing since 2002.

INDIA – ALMONDS AND WALNUTS: USTR and FAS continue to press India to eliminate its high tariff rates. In May 2018, India raised its tariff on in-shell walnuts from 30 percent to 100 percent and its tariff on shelled almonds increased from 65 rupees to 100 rupees per kilogram. On June 20, 2018, India announced retaliatory tariffs in response to the United States imposing tariffs on steel and aluminum products from India that would affect U.S. almonds and walnuts, though implementation has been delayed multiple times and has not yet taken effect. India maintains a tariff of 35 rupees per kilogram for in-shell almonds. Despite these tariffs, India continues to be a top export market for U.S. in-shell almonds and walnuts. In 2018, the United States exported nearly \$600 million of almonds to India. Exports of U.S. walnuts fell from a record high of \$62 million in 2017 to \$29 million in 2018.

INDIA – AVOCADOS: FAS and APHIS continue to seek access for fresh U.S. avocado exports into India. In 2018, FAS raised market access with India during trade discussions. APHIS also provided a response to India on proposed mitigation measures for three quarantine pests of concern, light brown apple moth, omnivorous leaf roller and West Indian red scale. APHIS determined that avocados for consumption are not a pathway for the introduction of these pests into another country. In a letter sent on June 19, 2018, APHIS provided follow-up details on these pests and noted that all leaf and twig debris is removed during the packaging process, eliminating any potential pathway for these three pests of concern.

INDIA – CHERRIES: USDA and USTR continue to press India for progress on market access for U.S. cherries utilizing a systems approach, which includes a series of pest mitigation measures implemented from the

production area to the point of export. In April 2018 bilateral discussions, India noted it would accept APHIS' systems approach proposal as an alternative to fumigating U.S. cherries. However, in subsequent proposed import protocols provided to APHIS, India omitted this option.

INDIA – PEAS AND PULSES: Beginning in August 2017, India began restricting imports of pulses through quantitative restrictions. These quantitative restrictions were issued on top of the already-levied import duties on peas. USTR and FAS continue to press India to remove these restrictions. In addition, USDA continues to press India to approve market access for U.S. pulses without requiring methyl bromide fumigation. In April 2018, India agreed to waive its fee for fumigation upon arrival of U.S. pulses until the end of June 2019. India also noted that it would conclude its review of the U.S. request for pulse exports by March 2019. In 2018, the U.S. exported only \$14.4 million worth of pulses to India, primarily due to quantitative restrictions, down 90 percent from \$142 million in 2016.

INDONESIA – POTATOES: Despite the United States prevailing in a World Trade Organization (WTO) dispute over Indonesia's trade restrictive licensing requirements for horticultural products in 2017, Indonesia has continued to deny market access for fresh table stock potatoes, as well as, restrict imports of other fresh U.S. potatoes through delayed issuance of import permits and other requirements under Indonesia complex import permit system. Active WTO litigation is paused, including consideration of the United States request to retaliate against Indonesian goods at the rate of \$350 million annually for failing to comply with the WTO recommendation, while the United States seeks to clarify entry requirements and simplify the process for the export of horticultural products exported to Indonesia. In 2018, the United States exported approximately \$360,000 of fresh potatoes to Indonesia.

JAPAN – APPLES: In 2018, USDA continued to press Japan to approve a systems approach and oversight reduction for the export of U.S. apples to Japan. Currently, apples exported to Japan are required to undergo a cold treatment and methyl bromide fumigation that require the presence of a Japanese official. FAS awarded TASC program funding to develop data on the susceptibility of various apple varieties to quarantine pests that may be used to remove superfluous import restrictions. USDA will continue to press Japan to allow a systems approach and reduce oversight on exports of U.S. apples to Japan.

JAPAN – STONE FRUIT: In 2018, USDA continued to work with Japan to gain market access for a new plum variety and to allow the fumigation protocol currently approved for other U.S. plum varieties. USDA will continue to work with Japan on developing the required technical plant health data needed to justify expanding market access to new plum varieties.

JAPAN – POTATOES: In 2018, USDA pressed Japan to remove unwarranted restrictions that limit market access for U.S. chipping potatoes. Shipments are limited to a six-month import window (February to July), and they remain subject to several restrictions, including on overland transportation to facilities away from ports. USDA and USTR will continue to engage Japan in high-level policy and technical meetings, and express concerns that the import restrictions on chipping potatoes are not based on science. Japan restricts the shipping season of U.S. chipping potatoes to six months (February to July) and overland transportation to a single inland processing facility to prevent the introduction of potato cyst nematode (PCN). In 2016, PCN was discovered in Japanese potato production areas but Japan has yet to lift import restrictions on U.S. potatoes.

KOREA – APPLES AND PEARS: In November 2018, USDA and USTR pressed Korea for progress on U.S. market access for apples and pears. Korea has been slow to address this longstanding market access request due to opposition from the Korean apple industry. The USDA has been seeking market access for California and PNW apple and pear exports to Korea since the mid-1990s. APHIS has provided requested information to Korea on numerous occasions, but political sensitivities surrounding these commodities have impeded progress. Korea does not import apples or pears from any country due to opposition from Korean producers.

KOREA – BLUEBERRIES: Korea currently permits imports of U.S. blueberries produced only in the state of Oregon. In November 2018, USDA and USTR raised the issue of increased market access, and Korea expressed a willingness to expedite PRAs for plant commodities that have an existing PRA, like blueberries. In September 2017, APHIS requested Korea manage the pest complexes for California and Washington blueberries in the same manner as Oregon’s pest complex to expedite the approval process. USDA also requested that Eastern U.S. states be treated as a separate market access request. USDA provided scientific information in advance of a 2018 Plant Health Bilateral meeting to address these issues. At that meeting, Korea expressed concern over pest detections in Oregon blueberries and requested USDA strengthen pest mitigation measures for the 2019 season.

KOREA – CITRUS: During the August 2018 U.S. Korea Plant Health Bilateral, USDA raised market access requests for citrus from Florida and Texas. The Florida citrus industry would like the Caribbean Fruit Fly export program for Korea to be harmonized with the Japan protocol, which would save the industry resources. A Florida citrus harmonization protocol applies to grapefruit, oranges, lemons, limes, and mandarin. APHIS has provided Korea additional information on the proposed harmonization of the protocol, but Korea has been slow in making progress on this issue. In 2018, Florida exported \$3.5 million in grapefruit to Korea. APHIS has also been seeking access to Korea for Texas grapefruit since 2015. This issue was raised during the 2016, 2017, and 2018 U.S.-Korea Plant Health Bilateral meetings wherein APHIS pressed Korea for progress on this issue. FAS and USTR also have expressed and continue to express to Korea during high-level trade policy meetings the importance of making progress on U.S. citrus issues. In response to Korea’s concerns relating to pest detections in California citrus shipments, FAS awarded TASC program funds to the citrus industry to develop effective postharvest treatments to maintain access to this market.

KOREA - POTATOES: In August 2018, Korea stated that Montana and Colorado seed potatoes were not approved to produce potatoes destined for Korea in PNW states due to phytosanitary concerns, despite a 2017 agreement that included amendments to seed certification protocols initially believed to include Montana and Colorado. Although Korea decided in 2018 to allow for imports of potatoes produced in PNW states, it only agreed to expedite approvals for Montana and Colorado seed potato use in PNW states. USDA continues to press Korea for progress on this issue. In 2018, the United States exported over \$10.7 million of fresh potatoes to Korea.

KOREA – STONE FRUIT: USDA and USTR continue to press Korea to come to agreement on phytosanitary concerns associated with the export of California stone fruit. While there is forward-movement on this high priority issue, progress is slow. During the August 2018 Plant Health Bilateral meeting, Korea

agreed to respond to the technical information provided by APHIS in 2017. FAS and USTR also pressed Korea to provide access in a meeting of the U.S.-Korea Free Trade Agreement SPS Committee in November 2018.

TAIWAN ORGANIC: Taiwan maintains pesticide residue tolerance levels for organic products that are in many cases significantly lower than those allowed under USDA organic regulations (that are generally five percent of EPA's MRL), which results in hold-and-test requirements that hamper exports of perishable fresh produce. USDA's National Organic Program and FAS continue to address this issue with Taiwan during ongoing equivalence discussions. In 2018, a TASC program funded project resulted in several meetings and an export manual to assist U.S. exporters, and helped to remove one USDA certifier from Taiwan's mandatory hold-and-test list. In 2018, U.S. organic exports to Taiwan dropped 17 percent from \$27 to \$22 million.

TAIWAN – GINSENG: USDA continues to press Taiwan to authorize access for U.S. ginseng. In August 2017, APHIS provided Taiwan with a draft protocol for burrowing nematode (a quarantine pest for Taiwan) pest free production sites. In November 2018, Taiwan conducted a site visit to production areas in Wisconsin and requested additional technical information that APHIS provided in February 2019. FAS also awarded TASC program funding to the ginseng industry to educate U.S. producers on the use of pesticides applied to ginseng to avoid MRL violations in Taiwan.

VIETNAM – BLUEBERRY: In 2018, USDA and USTR pressed Vietnam in high-level policy and technical bilateral meetings to approve access for U.S. blueberries. USDA continues to exchange technical information and press for a finalized draft PRA from Vietnam. Market access was initially requested in 2015.

VIETNAM – CITRUS: In 2018, USDA and USTR pressed Vietnam in high-level policy and technical bilateral meetings to resume the importation of U.S. citrus while Vietnam completes PRAs for oranges, mandarins, grapefruit, and lemons. In 2015, Vietnam initially agreed to allow U.S. citrus exports to continue while PRAs were being conducted but later retracted this commitment. In October 2016, Vietnam ceased issuing import permits for U.S. citrus. USDA will continue to press Vietnam for market access. APHIS anticipates that plant health officials from Vietnam will visit California to observe citrus production areas and packing facilities scheduled for fall 2019.

EUROPE

EU – AFLATOXIN CONTROLS: The EU is considering modifications to the testing levels of aflatoxin in almonds, pistachios, and peanuts. Each commodity is at a different level of control in the EU system and each commodity group handles interactions with the EU differently. Additionally, Member States (MS) submit data to the Rapid Alert System for Food and Feed that does not always fully capture the nature of trade from the United States, which can unnecessarily increase scrutiny. FAS awarded TASC funding to the almond industry to conduct seminars to improve understanding by EU inspectors of the pre-inspection process for aflatoxin that occurs prior to export in order to address inconsistent inspection practices at destination ports.

The pistachio industry launched its Pistachio Export Aflatoxin Reporting program in October 2018 to improve pre-export testing and communication with the EU with the aim of moving into the EU's least restrictive import testing scheme. The industry has also engaged FAS to assist in the approval of a possible processing facility in Belgium to handle shipments that test too high in aflatoxin content. The peanut industry remained in the EU's transitional middle level of control through 2018, with a system audit scheduled for October 2019. FAS has facilitated all three commodities' engagement with EU and MS governments to ensure continuing trade, including facilitating the release of detained shipments.

RUSSIA – IMPORT BAN: USDA continues to assess its trade relationship with Russia after sanctions have impeded trade. In August 2014, Russia imposed an embargo on most U.S. and EU agricultural products. The ban, initially announced for one calendar year, has been extended until the end of 2019. 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 \$32.8 million in tree nuts (except almonds), \$12.3 million in apples, \$12.1 million in pears, \$2.7 million in grapes, and \$1.2 million in citrus.

THE AMERICAS

ARGENTINA – APPLES AND PEARS: Since 2009, Argentina has blocked all U.S. apple and pear exports over concerns regarding the efficacy of postharvest treatments for fire blight. In 2018, during bilateral discussions, USDA and USTR pressed Argentina to grant full market access for apples and pears. USDA will continue to urge Argentina to resume issuing import permits for U.S. apples and pears.

ARGENTINA – ORGANIC PRODUCTS: Only U.S. organic products that are certified to Argentina's differing organic standard have access to the Argentine market, and USDA maintains several accredited certifiers for Argentinian products to access the U.S. market. In 2017, Argentina applied for U.S. organic equivalence, and FAS funded a TASC program project for the Organic Trade Association to compare the two countries' standards. The standards comparison report was delivered to USDA in April 2018 and will assist USDA in discussions toward an equivalence arrangement with Argentina once current discussions with other countries are complete. A reciprocal equivalence arrangement will provide a unified standard that is accepted in either market.

BRAZIL – DRY PEAS: In 2018, USDA continued coordinating with U.S. stakeholders to provide Brazil with technical information that will facilitate access for U.S. dry peas. Imports of U.S. dry peas are required to comply with fresh pea import requirements and shipments must be accompanied with additional declaration requirement on the phytosanitary certificate. FAS continues to press Brazil for progress on this issue.

BRAZIL – APPLES: USDA and the U.S. apple industry hosted a site visit in October 2018, to Pennsylvania and Virginia orchards and packing facilities for Brazilian officials to view pest disease-control and mitigation measures. USDA remains in contact with Brazilian officials, who indicate that they are very close to completing the U.S. systems approach request that would improve U.S. apple access to Brazil.

BRAZIL – FRESH FRUITS: Brazil restricts exports of U.S. fresh fruits (grapes, cherries, peaches, pears, apples, nectarines, strawberries, apricots, and prunes from the states of Washington, Oregon, California, Idaho,

and Arizona) to five ports of entry due to quarantine pest concerns. In 2018, USDA continued to press Brazil in technical discussions for access to all of Brazil's ports of entry. USDA continues to provide necessary technical information justifying access of U.S. fresh fruit products to these ports.

BRAZIL – SEED POTATOES: FAS and APHIS continue to press Brazil to lower import inspection rates of U.S. seed potato. In 2018, USDA supplied technical data to support lower inspection rates of U.S. potatoes by Brazilian import authorities. Brazil inspects ten percent of U.S. seed potato shipments, which unnecessarily increases costs to importers. Brazil imposes lower inspection rates on European seed potatoes.

CHILE – GINSENG: In 2018, APHIS continued to monitor Chile's progress on facilitating exports of U.S. ginseng. In November 2017, APHIS provided PRA information to Chile to begin the process of demonstrating that U.S. ginseng seeds are free of invasive species to support market access. Chile completed the PRA and notified its import requirements to the WTO. Per USDA's request, Chile agreed to case-by-case resolutions for special shipments in the interim until the final regulation becomes effective.

CHILE – BLUEBERRIES: In April 2018, USDA coordinated meetings between Chilean officials and U.S. and California phytosanitary agencies for technical discussions to demonstrate the effectiveness of the U.S. regulatory system. Chile restricts market access for blueberries due to spotted wing drosophila (SWD) and mummy berry pathogen, which are pests of concern. SWD is known to exist in Chile and mitigation methods are available for mummy berry. USDA and USTR will continue to press Chile in high-level trade policy forums to make progress on this issue.

COSTA RICA – POTATOES: In 2018, USDA requested that Costa Rica reopen the market for table stock after submission of technical information addressing Costa Rica's phytosanitary concerns. Costa Rica banned the import of fresh potatoes from the United States in 2013 after intercepting of soil and detecting a potato disease in some shipments. USDA continues to press Costa Rica for progress on this issue.

MEXICO – APPLES: In 2018, after numerous trade policy interventions by FAS and technical negotiations by APHIS, Mexico and USDA successfully completed year four of a five-year agreement to reduce oversight of apples from California shipped to Mexico. The program had begun in March 2015, when USDA and Mexico agreed to an oversight reduction plan for apples from California, Virginia, and Michigan. In 2019 Mexico will conduct a one-week audit visit during the export season. Thereafter, Mexico will conduct audits every three years starting in 2022. 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 also required to undergo a methyl-bromide fumigation treatment that includes Mexican verification at origin. Currently, Mexico conducts audits once a year for the Washington program, which operates under a cold treatment protocol. The United States is Mexico's largest supplier of apples, with exports valued at \$284 million in 2018.

MEXICO – PNW STONE FRUIT: In 2018, APHIS continues to work with Mexico to complete a PRA to address phytosanitary concerns related to expanding access of peaches nectarines and plums from the PNW. Currently, PNW stone fruit producers can only ship apricots to Mexico.

MEXICO – POTATOES: In March 2018, legal and technical teams from Mexico’s Agriculture Ministry and USDA met to discuss the longstanding market access barriers to U.S. potatoes beyond a 26-kilometer border zone. Mexico’s potato industry filed a series of lawsuits to halt the expansion of U.S. fresh potato imports. In November 2018, Mexico’s Supreme Court agreed to hear a case on this issue. In 2018, FAS provided TASC program funds to the U.S. potato industry to address legal challenges in Mexico. Mexico is the second-largest export market for U.S. fresh potatoes, after Canada, with exports valued over \$54 million in 2018.

CONCLUSION

This report provides an overview of activities and tools FAS utilizes to reduce trade barriers to U.S. specialty crops. It highlights FAS efforts in coordinating with the U.S. industry, U.S. regulators, foreign governments, and USTR to establish international standards and rules to improve transparency and predictability in the regulation and inspection of 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. FAS is actively engaging the U.S. specialty crop industry to encourage additional eligible proposals to utilize TASC program funding in 2019. FAS is also soliciting input from eligible organizations on improvements to streamline, improve, and clarify the application, approval, and compliance processes for the program. FAS will take action to implement improvements to the TASC program after assessing input from stakeholders.