MAR 19 2010

The Honorable Collin C. Peterson  
Chairman  
Committee on Agriculture  
U.S. House of Representatives  
1301 Longworth House Office Building  
Washington, D.C. 20515

Dear Mr. Chairman:

I am pleased to submit the enclosed report on factors that affect the export of specialty crops. The report is required under Section 3202(d) of the Food, Conservation, and Energy Act of 2008. Subsequently, the Omnibus Appropriations Act 2008, directs USDA to provide Farm Bill reports to the Appropriations Committees.

A similar letter and report are being sent to Senators Brownback, Chambliss, Kohl, and Lincoln, Congresswoman DeLauro, and Congressmen Kingston and Lucas.

Sincerely,

\[Signature\]
Thomas J. Vilsack  
Secretary

Enclosure
Value of U.S. Specialty Crop Exports Remains Strong

$Billions

1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009

TASC Program Begins

- Fresh Fruits
- Fresh Vegetables
- Prepared/Processed Vegetables
- Prepared/Processed Fruits
- All Tree Nuts
- All Nursery Products
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1
Introduction

On June 18, 2008, Congress passed the Food, Conservation, and Energy Act of 2008, also known as the Farm Bill. Section 3203 requires the Secretary to annually submit to the appropriate committees of Congress a description of significant sanitary, phytosanitary, and other trade barriers that affect the export of specialty crops. This is the second report submitted under this requirement. For the purposes of this publication, “specialty crops” are defined in accordance with the Specialty Crops Competitiveness Act of 2004 – (sec. 3) as fruits, vegetables, tree nuts, dried fruits, and nursery crops (including floriculture).

The World Trade Organization’s (WTO’s) Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) explicitly recognizes the right of governments to take measures to protect human, animal, and plant health, as long as they are based on science, are necessary for the protection of health, and do not unjustifiably discriminate against foreign sources of supply. However, import restrictions that fail to comply with international rules are actionable under U.S. trade law and through the WTO. This report presents trade barriers that adversely affect, or threaten to disrupt, U.S. specialty crop exports and that may or may not be consistent with international trading rules.

The report provides a review of significant barriers to trade impacting a broad spectrum of the U.S. specialty crop industry’s interests. The omission of a particular trade issue or country does not imply that it is not of importance to the U.S. Government (USG).

In addressing trade barriers, the USG uses several fora that include bilateral and multilateral negotiations, collaborative research, preclearance programs, and pursuing consultations under the WTO. In addition to bilateral negotiations on specific issues, negotiations on trade barriers may take place within the context of the WTO, Free Trade Agreements (FTA), Consultative Committees on Agriculture, or the International Plant Protection Convention (IPPC). Additionally, the pest research, field surveys, and preclearance programs that are often funded under the Technical Assistance for Specialty Crops (TASC) Program play an important role in supporting efforts to remove trade barriers. Finally, if the USG has sufficient evidence that a trading partner has failed to address a trade issue within the terms and conditions of international trade rules, it may pursue consultations within the WTO.

The TASC program has been successful in supporting research, underwriting conferences, and helping industry to better meet the complex challenges of the export world. The program allows organizations to conduct technical activities to mitigate barriers to trade that otherwise have no source of funding. Examples include the development of the first definitive source for determining pesticide Maximum Residue Levels (MRLs) for specialty crop exports, training of Japanese inspection officials on U.S. mitigation measures that lead the way to opening the market for U.S. chipping potatoes, and a comparative gap analysis of the U.S. National Organic Program and the European Union (EU) Organic Legislation that was used by U.S. negotiation teams in equivalency discussions.
This report contains specific significant trade barriers that are currently affecting U.S. exports. However, there have been several developments and trends that may affect U.S. exports in the medium- and long-term and bear watching:

**Citrus Greening:** Citrus greening (also called Huanglongbing or yellow dragon disease) is a serious disease impacting citrus production in the United States. The bacteria that cause the disease are primarily spread by two species of psyllid insects. In 1998, the Asian citrus psyllid (*Diaphorina citri*) was first detected in Florida and subsequently found in Texas, Arizona, Louisiana, Alabama, Georgia, Mississippi, South Carolina, and California. There are three strains of the bacteria, an Asian strain, an African strain, and an American strain discovered in Brazil. Since 2005, the Asian form of citrus greening has been detected in parts of Florida, Louisiana, South Carolina, and Georgia. However, the bacteria have not been found to date in other States where the psyllid has been detected, most notably California. The fruit is not considered a pathway for the spread of citrus greening. However, U.S. citrus producers are very concerned that if citrus greening becomes established in commercial production areas such as California, it may cause trading partners to establish import restrictions on U.S. citrus. Currently, Australia has imposed overly restrictive measures on exports of citrus from citrus-producing areas in the United States where the psyllid has been found. The Animal and Plant Health Inspection Service (APHIS), working with State Government officials, has implemented regulatory programs and actions designed to control the movement of material considered to be vectors for the psyllid and citrus greening in effort to protect uninfected areas.

**Organic Standards:** The implementation of new organic regulations around the world has created technical barriers for U.S. certified organic products. These foreign standards often do not follow international standards and therefore require significant comparative work, analysis, and strategy development in order to enter into recognition and/or equivalence negotiations with another country or to negotiate access for U.S. products. Many countries, including the United States, allow for equivalence determinations, where both countries determine they are meeting the same objectives of organic production in slightly different ways. The United States and Canada completed negotiations for a determination of equivalence in June 2009. This is the first equivalence determination reached with any country. The detailed comparison documents created using TASC funds were vital in assisting negotiators to evaluate the critical differences in standards in order to reach recognition and/or equivalence determinations.

**Light Brown Apple Moth (LBAM):** LBAM is native to Australia and now is found in New Zealand, the United Kingdom, California, and Hawaii. LBAM was confirmed in California in March 2007. In July 2009, LBAM was detected in San Joaquin County, California, resulting in portions of the county being placed under quarantine. Quarantine regulations prevent the movement of nursery stock, cut flowers, host fruits and vegetables, and plant parts within or from the quarantined areas. The range of host plants is broad, with more than 2,000 plant species and 250 crops known to be susceptible to attack by this pest. LBAM threatens California’s environment—including cypress, redwood, and oak trees—by destroying, stunting, or deforming young seedlings and damaging new growth in the forest canopy. The moth also feeds on host plants favored by a number of endangered species, spoils the appearance of ornamental plants, and injures citrus, grapes, and deciduous fruit tree crops.
A U.S. Department of Agriculture (USDA) study indicates that, if California becomes generally infested, the moth could cause billions of dollars in crop damage annually and may hinder export opportunities and interstate commerce due to quarantine restrictions (see LBAM-Canada and LBAM-Mexico).

**Irradiation:** The Food and Drug Administration (FDA) has approved irradiation of meat and poultry and allows its use for a variety of other foods, including fresh fruits and vegetables, spices, and most recently, on leafy greens. The agency determined that the process is safe and effective in decreasing or eliminating harmful bacteria such as *Salmonella* and *E. coli* O157:H7. While irradiation has been used for years in many products including spices and papaya, consumer acceptance of the process has been limited. Japan is requesting that all packaged vegetable products be labeled that they have not been irradiated, citing consumer concern. As this technology improves and becomes widespread, trade barriers may be erected based on irrational fears, rather than science.

This publication was prepared and compiled by the Office of Scientific and Technical Affairs/Plant Division and the Office of Trade Programs of the Foreign Agricultural Service (FAS), with assistance from the U.S. specialty crop industry, Phytosanitary Issues Management Office, and Trade Support Team of APHIS.

The U.S. trade data presented in this report is available from the U.S. Global Agricultural Trade System (GATS), located at this web link: http://www.fas.usda.gov/gats/default.aspx. The system allows users to generate reports that provide trade information on one or more commodities for one or more countries over a user-specified time period. The FAS Production, Supply and Distribution data is also publicly available. The online database contains current and historical official USDA data on production, supply, and distribution of agricultural commodities for the United States and key producing and consuming countries. Users may select from a menu of predefined tables categorized by commodity or commodity group, or customize trade tables to accommodate individual data requirements. This database can be found at: http://www.fas.usda.gov/psdonline/.
U.S. Specialty Crop Trade Issues
Summaries of Barriers to Trade by Commodity

| Commodity: | Almonds       |
| Country:   | European Union|
| Barrier:   | Aflatoxin Testing |
| Issue:     | Destination Testing Requirements on U.S. Almond Shipments |

On September 1, 2007, the European Commission (EC) implemented Special Measures (increased testing) on U.S. almond exports to the EU in response to increased detections of Aflatoxin. In response, the U.S. almond industry implemented the Voluntary Aflatoxin Sampling Plan (VASP) that uses private laboratories certified by the Agricultural Marketing Service (AMS) to pretest shipments bound for the EU and includes an industry-verified Hazard Analysis and Critical Control Point (HACCP) plan. The VASP has proven effective in reducing the rejection rate of U.S. almond shipments in the EU. In 2007, there were 66 Aflatoxin detections, also known as Rapid Alerts (RAs), on California almonds that fell to 33 RAs in 2008. During 2009, there were 44 RAs issued by the EU. In recognition of the efficacy of VASP, the EU agreed to test only 5 percent of VASP-certified almond shipments.

In addition, the European Food Safety Authority concluded in June 2009 that public health would not be adversely affected by increasing the maximum levels of Aflatoxin from 4 parts-per-billion (ppb) to 10 ppb for all tree nuts (this would likely mean less RAs for California almond shipments). Consequently, AMS issued a June 16, 2009, letter to the EC requesting the removal of Special Measures citing the effectiveness of the VASP and the EU’s efforts to increase the Aflatoxin levels for tree nuts.

On Monday, September 28, 2009, the Standing Committee on the Food Chain and Animal Health (SCFCAH) provided a favorable opinion on the proposal to change the current 5 percent controls for VASP consignment to random controls (Decision 2006/504/EEC). The new control percentage went into force on January 1, 2010. On October 15, 2009, the EC Standing Committee approved the Aflatoxin level for almonds to be 10 PPB total and 8 PPB B1.

In 2008, U.S. almond shipments to the EU totaled $827 million.

| Commodity: | Apples (additional varieties) |
| Country:   | China                        |
| Barrier:   | Phytosanitary Restrictions   |
| Issue:     | China’s Varietal Restrictions on U.S. Apples |

Fire blight is a bacterial disease that is especially destructive to apple, pear, quince, and crabapple but can also occur on hawthorn, mountain ash, serviceberry, pyracantha, cotoneaster, blackberry, and raspberry.
Two varieties of U.S.-origin apples (Red Delicious and Golden Delicious) can currently be exported to China from the States of Idaho, Oregon, and Washington. The current work plan authorizing export of these two apple varieties to China was signed in April 1995. In November 1999, APHIS requested approval for: (1) the export of additional apple varieties (Fuji, Granny Smith, Gala, Rome, Jonagold, and Braeburn) from approved States, and (2) the export of California apples to China.

Chinese officials immediately expressed concern about fire blight transmission associated with other apple varieties. Since 1999, APHIS has provided its Chinese counterparts with a wealth of peer-reviewed scientific information that concludes that there is no evidence that mature symptomless commercial apples can transmit the disease. However, China continues to cite fire blight concerns as the reason for not approving additional apple varieties from approved States and has not completed a pest risk assessment (PRA) for California-origin apples.

China’s stance is at odds with the WTO fire blight decision, which found that mature symptomless apples (of any variety) do not pose a risk for fire blight. This internationally recognized, science-based decision strengthens the U.S. position that China’s current fire blight-related import prohibition on additional apple varieties from approved States is not scientifically justified. It should also be noted that China imports apples from other countries (notably New Zealand), where fire blight is known to be present, without varietal restrictions.

While bilateral technical dialogue continues, USDA is exploring other options to find a mutually acceptable resolution. At the 17th plant health bilateral meeting (July 2009), APHIS stressed its concerns about China’s varietal restrictions on U.S. apples. APHIS also emphasized that additional varieties should not be viewed as new market access.

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*Phacidiopycnis washingtonensis* is a newly identified disease in the Northwest apple industry. The fungus causes fruit rot on apples during storage. It is associated with twig dieback and canker disease of crabapple trees and dead twigs of pear trees.

China has suspended three Washington State apple packing houses from exporting fresh apples to China due to reported detections of the fungal disease *Phacidiopycnis washingtonensis* on U.S.-origin apples arriving in China.

During calendar year 2008, U.S. apple exports to China reached $5.6 million. Washington State apple production accounts for about 90 percent of all U.S. apple exports. Loss of the Chinese market could have a negative effect on the pricing structure of the U.S. apple crop in other export markets and possibly domestically. Since *Phacidiopycnis washingtonensis* is a newly identified disease, the research into efficacious treatments has not yet been initiated.
To jump-start the required research, FAS approved a TASC proposal from Washington State University to develop mitigation measures for the decay-causing pathogen *Phacidiopycnis washingtonensis* in apple fruit. It is expected that the results of this research will provide USDA regulatory agencies with the scientific foundation for overcoming this export barrier for U.S.-origin apples. First year outcome of the project is promising. However, this project needs an additional 2 years to be completed.

**Commodity:** Apples  
**Country:** Taiwan  
**Barrier:** Phytosanitary Barrier  
**Issue:** Taiwan’s “Three-Strikes” Penalty Structure for the Detection of Codling Moth (CM) in Imported U.S.-origin Apples

Under the current export work plan for shipment of U.S. apples to Taiwan, the Bureau of Animal and Plant Health Inspection and Quarantine (BAPHIQ) imposes a strict “three strikes” penalty structure for CM detections, which can result in market closure for U.S. apple shipments to Taiwan. APHIS and BAPHIQ have met on numerous occasions to discuss this issue and the work plan has been modified to include a 2-week grace period after each CM detection. This means that any CM detections that occur within the 2-week grace period would not count as an additional “strike.”

Taiwan suspended imports of U.S. apples during the 2002/03 and 2003/04 seasons (September—May) due to three CM detections in a single shipping season. Both market closures resulted in substantial losses for the U.S. apple industry.

During the 2006/07 shipping season, Taiwan had detected two CMs in U.S. apple shipments by November 7, 2006, which jeopardized U.S. apple access to Taiwan should a third CM have been detected. During the 2007/08 and 2008/09 seasons, Taiwan again detected two CM in U.S. apple shipments. Each year the U.S. apple trade is faced with the possibility that this market may suddenly close, creating significant uncertainty among U.S. producers as Taiwan is the third largest market for the U.S. apple industry. U.S. apple exports to Taiwan totaled $49 million during calendar year 2008 (Source: Foreign Agricultural Trade of the United States) and accounted for about 7 percent of total U.S. apple exports.

In October 2006, APHIS provided Taiwan with research demonstrating that the risk associated with CM transmission and establishment in Taiwan via U.S.-origin apples is extremely low. This research document will be used in future discussions with Taiwan counterparts as additional modifications to the current "three strikes" penalty structure are negotiated.
Commodity: Avocados  
Country: Mexico  
Barrier: Phytosanitary Restriction  
Issue: Restrictions on California Avocado Exports to Mexico

U.S. avocados are subject to limited distribution within Mexico and prohibited from being shipped to Mexican avocado states. Under the terms of the 2005 operational work plan for exporting avocados to Mexico, both countries agreed to revisit the existing import measures to determine whether they could be extended to allow U.S. avocados to be shipped to all areas of Mexico. During October 2008 discussions between APHIS and its Mexican counterparts, Mexico indicated that a risk evaluation is being conducted to determine the phytosanitary import measures that could be adopted to allow Mexico to lift this prohibition. California avocado exports to Mexico are valued at $1 million per year.

Commodity: Citrus  
Country: South Korea  
Barrier: Phytosanitary Restrictions (Septoria citri)  
Issue: Management of Septoria citri in California Citrus

In April 2004, the Korean market was temporarily closed to oranges from Fresno and Tulare counties due to the detection of Septoria citri on fruit shipped from California. The result of the market closure was a 60 percent reduction in imports into Korea representing approximately $48 million in lost trade revenue.

To facilitate trade, USDA/APHIS and Korea’s National Plant Quarantine Service developed a protocol that ensures the export of Septoria spot-free California Navel and Valencia oranges to Korea. This program provides for development and implementation of procedures for monitoring, testing, and managing Septoria spot of orange caused by S. citri in California through the continued collaboration between United States and Korean scientists. The protocol specifically involves the management of the disease in Fresno and Tulare counties in California and monitoring fruit lots destined for Korea. It also includes continuation of established recordkeeping and trace-back procedures and selection and training of inspection personnel in each packinghouse. U.S. exports of oranges and temples reached $90.9 million in 2008.

Commodity: All Fruits and Vegetables  
Country: Indonesia  
Barrier: MRLs and Food Safety Certification  
Issue: Import Requirements in Indonesia’s Proposed Regulation IDN/32

On April 17, 2007, the Government of Indonesia (GOI) notified the WTO Sanitary and Phytosanitary (SPS) Committee of its proposed regulation (G/SPS/N/IDN/32) for fresh foods of plant origin. G/SPS/N/IDN/32 requires prior notification of shipments of fresh foods of plant origin as well as inspection at the point of entry, and food safety certificates that address
contaminant levels for heavy metals, mycotoxins, and pesticides. In the absence of food safety certificates, all concerned imported agricultural products will be held and subjected to 100 percent testing to ensure that they do not exceed the Indonesian or Codex levels for contaminants. The USG provided official comments to this notification in June 2007, supplemental comments in October 2007, and another set of comments in April 2008. In September 2008, the United States submitted comments on the latest draft of the regulation.

During the April and October 2008 meetings of the WTO SPS Committee, the United States met bilaterally with Indonesia to share official comments on these burdensome requirements. Indonesia indicated that Australia and New Zealand had submitted similar comments and that it was redrafting the regulation to address many of these concerns. Indonesia responded to April 2008 comments and generally accepted U.S. suggestions, including Indonesia’s acceptance of U.S. MRLs as long as they meet Codex standards. The United States, in collaboration with Australia and New Zealand, is addressing the resulting draft regulation, IDN 32 R.1 and discussed remaining concerns with the Indonesian delegates to the WTO in October. Further, there are several U.S. MRLs for which neither Indonesia nor Codex has corresponding MRLs. The United States will work to convince Indonesia to recognize and accept exporting countries’ MRLs in such cases.

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On July 17, 2009, GOI notified foreign embassies that it will implement Decree 27 on August 19, 2009, which requires all countries to either seek recognition of their food safety systems for fresh foods of plant origin (FFPO) or supply individual safety certificates for every shipment. Without recognition, exports must be accompanied by certificates of food safety and/or chemical contaminant analyses (relating to pesticide maximum residue levels, mycotoxins, pathogens, and heavy metals) that no U.S. food safety authority is authorized to issue. Indonesia delayed implementation until November 19, 2009. The FDA, the Environmental Protection Agency (EPA), the Office of the U.S. Trade Representative (USTR), and FAS have prepared a U.S. recognition application. An Indonesian team visited the United States in October 2009 to review the application, and it is hoped that Indonesia will recognize the U.S. system for food safety. However, progress has been made in encouraging Indonesia to revise the draft several times and accept U.S. MRLs and Codex MRLs for FFPOs. However, we must also continue to address with the GOI several provisions that have the potential to disrupt trade, including a three-strike provision pertaining to nonconforming identity checks and/or pesticide residue levels that exceed acceptable levels. In 2008, the United States shipped $62 million of fresh fruits, vegetables, and tree nuts to Indonesia.
Commodity: Fresh Fruit and Vegetables  
Country: Indonesia  
Barrier: Phytosanitary Restriction  
Issue: Indonesia’s Failure to Recognize Pest Free Areas in the United States under Decree 37

In May 2005, the GOI notified the WTO of its intention to establish fresh fruit and vegetable import requirements (Decree 37). The Decree, implemented in March 2006, fails to recognize pest-free areas in the United States for all fruits with the exception of grapes.

Despite several technical exchanges and meetings, including a visit from Indonesian technical officials in 2007, there has been little progress on this issue. The GOI currently recognizes in-transit cold treatment for apples, cherries, pears, stone fruit, and other U.S. fresh fruits that are subject to Decree 37. While the cost is minimal as U.S. fresh fruit is shipped in refrigerated containers, the United States would like the requirement removed before other countries adopt such regulations. In 2008, the United States shipped $62 million of fresh fruits, vegetables, and tree nuts to Indonesia.

Commodity: Fruits and Vegetables  
Country: Japan  
Barrier: MRLs  
Issue: Food Additive Classification for Post-Harvest Fungicides

Unlike other countries with robust pesticide regulatory systems, Japan’s Ministry of Health, Labour, and Welfare (MHLW) classifies post harvest fungicides (PHF) as a food additive. MHLW’s designation of PHF’s as a food additive has an unwarranted negative impact on U.S. specialty crop (especially citrus) exports in two respects. First, it requires U.S. suppliers to label the names of the PHF treatments at the point of sale (POS), which discourages consumers from purchasing U.S. fruit and vegetables. Japanese product avoids the POS labeling requirement because the chemical is applied prior to harvest, which is MHLW's point of differentiation for classifying the same chemical as a pesticide. Pesticides are not subject to the same labeling requirements as food additives. U.S. industries must apply PHFs after harvest to protect product from spoiling due to the time required for perishables to reach Japan. Secondly, it deters U.S. producers from using more effective and safer PHFs because registrants are deterred by the expense and time MHLW requires to perform two risk assessments (one for food additives and a second for pesticides) in order to register the chemical use in Japan. USTR has raised this issue with MHLW in the Regulatory Reform Initiative (RRI) since December 2008. During these discussions we have requested MHLW to adopt international standards by classifying PHFs as a pesticide regardless of the point of application. Japan has responded that it will not change its classification system for PHF but will consider streamlining its risk assessment process (to date we have not received any details from Japan on this). However, MHLW’s proposal does not fully resolve the problem. Only Japan’s discontinuance of the food additive classification of PHF will resolve this issue. In 2008, the United States shipped $613 million of fresh fruits, vegetables, and tree nuts to Japan.
LBAM is a pest of significant economic concern for which both Canada and the United States regulate host materials from off-continent sources to mitigate the possibility of its establishment in North America. Since March 2007, LBAM has been found in 18 counties of California, a region from which Mexico imports approximately $1 billion annually in LBAM host material.

When LBAM was first detected in California, Mexico refused shipments of all host crops from California. However, the United States’ plans to eradicate LBAM and progress made towards that goal convinced Mexico to relax its trade restrictions and accept LBAM-host crops from noninfested California counties, without any restrictions.

In July 2009, LBAM was detected in San Joaquin County, California, resulting in portions of the county being placed under quarantine. In mid-August, Mexico banned market access for California apples, alleging phytosanitary risk. This resulted in significant losses for producers and the near loss of the California apple season to Mexico. After much discussion, Mexico has agreed to allow exports of California apples back into the country. In 2008, the United States shipped $204 million of apples to Mexico.

In early 2006, APHIS sent a request to Israel regarding pests of concern for U.S. table grapes (Vitis vinifera). Technical exchanges on the PRA are ongoing. During the October 2009 technical plant health bilateral meeting, Israel requested a more complete explanation of control measures. APHIS is working with Israel to identify mutually acceptable mitigations.

U.S. industries anticipate that they will be able to ship about 673 metric tons of table grapes to Israel. It should be noted that California table grapes are exported worldwide May through January each year. Israeli table grapes are available from May through July, so the U.S. table grapes will not compete with the Israeli product.
Japan’s official control policy (fumigating for pests present in Japan that are neither being eradicated nor contained, as required by international standards) has been an issue of longstanding concern for U.S. exporters, particularly of lettuce and citrus.

Until recently, Japan maintained a practice of fumigating U.S. lettuce and citrus for pests already commonly found in Japan. Fumigation for pests of nonquarantine significance adds unnecessary costs and results in produce deterioration, making products unmarketable. This practice has been the subject of bilateral discussion since 1998.

Japan continues to make progress on technical barriers to trade that place undue burdens on imports of U.S. lettuce. Japan notified the WTO on May 20, 2008, of its intention to amend legislation to reclassify as nonquarantine a pest that is of concern to the United States. Specifically, this addressed the classification of the potato aphid (*macrosiphum euphorbiae*). According to the information stated on the notification, the government of Japan proposed that the amendment enter into force August 2008; it took effect on September 4, 2008.

Two additional pests must be reclassified to finalize the work that will relieve U.S. lettuce exports from the burden of double fumigation and bring Japan’s practice into consistency with the IPPC. Work on bean and cotton aphids has been slow. Although both bean and cotton aphids are found in Japan, only certain subspecies are in Japan. The United States and Japan will continue to engage in technical discussions and during upcoming Regulatory Reform Initiative meetings scheduled through 2010. In 2008, the United States shipped $1.2 million of lettuce to Japan.

Equivalence negotiations between Canada and the United States began in January 2008 and were completed in June 2009. The third and final round of face-to-face negotiations took place in March 2009. The United States and Canada completed negotiations prior to the full implementation of the Canadian Organic Regulations in June 2009. With an equivalence determination between the United States and Canada, organic products will freely flow between countries, without the burden and expense to producers of requiring a second organic certification.

In the past year, TASC funds were used to provide analytical documents for use by negotiators in equivalence discussions between the United States and Canada. Canada is by far the largest
export market for U.S. organic products, with exports estimated by the industry at $1.4 billion in 2008. However, there are no harmonized trade codes to determine the exact value of U.S. organic exports to Canada.

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In 2008/09 TASC funds were used to develop a comprehensive side-by-side analysis between USDA’s National Organic Program (NOP) standards and the Taiwan Organic Agricultural Product and Organic Agricultural Processed Product Certification Management Regulations, and the Imported Organic Agricultural Product and Organic Processed Product Management Regulations. This side-by-side comparison of the commonalities and differences between NOP and Taiwan’s organic regulations demonstrated that NOP was, at minimum, equivalent in objectives to the Taiwan organic regulations. The strategic analysis was the principle document used by U.S. negotiators at FAS in Taiwan and served as the main part of the U.S. document submission for the equivalence review.

In March 2009, the Taiwan Council of Agriculture notified the American Institute that Taiwan will recognize the NOP as equivalent to the Taiwanese organic regulations. Securing recognition of NOP in Taiwan will keep the Taiwanese market open for U.S. organic products. U.S. organic exports to Taiwan were estimated by the industry at $50 million in 2008. However, there are no harmonized trade codes to determine the exact value of U.S. organic exports to Taiwan.

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The implementation of new organic regulations around the world has created technical barriers for U.S. certified organic products. Foreign standards often do not follow international standards and, therefore, require the United States to undertake significant comparative analysis and strategy development in order to enter into recognition and/or equivalence negotiations with another country, or to negotiate access for U.S. products. Neither the USDA/NOP nor FAS has the resources to complete the analysis required for resolution of an increasing number of organic trade issues and negotiations.

The USDA/NOP was fully implemented in 2002 and is one of the first domestic standards for organic production. The NOP allows foreign organic products access to the U.S. market if they are certified by USDA accredited certifiers. Because of the large size of the U.S. organic market, many countries became interested in exporting to the United States and began certifying products to the NOP. However, as markets develop around the world, more countries are developing their own organic standards, which often require a separate certification. The cost to organic producers is significant when they are required to receive several different certifications in order
to export. For example, in some cases, it is necessary to fund foreign certifiers’ travel to the 
United States. Prior to developing their own standards, most foreign markets recognized the 
USDA/NOP and allowed U.S. certified organic products to be sold as organic.

Many countries, including the United States, allow for an equivalence determination, where both 
countries determine that they are meeting the same objectives of organic production in slightly 
different ways. Detailed comparison documents are required to assist countries and negotiators 
in evaluating the critical differences in standards to reach equivalence determinations.

FAS allocations of TASC funds to the Organic Trade Association and Sustainable Strategies 
have helped to directly advance negotiations with Japan, Korea, and Taiwan by creating 
comparative documents that identify and evaluate critical differences between the NOP and the 
foreign standards. These comparative documents serve as tools for the USTR and FAS 
negotiators and help to fulfill data needs for applications to foreign governments when 
requesting equivalence. In addition, TASC funds have been provided to develop technical 
analyses and strategic recommendations for organic trade issues that require technical expertise 
and industry knowledge unavailable within USDA.

| Commodity: | Table Stock Potatoes from the Pacific Northwest (PNW) (Idaho, Oregon, and Washington) |
| Country:   | China |
| Barrier:   | Phytosanitary Ban |
| Issue:     | Ban on Fresh Table Stock Potatoes Produced in the PNW |

In July 2001, a Chinese technical delegation traveled to Idaho, Oregon, and Washington to 
observe table stock production areas, packing facilities, and phytosanitary measures for pests of 
concern.

In July 2003, China’s General Administration for Quality Supervision, Inspection, and 
Quarantine (AQSIQ) informed APHIS that the PRA had been initiated for U.S. table stock 
potatoes from the PNW. In August 2003, APHIS provided AQSIQ with a draft export protocol 
for PNW table stock potatoes that identified proposed pest mitigations for shipment of fresh table 
stock potatoes to China.

At a September 2003 technical bilateral meeting, China agreed to make immediate progress in 
completing the PRA for PNW table stock potatoes. The PRA would provide a basis for 
negotiating a market access agreement with China. In an October 8, 2004, letter APHIS 
resubmitted pest and sprout inhibitor data previously submitted to AQSIQ. During a December 
2004 plant health bilateral meeting, China could not report on progress on the PRA.

In September 2007, AQSIQ confirmed that APHIS had provided all of the pest data, control 
methods, and quarantine regulations for PNW table stock potatoes necessary for AQSIQ to 
complete the required PRA. In 2008, AQSIQ verbally informed APHIS that the PRA was 
complete; however, AQSIQ has not yet shared the PRA with APHIS for review and comment.

In a July 2009 bilateral meeting, APHIS clearly indicated that this issue is a very high priority for 
USDA. China acknowledged that they do not need any more information from the United
States. However, Chinese plant health officials also stressed that they need to see progress on their apple access request before there could be progress on the U.S. market access request for table stock potatoes. Chinese officials reiterated that U.S. potato and China apple requests are linked in September 2009 meetings with Under Secretary Miller.

### Commodity: Potatoes  
### Country: Japan  
### Barrier: Phytosanitary Restriction  
### Issue: Market Access for U.S. Chipping Potatoes from Idaho

In February 2006, Japan lifted a 50-year ban on U.S. potatoes by authorizing access to chipping potatoes produced in 13 States. However, all trade was suspended in April 2006 due to the detection of potato cyst nematodes (PCN) in Idaho. After nearly 10 months, the Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF) published a regulation on February 7, 2007, to reopen the Japanese market to U.S. chipping potatoes. As a result of USDA efforts, Japan has reopened the market to 12 States, excluding Idaho. USDA continues to work with Japan to reauthorize access to chipping potatoes produced in Idaho. This issue was raised at the November 2008 bilateral with Japan, and APHIS responded to a request for information from the MAFF regarding PCN in Idaho with a letter on April 29, 2009. APHIS has yet to receive Japan’s reply. The United States only shipped $269,000 of potatoes to Japan. The market potential for chipping potatoes in Japan is expected to be about $5 million per year. In addition, Japan limits imports of U.S. chipping potatoes to one port and chirping facility. Japan claims that transport beyond that parameter will jeopardize Japanese growing areas. USDA is working with Japanese officials to expand port access and get more chipping plants approved.

### Commodity: Potatoes  
### Country: South Korea  
### Barrier: Phytosanitary Ban  
### Issue: Korean Market Access for Potatoes from Additional States and the Reopening of Idaho State


In 2007, APHIS requested the addition of Arizona, California, Colorado, North Dakota, New Mexico, Montana, and Wyoming to the approved list. Korea’s concerns include: potato wart disease *Synchytrium endobioticum* (which does not occur in the United States), golden nematode *Globodera rostochiensis* (occurs only in New York and currently under official
control), potato yellow dwarf virus, and potato spindle tuber viroid (PSTD V), which has been demonstrated to be absent from the United States based on official survey.

In a November 2007 U.S.-Korea technical bilateral meeting, APHIS requested the harmonization of phytosanitary requirements for potatoes from Arizona, California, Colorado, North Dakota, New Mexico, Montana, Wyoming, and the other approved States. Again in December 2008, APHIS raised this issue with the Korean International Quarantine Cooperation Division/National Plant Quarantine Service and requested the reopening of the Idaho market since *Globodera pallida* (pale cyst nematode-PCN) is under official control.

The United States shipped $3.5 million of fresh potatoes to Korea in calendar year (CY) 2008, up 30 percent from CY 2007.

### Table: Market Access for U.S. Potatoes Produced Outside of the Border Zone

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Potatoes</th>
</tr>
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<tbody>
<tr>
<td>Country</td>
<td>Mexico</td>
</tr>
<tr>
<td>Barrier</td>
<td>Phytosanitary Restriction</td>
</tr>
<tr>
<td>Issue</td>
<td>Market Access for U.S. Potatoes Produced Outside of the Border Zone</td>
</tr>
</tbody>
</table>

In 2003, Mexico agreed to a gradual opening of its market to U.S. potatoes. This opening had been delayed following a rise in nematode interceptions on potato shipments; however, U.S. producers have taken successful steps to reduce pests and are now seeking Mexico’s fulfillment of its 2003 agreement to grant access beyond a 26 kilometer zone within the international border.

In May 2007, Mexico agreed to revisit its import restrictions because of the declining rate of pest detections. APHIS and Servicio Nacional de Sanidad, Inocuidad y Calidad Agroalimentaria agreed that Mexico would share its interception data in a timely manner to help U.S. industry identify the source of noncompliant potato shipments and would review the interception data to determine whether any trends could be detected that would support a modification in Mexico’s current import restrictions. Early trends show a significant decline in reported pest interceptions.

During October 2008 discussions between APHIS and its Mexican counterparts, an agreement was reached to exchange additional technical information to support a modification in the phytosanitary import measures for cross-border potato trade. At the July 8, 2009, CCA bilateral meeting Acting Under Secretary Smith insisted that Mexico comply with the 2003 U.S. Table Stock Potato Access Agreement. Mexico will need to amend its internal regulations (NOM 12), which prohibit U.S. potatoes from entering beyond the 26-kilometer border zone. Thus, by not amending this rule, Mexico effectively prohibits itself from complying with the 2003 access agreement. The United States shipped $29 million of fresh potatoes to Mexico in 2008.
The government of Sri Lanka (SL) and the United States are negotiating access for U.S. seed potatoes. USDA and SL Department of Agriculture are currently in technical discussions to resolve this issue. Most recently, USDA/APHIS has written to the new SL Director General of Agriculture on July 9, 2009, in order to raise the following technical issues:

1) Request that SL considers virus tolerance of 2 percent for all viruses. This will be verified as part of the seed certification process (strictly enforced and noted on the cert).

2) USDA/APHIS requests permission to export G4 and G5 seed potato under the condition that the potatoes contained in the shipment are inspected and meet a higher standard than the U.S. standard for domestic seed potato.

Taiwan currently authorizes imports of U.S.-origin table stock potatoes from Alaska, California, Idaho, Oregon, and Washington, provided the potatoes are produced in areas free of golden nematode, potato rot, potato late blight, and other various pests. Taiwan also authorizes importation of U.S.-origin seed potatoes from Alaska.

On behalf of the potato industry, APHIS requested that Taiwan also provide access for U.S.-origin seed and table stock potatoes from Montana and table stock potatoes from Colorado. Taiwan’s Bureau of Animal Plant Health Inspection and Quarantine (BAPHIQ) has been handling each State as a separate market access request.

In August 2008, Taiwanese delegates from BAPHIQ met with APHIS and Montana State officials in Montana. The team visited certified seed production areas including the Potato Laboratory Plant Growth Center in Bozeman. The BAPHIQ team indicated that the site visit would help BAPHIQ complete the PRA and update Taiwan’s rule within a year. The issue was also discussed during a subsequent APHIS-BAPHIQ bilateral meeting in September 2008. During the September meeting, BAPHIQ indicated that no additional technical information was required from APHIS and that it was working with consultants to evaluate risks and finalize import requirements. On February 12, 2009, Taiwan made the regulatory changes necessary to authorize market access for Montana-origin seed and table stock potatoes. These measures became effective March 1, 2009. BAPHIQ is now currently working on the Colorado table stock potato request, which will be discussed at the upcoming technical bilateral meetings tentatively scheduled for December 2009.
Commodity: Stone Fruit  
Country: Australia  
Barrier: Phytosanitary Restriction  
Issue: Incomplete Import Risk Analysis (IRA)

Australia bans imports of U.S. stone fruit (peaches, nectarines, plums, and apricots) due to phytosanitary concerns.

During FTA discussions with the United States, and in a plant health bilateral meeting with APHIS in January 2004, Australia agreed to authorize Biosecurity Australia (BA) to initiate an IRA in July 2004. However, due to a restructuring of the import risk analysis procedure, BA’s review of market access for California and PNW stone fruit failed to make significant progress for several years.

Since 2006, the United States and Australia have made extensive efforts to advance this issue. BA visited stone fruit production areas in California and Washington in 2006. BA published a draft IRA for public comment in April 2008 on which the United States and Australian stakeholders commented extensively in late June. In September 2009, BA requested additional pest prevalence information from APHIS. Although given a very short deadline, APHIS intends to deliver the requested information. APHIS also is recommending suggested pest mitigation procedures including an option for a non-fumigation systems approach for one key pest, peach twig borer.

Commodity: Stone Fruit  
Country: Canada  
Barrier: LBAM  
Issue: Canada’s Controls to Prevent the Introduction of LBAM

The LBAM is a pest of significant economic concern for which both Canada and the United States regulate host materials from off-continent sources to mitigate the possibility of its establishment in North America.

Since March 2007, LBAM has been found in 11 counties of California, a region from which Canada imports approximately $1 billion annually in LBAM host material.

Effective June 25, 2007, Canada announced new regulatory controls to prevent the introduction of LBAM to Canada from California and other regions of the world where it is found.

The imports of LBAM host material from the State of California, including produce, cut flowers, greenhouse plants, and nursery stock, fall under these new preventative measures. Moreover, import requirements have been introduced for fresh produce from California to British Columbia where it is believed the LBAM could thrive due to the warmer winter climate.
Commodity: Stone Fruits (Nectarines from California)
Country: China
Barrier: Phytosanitary Restrictions
Issue: Lack of Chinese Import Requirements for Nectarines from California

APHIS first submitted a market access request for fresh California-origin nectarines in February 2002. Our access request for nectarines was made in conjunction with our access request for California-origin plums and was accompanied by a pest list that contained 67 organisms. Both plums and nectarines have similar pests and pest management practices. China’s AQSIQ granted access for California plums in 2006. However, access for nectarines was delayed.

During the July 2009 U.S.-China phytosanitary bilateral technical discussion in Shanghai, AQSIQ stated that Chinese experts had completed a review of APHIS’ initial pest list and that the updated list now includes more than 100 organisms. For reasons that remain unclear, AQSIQ was not willing to provide APHIS with a copy of the updated pest list. On September 17, 2009, APHIS subsequently sent an official correspondence to AQSIQ requesting a: written response on the status of AQSIQ’s evaluation of the U.S. market access request; and copy of the updated pest list. To date, APHIS has not received a response to the September 17th correspondence.

Commodity: Stone Fruit
Country: Mexico
Barrier: Phytosanitary Restriction
Issue: Costly Requirements for California Stone Fruit Exports to Mexico

In 1997, APHIS and its Mexican counterparts developed a systems approach for mitigating phytosanitary risk to Mexico from imported U.S. stone fruit. The systems approach serves as an alternative to fumigation with methyl bromide and was developed primarily to address oriental fruit moth. It has also been effective in addressing other pests of concern to Mexico.

During October 2008 discussions between APHIS and its Mexican counterparts, agreement was reached to review the current bilateral operational work plan applied to the export of California stone fruits to Mexico, including the list of quarantine pests and level of direct oversight by Mexican inspectors in production areas and packing facilities. The objective of the review is to determine whether a reduction in the number of quarantine pests and level of direct oversight can be achieved.

Mexico has failed to make any significant concessions that would benefit California stone fruit exports and in meetings held in January 2009, Mexico reversed course and added several new pests of concern and added new inspectors. Discussions are continuing toward achieving a mutually satisfactory resolution for future exports. Mexico is the third largest export market for U.S. stone fruit. In 2008, the U.S. shipped $38 million of stone fruit to Mexico.
Commodity: California Fresh Strawberry  
Country: China  
Barrier: Phytosanitary Ban  
Issue: Ban on Fresh Strawberry Produced in California

On June 2, 2008, just in advance of the Olympic and Paralympic Games in Beijing, APHIS received a letter from AQSIQ stating that China would allow special importations of fresh strawberry fruit from California. The June 2, 2008, letter outlined special certification requirements to ensure the quality and safety of California-origin strawberries that would be exported to China for the festivities. APHIS officials agreed to all certification requests and provided AQSIQ a description of how we would meet each requirement in a letter dated June 26, 2008. California successfully shipped about 2,168 pounds of strawberries without any phytosanitary concern.

Since that time, and in recognition of the success of the temporary program, APHIS requested that AQSIQ complete its evaluation and authorize permanent market access for California-origin strawberries. Additionally, APHIS identified permanent market access for strawberries as a priority market access issue for the United States during the 17th U.S.-China Bilateral Plant Health Meeting in Shanghai in July 2009. At the September 17, 2009, Joint Commission on Commerce and Trade SPS Working Group, the United States reiterated its request that market access for California strawberries be prioritized, to which Chinese counterparts explained that the special permit in 2008 was for only two facilities and the lack of pest detections had more to do with the limited nature of the program. However, work continues on granting permanent market access.

Commodity: Various Commodities  
Country: China  
Barrier: SPS/TBT  
Issue: New Food Safety Law

On May 6, 2009 the Chinese Ministry of Health published two draft regulations designed to implement certain aspects of the Food Safety Law related to imported products. These two regulations relate to imported foods that do not have Chinese safety standards and the licensing of new food related products.

The first regulation is “Provisional Administrative Regulations on the Administrative Licensing of the Importation of Food without National Food Safety Standard (draft)”. It is listed as Annex 1 in the draft regulation. This applies to food types without previous established standards. The second part is “Provisional Administrative Measures of Administrative Licensing of New Food Related Product Varieties (draft)”. It is listed as Annex 2 in the draft regulation. This relates to additives, packaging, and other food related products that have previously not been registered for use in China. This regulation has been published for Chinese domestic comment. The due date for submission of comments to the Chinese Government was May 17, 2009.
On June 8, 2009, the Ministry of Health published a draft regulation designed to implement the food safety risk assessment aspect of the food safety. This draft regulation deals with how and when risk assessments take place and under what circumstances. This regulation has been published for Chinese domestic comment. The due date for submission of comments to the Chinese Government was June 20, 2009. USG and the private industries have extensively commented on these measures.

**Commodity:** Vegetables and Fruits  
**Country:** Taiwan  
**Barrier:** Phytosanitary Barrier  
**Issue:** Import Restrictions Related to Western Flower Thrips

On May 25, 2009, Taiwan proposed a regulation to address high interception rates of western flower thrips, a pest of quarantine concern for Taiwan. The proposed changes, notified via WTO, included a requirement for all consignments of western flower thrips host material to be inspected upon export from the country of origin and accompanied by a phytosanitary certificate declaring the product free of western flower thrips. Additionally, any consignments of U.S. origin broccoli, asparagus, strawberries, and lettuce found infested with live western flower thrips upon entry into Taiwan will be rejected for entry and must be destroyed or returned to their origin. In July 2009, APHIS provided comments on the proposed measure in order to mitigate the impact this regulation would have on U.S. exporters given that western flower thrips are difficult to control at the field level and therefore consignments sometimes must be fumigated with methyl bromide. During 2008, the value of these four commodities exported to Taiwan totaled $21 million.

Taiwan responded to the comments and agreed to remove the latter restriction on lettuce and included a provision for annual review of interception rates in order to qualify broccoli, asparagus, and strawberries for fumigation upon entry into Taiwan, should live western flower thrips be detected upon import inspection. The measure was enforced beginning April 1, 2009.
Summary of Trade Restrictions Impacting the Export of U.S. Apples and Pears Due to Fire Blight

Fire blight is a bacterial disease detrimental to the health of apple trees and pear trees. However, many countries impose overly restrictive measures on the importation of apple and pear fruit due to concerns relating to fire blight. In one such case, the United States contested in the WTO the imposition of import measures designed to preclude the shipment of U.S. apples to Japan. In July 2005, the WTO ruled that Japan’s import restrictions for fire blight were not based on sufficient scientific evidence, and were, therefore, inconsistent with Japan's obligations under the SPS Agreement. The WTO affirmed that the fire blight disease could be addressed by restricting exports of apples to mature, symptomless fruit. Despite this ruling the U.S. apple and pear industries are unable to export product to several countries as a result of unwarranted trade restrictions. Below is a summary of some of these trade restrictions.

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<thead>
<tr>
<th>Country:</th>
<th>Australia</th>
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<tr>
<td>Commodity:</td>
<td>Apples</td>
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Apple growers located in the PNW States of Idaho, Oregon, and Washington have pursued access to Australia since before 2000 when Australia received a list of pests known to occur in the PNW, which included data on the quarantine pest called fire blight. Australia published a 475-page draft IRA for the importation of U.S. apples on October 22, 2009. The United States requested an extension of the 60-day comment period to thoroughly review the draft IRA. Australia also restricts access of apples from New Zealand due to fire blight and has stated that the market access request for U.S. apples will not be fully addressed until New Zealand’s apple access issue is resolved. Australia has indicated that it will require similar quarantine measures for U.S. apples.

Subsequent to BA’s March 2008 publication of a final policy determination for the import of New Zealand apples, which includes onerous quarantine requirements for fire blight and other pests, New Zealand filed a WTO case against Australia seeking less restrictive import measures. The U.S. apple industry is supportive of New Zealand’s efforts. The United States has supported New Zealand as a third party to the case. The WTO panel decision is expected in early spring 2010.

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<tr>
<th>Country:</th>
<th>South Korea</th>
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<tr>
<td>Commodity:</td>
<td>Apples</td>
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APHIS requested access for apples produced in the Western United States (California and the PNW) in 1994. In response Korea identified a number of quarantine pests including fire blight. APHIS has provided specific information to Korea on the pests of concern. In 2007, Korea stated that it had initiated a PRA for apples.
**Country:** China  
**Commodity:** Pears

China’s AQSIQ prohibits the importation of pears produced in the PNW due to quarantine concerns with respect to fire blight. Since the early 1990s, PNW pear growers have sought access to China. In 1995, APHIS provided AQSIQ its original pear pest list, and that list was provided to AQSIQ again in August 2000, along with a request that China complete the pest risk assessment. However, due to China’s concerns about fire blight and the absence of pear-related fire blight research in the scientific literature, little progress had been made in achieving market access. In May 2007, APHIS supplied AQSIQ with research confirming that mature asymptomatic pear fruit are not a pathway for fire blight. AQSIQ has initiated the risk assessment and is reviewing additional information provided by APHIS regarding pest management.

**Country:** South Korea  
**Commodity:** Pears

South Korea prohibits imports of U.S. pears from the Western United States (California and the PNW) due to fire blight and other pests. South Korea is concerned that this bacterial plant disease might be transmitted to domestic crops. APHIS has not received evidence justifying Korea’s contention. In 2006, Korea stated that it had initiated a pest risk assessment for pears.
Summary of Trade Barriers Related to MRLs or Tolerances for Pesticides

The regulation of MRLs for pesticides on agricultural products by trading partners presents an increasing challenge to the U.S. specialty crop industry. With increased awareness among consumers of food safety issues, many important trading partners have taken greater interest in establishing and monitoring MRLs in food. As a result, MRLs and the regulation of MRLs can vary from one trading partner to the next which presents significant challenges to producers for ensuring products comply with each country’s food safety standards. Below is a summary of the most significant MRL-related trade barriers impacting the export of U.S. specialty crops, and efforts taken by USTR, the EPA, and USDA to address these issues with U.S. trading partners. The work done to mitigate the MRL issues described below often depends on the USDA/EPA MRL database that was developed using TASC funding. The database can be found at http://www.mrldatabase.com.

<table>
<thead>
<tr>
<th>Commodity:</th>
<th>All Fruits and Vegetables</th>
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<tr>
<td>Country:</td>
<td>Japan</td>
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<tr>
<td>Barrier:</td>
<td>MRL Enforcement Policy</td>
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<tr>
<td>Issue:</td>
<td>MRLs or Tolerances for Pesticides</td>
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With Japan’s adoption of an MRL positive list system in May 2006, it became apparent that Japan’s MHLW MRL enforcement policy posed a significant potential barrier to U.S. agricultural trade. After a single MRL violation, MHLW increases testing to 30 percent of all similar products originating from the country in question. In the event that a second violation occurs within a year of the first violation for the same commodity and country, MHLW imposes a 100 percent test-and-hold policy against the entire exporting country. This effectively penalizes exporters that are in compliance with Japan’s MRL requirements.

On July 28, 2009, USTR and MHLW signed a memorandum of understanding (MOU) governing penalties related to MRL violations that protects U.S. specialty crop producers from unwarranted industry-wide sanctions imposed by Japan. The signing of the MOU culminates over 5 years of negotiations with MHLW and is expected to protect more than $600 million in annual exports of U.S. specialty crops and related products. However, USTR and FAS continue to monitor Japan’s MRL enforcement activities to ensure the principles of the MOU are fulfilled.
Taiwan’s unwillingness to recognize international MRLs while it takes action to reduce a backlog of over 1,500 MRL applications is creating a significant level of uncertainty within the U.S. agricultural export industry. Due to the enormity of the backlog, an agreement by Taiwan to reference Codex and U.S. MRLs, in the absence of Codex tolerances, is necessary to avoid future disruptions to trade in a market that is becoming increasingly risky due to a deficient regulatory system for establishing pesticide tolerances. Taiwan’s inability to keep pace with requests to establish MRLs for pesticides has resulted in an extraordinary imbalance of pesticides registered for use in the United States compared to those in Taiwan. This has resulted in a rise in the rejection of various U.S. agricultural shipments including wheat, barley, strawberries, and corn due to residue violations in 2006 and 2007.

Although there are no laws precluding Taiwan from deferring to Codex and export country MRLs, Taiwan’s Department of Health (DOH) has refused to defer to international MRLs. However, the DOH has deferred to Codex and U.S. MRLs in the past as part of the 1999 accession package to the WTO. DOH has been unwilling to expand the terms of this agreement to the current MRL backlog. As result of efforts by USTR and FAS, Taiwan has increased the pace of reviewing and approving MRLs that are important to the U.S. agriculture industry. USTR and FAS continue to press Taiwan on this issue until the MRL backlog is removed. The United States shipped $227 million of fresh fruits, vegetables and tree nuts to Taiwan in 2008.

On July 1, 2007, after fulfilling the WTO notification process, Taiwan implemented new inspection regulations on imported food that authorizes Taiwan to expand potential import restrictions beyond the supplier of a specific “brand” in the event of a violation or nonconformity. The regulation requires an organization or government of the export country to provide documentation identifying the cause of the noncompliance or problem, an improvement plan, and preventative measures to be implemented after repeated failure (three times in six months) since the first violation. In addition, the regulation authorizes temporary market shutdown in the event there is a failure to comply with Taiwan’s request. What was not notified to the WTO but became known only after a violation occurred is that the improvement plan requires pesticide control record, packing house quality control records, product test report, name of testing equipment, and government control measures. Other information requirements include a list of packing houses and Government-approved exporters; health certificates and government
seal with mock sample of signing officers. USTR and FAS are seeking clarification from
Taiwan on the events that justify the need for this information.

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<thead>
<tr>
<th>Commodity:</th>
<th>All Fruits and Vegetables</th>
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<tr>
<td>Country:</td>
<td>Canada</td>
</tr>
<tr>
<td>Barrier:</td>
<td>Removal of MRL Default Tolerance</td>
</tr>
<tr>
<td>Issue:</td>
<td>MRLs or Tolerances for Pesticides</td>
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Canada’s Pest Management Regulatory Agency (PMRA) is in the process of revoking the
general default tolerance of 0.1 ppm for pesticides not currently registered in Canada. Once
PMRA implements this policy, any food product that contains a residue for a pesticide that does
not have an established MRL will be in violation of Canada’s Food and Drug Regulation.
Canada’s intent for removing the default tolerance is to implement a positive list system that
regulates pesticide residues for which PMRA has performed a risk assessment and established an
MRL.

EPA and FAS are working with the U.S. agricultural industry in consultation with PMRA to
identify and establish MRL priorities of both countries in order to minimize potential disruption
to trade. FAS funded the development of a database (www.mrlharmonization.com) that serves
as a tool for agricultural industries from the United States and Canada to identify pesticides that
are of high priority for each commodity sector. It is anticipated that the database will provide a
direction in establishing MRLs in a systematic method as Canada transitions to a positive list
system. The United States shipped $2.7 billion of fresh fruits, vegetables, and tree nuts to
Canada in 2008.

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<tr>
<th>Commodity:</th>
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<tr>
<td>Country:</td>
<td>Thailand</td>
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<tr>
<td>Barrier:</td>
<td>New Ban on Certain Pesticide Residues</td>
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<tr>
<td>Issue:</td>
<td>MRLs or Tolerances for Pesticides</td>
</tr>
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</table>

In September 2009 Thailand issued a WTO notification announcing its intent to ban residues for
96 pesticides. Although Thailand’s Department of Agriculture banned the domestic use of these
pesticides in 1992, Thailand’s Food and Drug Administration is now proposing to ban import
residues from these pesticides for fruits and vegetables. Although the impact of Thailand’s
proposed ban is unclear at this time, many of these substances remain in use in the United
States. Until USDA is able to determine if Thailand has performed necessary risk assessments
on these pesticides that justify such a ban, we are encouraging Thailand to adopt Codex and U.S.
MRLs. The United States shipped $41.7 million of fresh fruits, vegetables, and tree nuts to
Thailand in 2008.
In June 2009, Korea issued a WTO notification initiating a process for updating its MRL regulatory system. The notification proposes to delete all existing MRLs for pesticides not registered for domestic use in Korea. However, the impact of this action cannot be estimated because Korea has not provided a complete list of MRLs that are slated for deletion. Korea justifies this action by asserting that no risk assessments have been completed to support maintaining these import MRLs. Although Korea will defer to Codex MRLs during the transition, there is a significant gap between the pesticides approved in the United States relative to Codex. The United States is requesting Korea to maintain the current list of import MRLs until the risk assessments are complete. This will allow trade to continue to flow while the risk assessments are completed. FAS is addressing this with Korea during the WTO notification process. The United States shipped $245 million in fresh fruits, vegetables, and tree nuts to South Korea in 2008.
## U.S. Specialty Crop Trade Issues:

Cross Reference of Trade Barriers by Country

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<td>Australia</td>
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<tr>
<td>Australia</td>
<td>Stone Fruit</td>
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<td>Canada</td>
<td>Fruits and Vegetables (MRLs)</td>
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<tr>
<td>Canada</td>
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<td>17</td>
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<tr>
<td>China</td>
<td>Apples</td>
<td>4, 5, 6</td>
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<tr>
<td>China</td>
<td>Pears</td>
<td>22</td>
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<tr>
<td>China</td>
<td>Potatoes</td>
<td>13, 14</td>
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<tr>
<td>China</td>
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<td>18</td>
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<td>China</td>
<td>Strawberries</td>
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<td>Various Commodities (Food Safety)</td>
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<td>European Union</td>
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<td>Mexico</td>
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<td>Mexico</td>
<td>Fruit and Nursery Products</td>
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<td>Mexico</td>
<td>Potatoes</td>
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<td>Mexico</td>
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<td>South Korea</td>
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<td>Sri Lanka</td>
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<td>Potatoes</td>
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<td>Thailand</td>
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<tr>
<td>Worldwide</td>
<td>Organic</td>
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The Technical Assistance Program for Specialty Crops

The Farm Security and Rural Investment Act of 2002 created the TASC program and authorized the use of $2 million of Commodity Credit Corporation (CCC) resources in each fiscal year from 2002 through 2007. The TASC program is designed to assist U.S. organizations by providing funding for projects that address sanitary, phytosanitary, and technical barriers that prohibit or threaten the export of U.S. specialty crops. Activities that may be undertaken with TASC grants include seminars and workshops, study tours, field surveys, pest and disease research, and preclearance programs.

The Food, Conservation, and Energy Act of 2008 continued the TASC program through 2012 and authorized the use of CCC funds according to the following schedule:

<table>
<thead>
<tr>
<th>Year</th>
<th>CCC Funds</th>
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<tbody>
<tr>
<td>2008</td>
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<tr>
<td>2009</td>
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<tr>
<td>2010</td>
<td>$8,000,000</td>
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<tr>
<td>2011</td>
<td>$9,000,000</td>
</tr>
<tr>
<td>2012</td>
<td>$9,000,000</td>
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</tbody>
</table>
Summaries of New Projects Funded Under the TASC Program During Fiscal Year (FY) 2009

ORGANIZATION: American Seed Trade Association
AMOUNT: $82,750
PROJECT TITLE: Characterizing Pantoea Isolates
ACTIVITY DESCRIPTION: Project aims to mitigate trade barriers faced by seed exporters. The intent is to review and potentially re-optimize all components of the current Stewart's wilt kit. This involves a review of concentrations and purity of antibodies, buffers, substrates, and reactivity to a range of positive *P. stewartii* isolates and related Pantoea species that should give negative reactions. This work will be done by Agdia, Inc., as in-kind support, with assistance from Iowa State University. A range of bacterial cultures (known positives and negatives) are being contributed by several laboratories including the Seed Science Center at Iowa State University.

ORGANIZATION: California Grape and Tree Fruit League
AMOUNT: $250,000
PROJECT TITLE: Technical Expert Assistance
ACTIVITY DESCRIPTION: Funding for this activity would help defray the growing costs of the Mexican oversight and accommodations currently required for the California stone fruit export program. Mexico currently requires that 80 percent of all fumigation and systems approach activities be monitored by its officials in California—this despite the fact that these activities are already being regulated by USDA/APHIS and/or California State officials. The 2008 budget for Mexico’s required oversight of the fumigation and systems approach export programs totals $390,000. This effectively served as an import tariff and the extent of the required oversight is a technical barrier to trade. The additional costs limit industry participation in the export program and reduce exports to Mexico. TASC funding will help ensure the program remains viable until more scientifically justifiable export requirements can be negotiated.

ORGANIZATION: California Tree Fruit Agreement
AMOUNT: $135,110 (multi-year funding level)
PROJECT TITLE: Fumigant Efficacy to PTB, Phytotoxicity Commodities, Small Scale Tests of MB/PH3
ACTIVITY DESCRIPTION: TASC funds will be used for research to provide efficacy data for methyl bromide and phosphine treatment on the life stages of the peach twig borer and determine any phytotoxicity to stone fruit.
ORGANIZATION: California Specialty Crops Council/Minor Crop Farmer Alliance (MCFA)  
AMOUNT: $18,474  
PROJECT TITLE: Understanding Taiwan MRL Trade Barriers  
ACTIVITY DESCRIPTION: MCFA paid travel expenses for a delegation to travel to Taiwan to gain a better understanding of Taiwan's MRL process and work with the USG and affected industry groups to gain a more permanent and lasting solution to the MRL problems in Taiwan.

ORGANIZATION: California Olive Oil Council  
AMOUNT: $211,790  
PROJECT TITLE: Data Gathering For a Composite Chemical Picture of U.S. Olive Oil: Removal of Potential Trade Barriers  
ACTIVITY DESCRIPTION: Trade in U.S. olive oil faces technical barriers based on discrimination arising from the lack of chemical data, the region where the crop is grown, and/or the particular variety. This project seeks to glean a significant amount of chemical data from the various regions and varietals throughout the United States on olive oil samples, creating a significant database that can be used by international standard setters to establish oil grades that do not discriminate against U.S. product.

ORGANIZATION: California Table Grape Export Association  
AMOUNT: $83,004  
PROJECT TITLE: Improved Pest Identification Capabilities and Resources for Fresh Fruit Exports Shipped Under Preclearance Work Plans  
ACTIVITY DESCRIPTION: Purchase of digital imaging equipment and training to enhance the technological capability of pest identifiers to provide essential pest identification for phytosanitary certificates and preclearance quarantine inspections.

ORGANIZATION: Florida Fruit & Vegetable Association  
AMOUNT: $129,460  
PROJECT TITLE: Management, Maintenance, and Expansion of the U.S.-Canada Pesticide Harmonization Database  
ACTIVITY DESCRIPTION: TASC funds will be used to update, expand, manage and maintain the U.S.-Canada Pesticide Harmonization Database that includes information on commodities, active ingredients, product names, registrants, MRLs, and priorities.

ORGANIZATION: JBC International, Inc.  
AMOUNT: $37,550  
PROJECT TITLE: MRL Analysis  
ACTIVITY DESCRIPTION: JBC International, in conjunction with the California Association of Winegrape Growers, will compile a current and complete analysis of Maximum Levels of Pesticide Residues in the top ten export markets for U.S. wine and four emerging wine export markets.
ORGANIZATION: National Potato Promotion Board  
AMOUNT: $ 85,241  
PROJECT TITLE: Funding Market Access Visits to Open New Markets for U.S. Fresh Potatoes  
ACTIVITY DESCRIPTION: Educate foreign plant health officials and resolve market access issues for the U.S. potato industry by taking them on visits to U.S. potato fields, labs, storage facilities, packing sheds, and showing them how seeds are certified.

ORGANIZATION: North Carolina State University  
AMOUNT: $ 113,232  
PROJECT TITLE: Host Status of Eggplant and Pepper to the Pathogen: Peronospora tabacin  
ACTIVITY DESCRIPTION: North Carolina State University will collect and examine published reports of disease occurrence on eggplant and pepper. They will document reports of disease observations from U.S. plant pathologists and agricultural workers in the field where eggplant and pepper are grown in the vicinity of tobacco with blue mold. In addition, they will inoculate U.S. varieties of eggplant and pepper having the potential to be exported to Japan to determine their host status. Subsequently, North Carolina State will examine inoculated tissue sites on the fruit macroscopically for signs and symptoms of disease and microscopically for signs of infection including: spore germination, host penetration, hyphen development, and spore formation.

ORGANIZATION: Northwest Horticultural Council  
AMOUNT: $ 167,119 (multi-year funding level)  
PROJECT TITLE: General Directorate of the Seed Health and Quarantine Agency Inspectors Visit  
ACTIVITY DESCRIPTION: TASC funds will be used to support the on-site presence of one or two Mexican plant quarantine officials for up to four weeks this summer beginning approximately July 15 and concluding August 15; two inspector visits to work with FAS and importers to provide information on the problem and a rationale as to why the Mexican regulations should be changed to eliminate the requirement for verification at origin; and survey trapping for the Oriental fruit moth (OFM) to reconfirm that OFM distribution in Washington is limited to the southern tier of the State.

ORGANIZATION: Organic Trade Association  
AMOUNT: $ 1,666,000 (multi-year funding level)  
PROJECT TITLE: International Organic Trade Technical Resource Guide and Good Agricultural Practice (GAP) analyses  
ACTIVITY DESCRIPTION: The Organic Trade Association will conduct comparative GAP analyses that consist of comparative analyses of the U.S. National Organic Standards for organic production and the standards for organic production of designated countries, as well as identify the barriers and technical barriers to exporting U.S. organic products to international specialty markets. The objective of the GAP analyses will be to develop side-by-side comparisons of the regulations with a view to identify the commonalities and differences between the organic...
standards of the designated countries to help the U.S. industry and the U.S. government determine the critical points and strategies necessary to negotiate favorable trade agreements.

**ORGANIZATION:** Pear Bureau Northwest  
**AMOUNT:** $ 50,000  
**PROJECT TITLE:** Access to China for U.S. Pears: Field Visits by AQSIQ Officials to U.S. Pear Growing Regions  
**ACTIVITY DESCRIPTION:** The activity includes travel for two Department of Animal and Plant Quarantine Supervision and Management officials from Beijing, China, to the pear growing regions of Washington, Oregon, and California. USDA/APHIS hosted this 10-day visit in September 2009. Representatives from APHIS, Washington, Oregon, and California Departments of Agriculture, Pear Bureau Northwest, California Pear Advisory Board and the Northwest Horticultural Council traveled with the group during the visit. Site visits included orchards and packing houses. Meetings were held with industry organizations and with experts in the production of pear fruit and the plant pests and diseases associated with this fruit. These site visits are part of the market access request process for export of plant products between countries. In addition, an interpreter (hired locally) accompanied the group.

**ORGANIZATION:** Puerto Rico Coffee Export Board  
**AMOUNT:** $ 559,365 (multi-year funding level)  
**PROJECT TITLE:** Coffee Berry Borer Biological Control Program  
**ACTIVITY DESCRIPTION:** TASC funds will be used to develop and implement a successful control program that will train farmers and coffee processors on the established procedures to the control and/or eradication of coffee berry borer.

**ORGANIZATION:** U.S. Apple Export Council  
**AMOUNT:** $ 180,000 (multi-year funding level)  
**PROJECT TITLE:** Mexican Work Plan Implementation  
**ACTIVITY DESCRIPTION:** TASC funds will be used to cover expenses of Mexican inspection officials for local and international travel, per diem and administrative expenses consistent with the requirements in the work plans approved by APHIS and the Mexican Government for New York apples. These inspections will be coordinated with those of the ongoing cold storage facilities and work plan and these funds will be used to defray and minimize costs for both.

**ORGANIZATION:** U.S. Hop Industry Plant Protection Committee  
**AMOUNT:** $ 60,000 (multi-year funding level)  
**PROJECT TITLE:** Canada Hop MRL Harmonization Project  
**ACTIVITY DESCRIPTION:** TASC funds will be used to retain a contractor to work on establishing Canadian MRLs for hops. This effort will involve identifying hop MRL priorities for Canada as identified by growers and merchants. In addition, coordination of Canadian registrants and IR-4 will be necessary to prepare data package submissions, including supplying
priorities to the MCFA US-Canada MRL database. To complete the project the contractor will need to work with the Canadian hop growers and the Brewer’s Association of Canada. The activity will be conducted in FY 2010.

ORGANIZATION: University of Alaska Fairbanks  
AMOUNT: $ 85,000  
PROJECT TITLE: Field Survey and Sampling in China  
ACTIVITY DESCRIPTION: China is a very large country with very diverse climatic conditions and agricultural practices. Yunnan is called a “Plant Kingdom” because of its prolific and diverse plant species. With extremely hospitable environmental conditions and an abundance of plant species, diseases on potatoes, fruit trees, vegetables and flowers have become a serious problem for producers. Yunnan is very mountainous and has a “vertical agriculture.” Because there are three crops of potatoes each year, Yunnan is a much better place for the study of aster yellow and witches’ broom phytoplasma diseases than any other region in China. In this project, aster yellow and witches broom phytoplasmas will be analyzed for their means of transmission, distribution, etc. More importantly, the phytogenetic relationships of these pathogens to isolates found in the United States and other countries will be analyzed based on DNA or RNA homology of specific genes. This information will be used to negotiate less onerous mitigation treatments for pests of concern on U.S. potatoes.

ORGANIZATION: University of California Davis PTR & IC (with APHIS)  
AMOUNT: $ 10,325  
PROJECT TITLE: Irradiation in the United States  
ACTIVITY DESCRIPTION: Sharing current knowledge, clarifying misconceptions regarding radiation technology, describing the benefits and drawbacks of various systems with produce marketing association members to increase and enhance the U.S. exports and mitigating other quarantine measures.

ORGANIZATION: University of Connecticut  
AMOUNT: $ 150,000 (multi-year funding level)  
PROJECT TITLE: Technical Assistance to Nursery Industry for Developing Protocols for Quality Assurance of Ornamental Barberry Plant Exports through Molecular Typing  
ACTIVITY DESCRIPTION: The activity will include meetings and discussion forums with the nursery industry, APHIS, the Agricultural Research Service (ARS), and FAS. The purpose of the meetings is to develop protocols to establish a “chain-of-command” of barberry varieties from the nurseries for molecular testing. The results will be transmitted back to both the industry and to APHIS, the regulatory agency. A data base on barberry, including both molecular and morphological characteristics for ornamental barberry currently in the market and destined for exports will be developed and nursery industry informed of any mislabeling. On a pilot basis, barberry imports and shipments destined to exports will be monitored using both classical and molecular tools. The activity will be conducted in FY 2010.
ORGANIZATION: AMS  
AMOUNT: $10,900  
PROJECT TITLE: Quality Initiative for California Almonds  
ACTIVITY DESCRIPTION: TASC funds will be used to facilitate a government-to-government consultation in the assessment of the almond industry's aflatoxin control program. USDA wants to demonstrate the U.S. government's commitment to the almond trade in Europe.

ORGANIZATION: APHIS (with UC Davis)  
AMOUNT: $15,000  
PROJECT TITLE: Irradiation Seminar  
ACTIVITY DESCRIPTION: Sharing current knowledge, clarifying misconceptions regarding radiation technology, describing the benefits and drawbacks of various systems with produce marketing association members to increase and enhance the U.S. exports and mitigating other quarantine measures.

ORGANIZATION: AMS  
AMOUNT: $57,600  
PROJECT TITLE: Hosting the Codex Apple Working Group  
ACTIVITY DESCRIPTION: TASC funds were used to host a meeting of the Codex Apple Working Group in May 2009. The group is led by the U.S. and is currently preparing a draft of the new Codex Standard for apples.

ORGANIZATION: APHIS  
AMOUNT: $85,000  
PROJECT TITLE: Development of Infrastructure and Capacity for U.S. Export Specialty Crops Irradiation Treatments  
ACTIVITY DESCRIPTION: USDA/APHIS will develop an Irradiation Reporting and Accountability Database (IRADS) for exported U.S. product. (IRADS currently exists but focuses on standards and regulations for irradiated produce imported to the United States.) The database will be part of an outreach effort to U.S. exporters, educating them about the advantages of irradiation, as well as providing information on which products are the best candidates for irradiation treatment. It will also serve as a repository for information on best practices with regard to irradiation treatment, storage, and shipment.

ORGANIZATION: ARS  
AMOUNT: $250,000 (multi-year funding level)  
PROJECT TITLE: Support for International Regulatory Approvals for "Honey Sweet" Plums  
ACTIVITY DESCRIPTION: TASC funds will be used to carry out date collection to support international regulatory approvals for "Honey Sweet" plums. International regulatory approval is
sought prior to adoption of the stone fruit variety by producers, which could become necessary in the event that plum pox virus becomes endemic in the United States.

**ORGANIZATION:** ARS  
**AMOUNT:** $84,800  
**PROJECT TITLE:** Evaluating the Efficacy of Systems Approach Components for the Western Cherry Fruit Fly  
**ACTIVITY DESCRIPTION:** TASC funds will be used to evaluate the components of a systems approach including the use of chemical controls, cold treatment and fruit inspection for eliminating the Western cherry fruit fly.

**ORGANIZATION:** AMS  
**AMOUNT:** $242,000  
**PROJECT TITLE:** Hosting an International Standard Application/Interpretation Workshop  
**ACTIVITY DESCRIPTION:** AMS paid travel expenses for officials from 30 emerging market countries to participate in the July 2009 workshop. The workshop is designed for the heads of regulatory/standardization interpretation bodies who regularly participate in international meetings such as Codex and formulate their national positions.