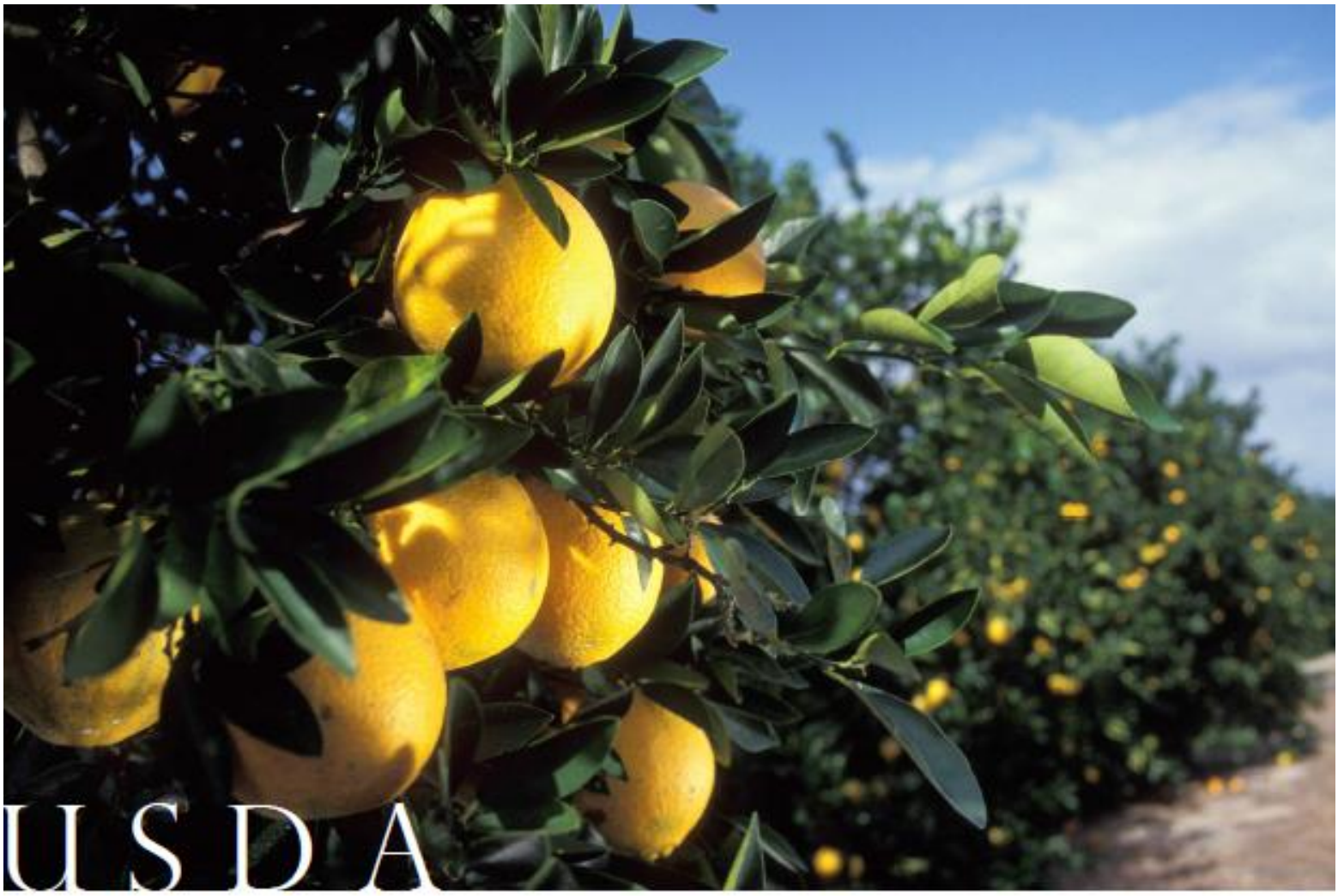


U.S. SPECIALTY CROPS TRADE ISSUES

2013 ANNUAL REPORT TO CONGRESS

Foreword

The United States Department of Agriculture (USDA) is pleased to provide the *U.S. Specialty Crops Trade Issues* 2013 annual report to the United States Congress. This report provides an overview of U.S. specialty crops trade, identifies market access barriers confronting U.S. specialty crop producers and exporters, and highlights the resources used by the U.S. agricultural industry and USDA to advance the exports of U.S. agriculture products. In addition, this report describes the initiatives and partnerships between USDA and U.S. agricultural industry stakeholders that are designed to overcome trade obstacles.

In accordance with the mission of USDA's Foreign Agricultural Service (FAS) to enhance export opportunities for U.S. agriculture, the agency administers a variety of market development programs that assist the U.S. specialty crop sector. An important tool in addressing market access issues is the Technical Assistance for Specialty Crops (TASC) program. The TASC program was introduced in 2002 to assist the U.S. specialty crop industry in establishing or improving foreign market opportunities by removing Sanitary and Phytosanitary (SPS) issues and related trade barriers. With the passage of the Agricultural Act of 2014, this program was expanded to include Technical Barriers to Trade (TBT). With annual funding of $9 million dollars, TASC program grants have produced positive results by funding pest and disease research, food safety workshops, study tours, pesticide field trials, and pre-clearance programs.

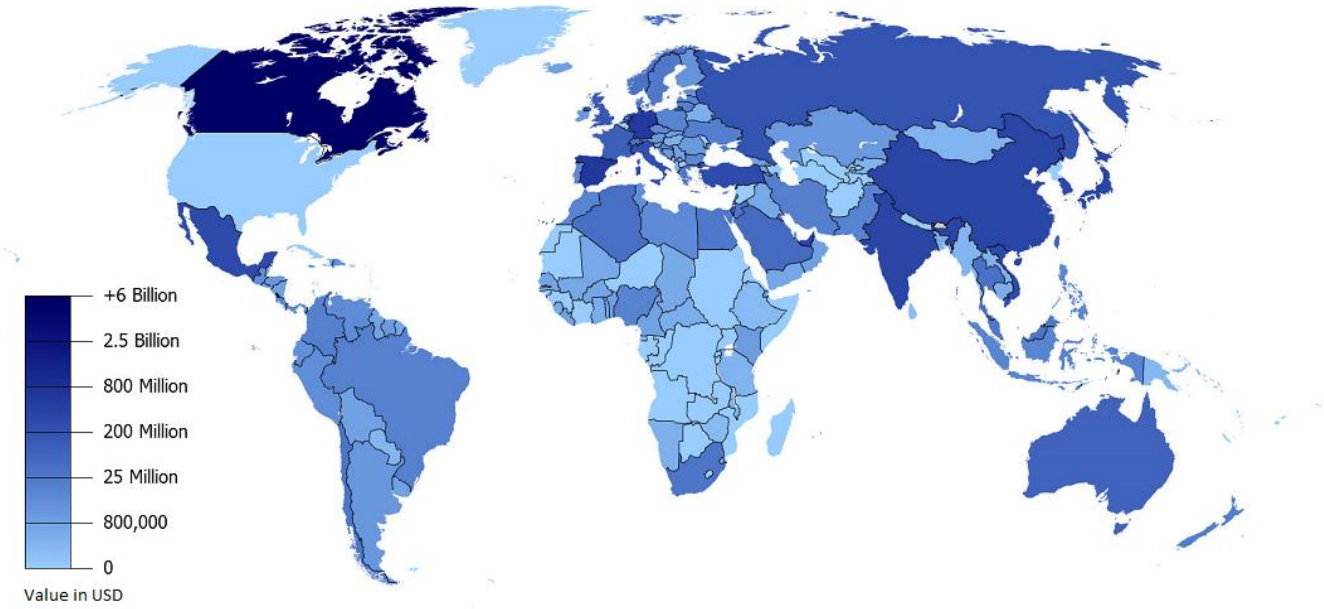
Access to the world's markets is critical to the livelihoods of U.S. specialty crop growers. FAS works closely with U.S. agricultural industry groups, U.S. regulatory agencies, and the Office of the United States Trade Representative (USTR) to open, maintain, and expand access for U.S. specialty crop products. In addition to an overview of foreign market trade barriers and the TASC program, this report describes success stories that culminated in 2013. These illustrations demonstrate how enhanced cooperation between USDA and the U.S. agriculture industry can establish new markets for U.S. products and result in significant economic gains for U.S. producers. Before full implementation of the TASC program in 2002, exports of U.S. specialty crops totaled just over $7.3 billion. Eleven years later, exports have risen to a record level of $21.6 billion (including tree nuts - $7.6 billion; fresh fruit - $5 billion; fresh vegetables - $2.4 billion; processed fruits and vegetables - $6 billion; and nursery and other specialty crops - $598 million).

The challenges of overcoming foreign market trade barriers are often daunting and may discourage U.S. specialty crop producers' efforts to ship products overseas. However, with USDA's commitment to assisting U.S. agricultural stakeholders, the United States is well positioned to overcome many of the impediments that deter U.S. specialty crop exports and increase their ability to compete in the global marketplace.

Introduction

General Overview and Status of U.S. Specialty Crops Trade

Specialty Crops Trade By Country (2013)

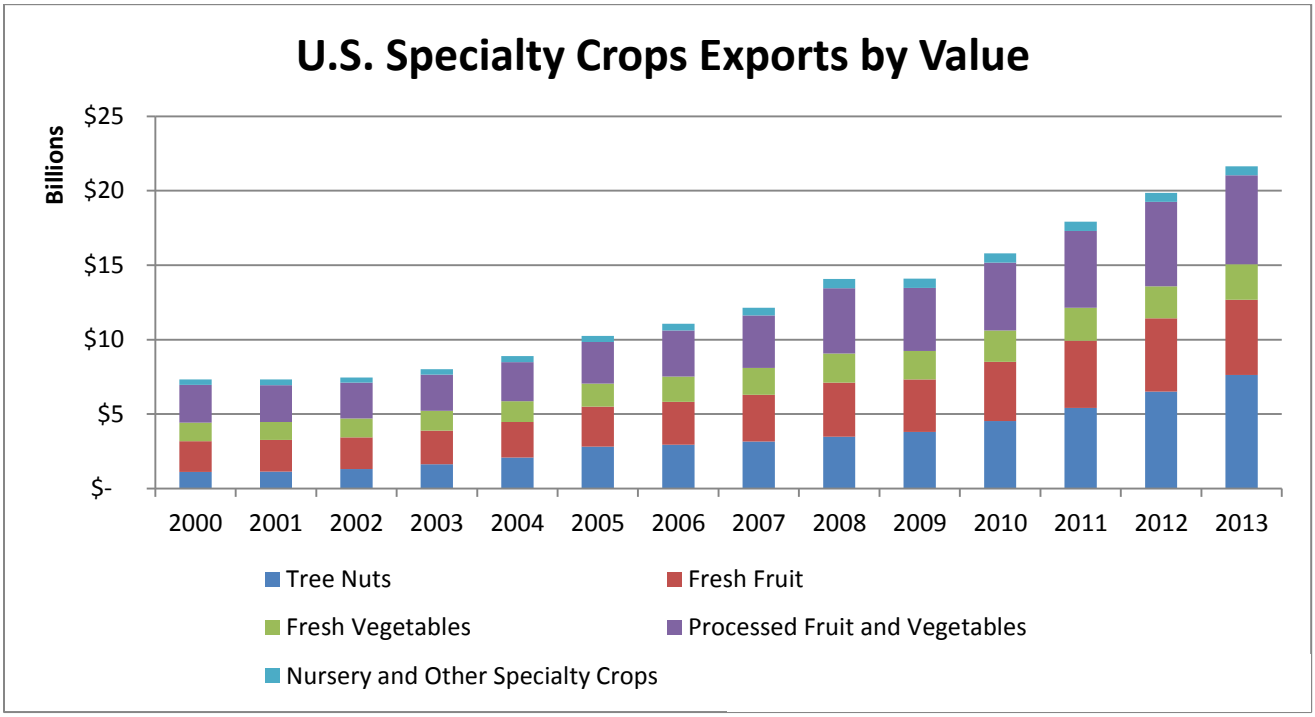


Source: USDA/FAS Global Agricultural Trade System

FAS is pleased to submit this report as required under Section 3203 of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill). For the purpose of this publication, "specialty crops" are defined in accordance with the Specialty Crops Competitiveness Act of 2004 – (Sec. 3), as amended by Section 10109(a) of the 2008 Farm Bill, as fruits, vegetables, tree nuts, dried fruits, horticultural crops, and nursery crops (including floriculture). This report illustrates the barriers to trade that threaten or directly restrict the trade of U.S. specialty crop exports to foreign markets, as well as describe U.S. Government (USG) interventions to remove these barriers.

Since the implementation of the TASC program in 2002, U.S. exports of specialty crops have nearly tripled, increasing to over $14 billion in just over a decade. These exports increased by 9percent from 2012 to reach a record level of over $21.6 billion in 2013, and now make up 15 percent of total U.S. agricultural exports. This growth is not a short-term phenomenon, but rather a result of several factors contributing to the long-term growth of U.S. specialty crop exports. A notable impact is emerging countries' improved economies and new demand for quality, high-value goods. As a result of increased purchasing power, middle class populations in these countries have started to desire the superior quality and variety of specialty crops that U.S. producers have to offer. Additionally, technological innovations, particularly in efficient production and better transportation, have made U.S. exports more affordable and lowered the costs of international trade. Improvements in infrastructure and supply chain efficiency also facilitate the trade of highly perishable products such as fruits, vegetables, and floriculture and ideally

position these exports for continued future growth. Finally, the efforts of the USG to develop trade agreements with partner countries will continue to open markets for U.S. agricultural products. All of these factors highlight the crucial role that exports play for many U.S. growers of specialty crops. For some of these exporters, trade accounts for a significant share of their annual income. For example, many tree nut producers see at least 60 percent of their total production sent to overseas markets. Maintaining dependable export markets for U.S. agriculture is critical for U.S. farmers and for bolstering the U.S. economy.



Source: USDA/FAS Global Agricultural Trade System

Overseas demand presents opportunity for U.S. exporters, but when market access is threatened by trade barriers exporters face risk. As global trade expands, new measures that unnecessarily restrict the import of commodities that compete with their domestic production may be implemented by foreign governments. Countries also restrict access based on geopolitical climate or through concerns for the health of their population, livestock, or crops. These issues will continue to challenge U.S. exports. The USG uses several mechanisms to assist the U.S. specialty crop industry in removing trade impediments. For example, the USG often uses bilateral and multilateral negotiations in the World Trade Organization (WTO), Codex Alimentarius, Free Trade Agreements, or the International Plant Protection Convention to raise trade concerns. The participation of the United States in these negotiations involves numerous USG agencies. USTR is the lead negotiator for the USG and is responsible for developing and coordinating U.S. international trade and investment policy as well as overseeing negotiations with other countries. Another government agency that plays a role in coordinating interactions with other countries is the Environmental Protection Agency (EPA). The EPA establishes pesticide Maximum Residue Limits (MRLs) to ensure a safe food supply, promotes the use of safe pest control methods, and establishes standards and requirements in relation to pesticide management based on science. Additionally, the Food and Drug Administration plays an important role in assessing foreign food safety measures implemented by U.S. trade partners.

USDA's Role in Fostering U.S. Specialty Crop Exports

The Department with the biggest role in trade of U.S. specialty crops is USDA. Within USDA, several agencies are pivotal in fostering and developing international trade.

-**The Animal and Plant Health Inspection Service (APHIS)** works to prevent the spread of agricultural pests and diseases affecting animals and plants in the United States, advances science-based standards to prevent U.S. agricultural exports from facing unwarranted restrictions, and conducts bilateral negotiations with trading partner countries to develop scientifically supported, least-trade-restrictive phytosanitary measures for new and expanded access of U.S. specialty crop exports. APHIS' Plant Protection and Quarantine (PPQ) program area, the National Plant Protection Organization for the United States, directs U.S. phytosanitary export policy, including export protocols implemented by APHIS PPQ, State, and County regulatory officials. PPQ also manages an electronic system for issuing phytosanitary certificates, which facilitates growing exports of U.S. specialty crop exports. APHIS further supports U.S. specialty crop exports with its on-the-ground network of agricultural counselors in key markets for U.S. plants and plant products.

-**The Agricultural Marketing Service (AMS)** administers programs that facilitate the efficient, fair marketing of U.S. agricultural products, including specialty crops. AMS offers a variety of fee-based, voluntary product certification, including domestic and export certification, and production/processing verification services that provide independent, third-party assurance that contractual agreements, foreign government requirements, and other requirements are met. AMS also develops and maintains a host of voluntary quality and product description standards for use in commercial transactions. This includes the AMS, National Organic Program, which regulates the term "organic" and oversees the process certification of organic products.

-**The Agricultural Research Service (ARS)** conducts research to develop efficacious pest mitigations that have proven effective in opening and maintaining access to major export markets for the U.S. specialty crop industry.

-In addition to these agencies, **the Foreign Agricultural Service (FAS)** has the primary mission of addressing the growing importance of a global marketplace, and supporting U.S. agriculture through the facilitation and development of trade. FAS is committed to advancing U.S. food and agricultural interests on a world scale and provides leadership in developing, coordinating, and executing USDA strategies to accomplish this goal.

FAS is the U.S. link to the global agricultural marketplace. In order for U.S. agriculture to continue to grow, FAS strives to open, expand, and maintain access to the world's markets. The work of FAS around the globe builds new export markets and expands existing ones, promotes food security, develops agricultural capacity in fragile and developing markets, and improves the overall competitiveness of U.S. agriculture. In order to accomplish its goals, the agency, headquartered in Washington, D.C., maintains a global network of 95 overseas offices that cover 167 countries. These offices are staffed by agricultural attachés with support from locally hired experts and are the eyes, ears, and voice for U.S. agriculture around the world. FAS overseas officers engage in activities that work to develop the competitive position of U.S. agriculture. This includes introducing U.S. sellers to foreign buyers to promote U.S. agricultural products, and the gathering of on-the-ground intelligence of foreign agricultural markets, crop

conditions, and agro-political dynamics. FAS staff identify problems, provide practical solutions, and work to advance opportunities for U.S. agriculture through trade policy, market development and export assistance, data and analysis, and trade capacity building and food security.

Trade Policy

FAS works to ensure a level playing field for U.S. agriculture in the international marketplace. The agency coordinates closely with APHIS, other USDA agencies, USTR, and the private sector in an effort to expand and maintain access to foreign markets for U.S. agricultural products by removing trade barriers and enforcing U.S. rights under existing trade agreements. USDA staff collaborate with foreign governments, international organizations, and other U.S. organizations to develop international standards and to improve predictability for agricultural trade.

Market Development and Export Assistance

FAS partners with representatives from a cross-section of the U.S. food and agricultural industry and manages a toolkit of market development programs to help U.S. exporters develop and maintain markets for hundreds of products. FAS also supports U.S. agricultural exporters through export credit guarantee programs, trade capacity building, and many other types of assistance. From facilitating relationships with potential foreign buyers to providing technical and financial assistance, FAS possesses resources and expertise that link U.S. agriculture to the world.

Data and Analysis

FAS plays a critical role in USDA efforts to analyze global commodity data for major agricultural commodities. FAS cultivates a network of global contacts that contribute to the agency's unique market intelligence capacity. FAS analysts provide objective intelligence on foreign market opportunities, prepare production forecasts, assess export marketing opportunities, and track changes in policies affecting U.S. agricultural trade. USDA data analyses are considered to be the most credible, timely, and reliable in the world.

Trade Capacity Building and Food Security

FAS leads USDA efforts to assist developing countries in improving their agricultural systems and building trade capacity. FAS also partners with U.S. Agency for International Development to administer U.S. food aid programs and assist people in need around the world. The non-emergency food aid programs of FAS help meet recipients' nutritional needs and support agricultural development and education. Trade capacity building facilitates understanding and acceptance of U.S. and international trade and policies, strengthens food security, and reduces hunger and malnutrition. FAS programs develop trade capacity to further U.S. agricultural trade interests in developing countries.

SPS and TBT Measures

A significant obstacle to U.S. trade overseas is the implementation of unwarranted SPS and TBT measures. SPS measures are requirements and regulations that governments apply to products in order to protect human, animal, or plant health. The WTO Agreement on the Application of Sanitary and Phytosanitary Measures recognizes the right of governments to implement measures provided these policies are based on science and do not unjustifiably discriminate against countries and agricultural products. However, at times governments may apply SPS measures that are not based on science and are trade prohibitive. These overly stringent or unfounded barriers create substantial obstacles for U.S.

agricultural exporters, and can be actionable under U.S. trade law as well as in the WTO. Some examples of SPS barriers include pesticide tolerances, countries' overly restrictive requirements to address concerns about quarantine pests, and contaminants in food products.

The WTO Agreement on Technical Barriers to Trade acknowledges that governments have the right to enact measures to achieve legitimate objectives, such as human health and safety, and protection of the environment. Technical regulations and standards can vary significantly between countries, and, if set arbitrarily, they can limit trade. The TBT agreement attempts to ensure that these regulations and standards do not create unwarranted obstacles for trade between countries. It is the sovereign right of governments to apply SPS and TBT measures in order to protect their people, animals, and plants from legitimate risks. However, measures that appear discriminatory, unscientific, or unwarranted are subject to challenge under the WTO.

Technical Assistance for Specialty Crops (TASC) Program

The Farm Security and Rural Investment Act of 2002 created the TASC program and authorized the use of Commodity Credit Corporation resources for funding. The TASC program is designed to assist U.S. organizations by providing funding for projects that address sanitary, phytosanitary, and technical barriers which prohibit or threaten exports of U.S. specialty crops. The program is intended to benefit an entire industry or commodity as opposed to a specific company. Activities undertaken with TASC program grants include seminars and workshops, study tours, field surveys, pest and disease research, and pre-clearance programs. Many different organizations can apply for funds, including U.S. non-profit, for-profit, and government organizations. FAS reviews the proposals and awards funds on a highly competitive basis. Grants may not exceed $500,000 per year and the maximum duration of a project is 5 years. Applicants must demonstrate how their projects will overcome trade barriers and retain or expand market access. The TASC program is an integral tool for the U.S. specialty crop industry and supports USDA's efforts to reduce challenges faced by U.S. producers and exporters.

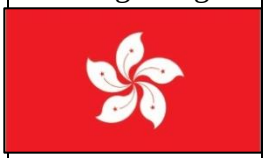

States That Have Received TASC Funding
2010-2013
-TASC Recipient State

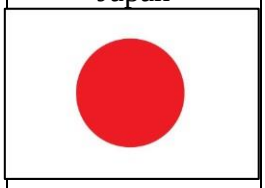
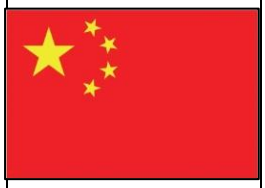
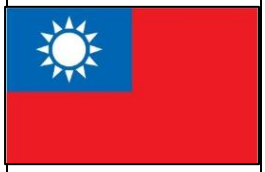
TASC Program Activities Awarded for Fiscal Year 2013

Organization	Project Title	USD	Description
Cranberry Marketing Committee	Generating Additional Necessary Quinclorac Data to Obtain a Cranberry Import Tolerance in the EU	43,000.00	The committee will contract out two research studies that will produce data for the EU quinclorac import tolerance application.
Pear Bureau Northwest	Field Visits by AQSIQ Officials to U.S. Pear Growing Regions	27,000.00	Bring AQSIQ officials from China to U.S. pear growing regions to facilitate market access with China.
National Potato Promotion Board	Zebra Chip and Potato Exports: Pest Delimitation and Vector/Pathogen Biology Impacting Trade with Korea	911,544.00	Conduct research for Korean concerns over opening their market to potatoes from Idaho, Oregon, and Washington.
California Citrus Mutual	Trapping for Asian Citrus Psyllid (ACP) for All California Commercial Citrus Counties Through a Random Selection Process that Determines Specific Locations in Production Areas.	2,000,000.00	In order to comply with Australia's Plant Biosecurity requirements, trapping will be conducted in all commercial citrus production areas to determine if ACP is spreading.
California Strawberry Commission	Preliminary Evaluation of Methyl Bromide Fumigation on the Viability of Xanthomonas Fragariae in Angular Leaf Spot Lesions on Calyces of Strawberry Fruit	97,500.00	Conduct research on the viability of X. fragariae found on fresh strawberries following methyl bromide fumigation and assess risk to Australian strawberry production.
Driscoll Strawberry Associates	The Postharvest Treatment of California Raspberries with Methyl Bromide, Alternative Fumigants, and Non-Chemical Alternatives to Eliminate SWD	97,068.00	Conduct research on SWD fumigation with methyl bromide to present to Australian officials in the risk assessment for raspberry market access.
Citrus Research Board of California	Breaking Critical Trade Barriers for California Citrus Exports	1,167,407.00	Identify treatments for pests, and conduct confirmatory testing and presentation of results to the trading partner.
California Strawberry Commission	Postharvest Treatment of California Strawberries with Methyl Bromide and its Alternatives to Eliminate Key Mite Pests for Export Markets	115,242.00	Conduct research proving pacific spider mite (PSM) and strawberry spider mite (SSM) can be eliminated from trade channels of California strawberries.
Cranberry Marketing Committee	Establishing Carbaryl Metabolite Standards in Support of EU Import Tolerance for Cranberries	76,000.00	Seek metabolites for carbaryl in cranberries and draft a petition for a carbaryl cranberry MRL when ready.
Bryant Christie Inc.	Maximum Residue Level (MRL) Database Funding for Specialty Crops	228,448.00	Collect specialty crop MRL information from foreign governments and WTO notifications and provide up to date information on a publicly available database.
Michigan State University	Avoiding MRL Exceedance in Overseas Markets: Invasive Species Put Midwest Apple and Cherry Growers in Jeopardy	265,775.00	Conduct scientifically valid and replicated apple and cherry MRL and invasive species studies in Michigan.
National Potato Promotion Board	Official Plant Health Visits for U.S. Fresh and Seed Potato Market Access	90,000.00	The project seeks to bring foreign plant health officials to the U.S. in order to review the U.S. potato industry as part of market access negotiations.
California Grape & Tree Fruit League	The Postharvest Cold-Treatment of California Stone Fruit for the Spotted Wing Drosophila, Drosophila Suzukii (SWD)	135,293.00	The CGTFL will conduct research involving the laboratory-scale evaluation and optimization of cold-treatments on SWD.
California Department of Food and Agriculture (CDFA)	Minimizing Trade Barriers Through Field Surveys for the Light Brown Apple Moth (LBAM)	500,000.00	CDFA will conduct field surveys on various specialty crops in areas that have detected LBAM and areas where LBAM has not been detected in order to address state wide quarantines in various overseas markets.
Ginseng Board of Wisconsin (GBW)	Research to Develop a Grower Plan that Reduces Pesticide Residues to Comply with Maximum Residue Limits	180,000.00	GBW will conduct studies testing grower plots for fungicide residues, as well as establish a pilot soil-testing program that will test for potential pesticide residue in the soil before planting.
ARS - Pacific West	Post Harvest Control on Apples	62,891.00	Development of oxygenated phosphine fumigation to control codling moth and apple maggot in apples.
ARS - Washington	Host Status of Temperate and Tropical Fruits for Apple Maggot Fly	59,638.00	Determine the threat of hawthorn-versus apple-infesting populations of apple maggot to apples in Washington state.
ARS - Pacific West	Oxygenated Phosphine Fumigation for Postharvest Control of Light Brown Apple Moth (LBAM) on Fresh Vegetables and Fruits	111,742.00	Development of oxygenated phosphine fumigation to control LBAM on fresh vegetables and fruit.
ARS - Hawaii	Development of Irradiation Treatments for Export Fruit Markets: Impacts on Quality and Shelf-Life	87,690.00	Research on determining radiation doses for specific invasive pests associated with various fruits.

Trade Issues Summary

Below is a list of some of the most significant existing and emerging challenges affecting the U.S. specialty crop industry. The table indicates several of the top U.S. specialty crop export markets and commodities affected by trade barriers. As evidenced by the table, SPS/TBT barriers touch numerous countries and encompass a wide range of specialty crops. In addressing these barriers, the USG and U.S. agricultural industry take a comprehensive approach by employing both technical and policy expertise in order to obtain a successful resolution.

COUNTRY	2013 SPECIALTY CROP EXPORTS	TRADE BARRIER	DESCRIPTION
Canada 	$6.2 billion	Removal of MRL Default Tolerance	Canada has stated its intention to revoke the general default tolerance of 0.1 parts per million for pesticides not currently registered in Canada.
		Light Brown Apple Moth (LBAM)	Canada has placed regulatory requirements on the importation of LBAM host crops.
European Union 	$3.5 billion	Citrus Canker/Citrus Black Spot	Importing regulation on the sourcing of citrus is not based on the latest scientific research.
		Brown Rot on Cherries	Pre- and post-harvest treatment requirements.
Mexico 	$1.7 billion	Oversight Requirements for Stone Fruit	Mexico requires excessive oversight in the production of stone fruit from California.
		Limited Distribution Requirements	Mexico prevents U.S. potatoes from being exported beyond a range of 26 km from the U.S./Mexico border.
Hong Kong 	$1.65 billion	MRL Positive List System	Hong Kong's transition from deferring to Codex MRLs to developing a positive list system.

COUNTRY	2013 SPECIALTY CROP EXPORTS	TRADE BARRIER	DESCRIPTION
Japan 	$1.6 billion	Pesticide Labeling Requirements	Japan requires labeling of all products that have been treated with a post-harvest fungicide.
		MRL Sanctions Policy	Japan imposes excessive sanctions on U.S. exporters of fresh fruits and vegetables, resulting at times from a single violation.
		Systems Approach Requirements for Cherries	Japan maintains onerous data requirements in order to export U.S. cherries under the systems approach.
South Korea 	$896 million	Zebra Chip, and Potato Spindle Tuber Viroid	Restrictions on potato exports. Pending market access request for 8 States to export to South Korea.
		Fire Blight	South Korea identifies fire blight as a quarantine pest for apples.
China 	$745 million	Completion of Pest Risk Assessment (PRA)	China's slow and cumbersome process for completing PRA's is impeding market access for avocados, table stock potatoes, strawberries, and nectarines.
		Fire Blight, Fungal Pathogens, and Brown Rot	China suspended access for U.S. apples and citrus due to the presence of these various SPS issues.
India 	$567 million	Labeling Requirements	India's TBT policy for labeling wholesale almonds is burdensome and trade restrictive.
Taiwan 	$486 million	MRL Backlog	Extensive MRL application reviews, port screening procedures, and a zero default tolerance policy for non-registered pesticides.
		MRL Sanctions Policy	Taiwan's sanction policy for MRL violations is excessive and trade restrictive.

Commodity Highlights and Success Stories

In 2013, the U.S. specialty crop industry had a number of marked successes. The following section showcases the diversity of U.S. specialty crop industries that benefited from the TASC program. The stories highlight the unique challenges facing U.S. producers as well as the innovative solutions resulting from the USDA/industry partnership

-Almond producers, using education of foreign officials, were able to overcome erroneous and inconsistent rejections of their shipments to the European Union.

"Over the years the Almond Board has relied heavily on foreign market development funding. We use MAP, FMD, TASC funds and export to 90 countries, which is 70 percent of our crop. So this is really important to our industry's success to maintain market access" **–Almond Board of California**

-In working with FAS and APHIS, U.S. peach and nectarine growers were able to gain access to one of the most trade restrictive markets in the world: Australia.

-U.S. hop growers were able to overcome an EU MRL regulation that was too restrictive, an issue that will repeatedly challenge U.S. specialty crop producers as new plant protection methods are developed and countries adjust their policies.

"One of the biggest issues facing a number of the specialty crops groups in the U.S. is our efforts to try and expand exports into various markets around the world, many of which are done with the assistance of the Market Access Program and other related programs that are offered through FAS." **–U.S. Hop Industry Plant Protection Committee**

-Through the hard work of FAS and APHIS, full access to Australia was negotiated for California table grapes.

"We are going to not only increase the fruit into Western Australia, we are going to extend the season into which California fruit is being exported to Australia and that is directly a result of all the work that APHIS and FAS did to get that market open for us." **-California Table Grape Commission**

- After 15 years, U.S. fresh vegetable growers, using multiple programs, worked collaboratively with FAS and APHIS to gain full access to the Philippines.

Native to South Asia and the Mediterranean, almond trees were first brought to California from Spain in the 1700s. Since then, California producers have cultivated this tree nut to become the world's largest supplier and exporter of almonds. Today, almonds are the largest U.S. specialty crop export with approximately $4 billion worth of product exported in 2013. In the United States, almonds are grown primarily in California and people across the world have come to know and desire California almonds.

Trade issues and how they were addressed

When issues arise on U.S. almond exports, FAS overseas offices have been the Almond Board of California's (ABC) first point of contact and partner in addressing disruptions in the almond trade. The collaboration between local trade organizations, government authorities, FAS field offices, and the almond industry has been pivotal in overcoming trade barriers and expanding demand in emerging markets. ABC is a Market Access Program (MAP) and Foreign Market Development (FMD) recipient and uses these funds to increase global awareness of U.S. almonds and expand demand through public relations and advertising in foreign markets. In addition, ABC regularly works with FAS to address foreign market SPS and TBT measures.

An issue that can affect the trade in almonds is the presence of aflatoxin. Tolerance levels for aflatoxin are established in the United States, Codex, and most foreign countries to protect human health by limiting exposure to the substance. One of the largest markets for U.S. almond exports is the European Union (EU) with a value of approximately $1.5 billion in 2013. The EU has one of the world's most stringent aflatoxin standards and is more restrictive than the United States. In 2007, the EU implemented special measures on U.S. almond products due to non-compliance with EU aflatoxin standards. This measure led to the mandatory testing of all California almonds imported into EU member countries. Almonds testing over the allowable EU aflatoxin limit were rejected and subsequently resulted in significant monetary losses for U.S. exporters.

In order to resolve this barrier, ABC worked with USDA to create the Voluntary Aflatoxin Sampling Plan (VASP). VASP is a sampling program with a sensitivity equivalent to that used by EU regulators. It is designed to provide uniform analytical methods for U.S. industry members and result in fewer rejected

loads in EU Member States. However, even with the program in place, there continued to be disruptions in some EU countries due to the lack of understanding of VASP by local EU port officials. ABC requested FAS assistance and applied for a TASC program grant to address the problem through education. ABC received TASC program funds to orient EU officials to the VASP and demonstrate the procedures for controlling aflatoxin in the United States. EU officials were taken through a series of seminars and lectures that demonstrated the effectiveness of VASP and also visited almond handling facilities and USDA-approved laboratories that performed aflatoxin analysis for VASP. These activities instilled confidence in the protocols adopted by California producers and increased their understanding of how EU Special Measures and VASP applied to U.S. almond consignments. The EU participants expressed the view that the California almond industry has successfully implemented the proper protocols to address EU aflatoxin regulations and almonds should be considered a low-risk commodity. As a result of TASC program grants for this education activity, U.S. exporters experienced a significant decrease in the number of erroneously detained or rejected consignments. In addition, due to increased confidence in VASP, the EU reduced import controls on U.S. almonds to random inspection levels in 2010. The U.S. almond industry reports that this program has resulted in a 40 percent decrease in aflatoxin rejections.

On July 1, 2014 the EU voted to officially remove U.S. almonds from Special Measures legislation. As a result of this vote, EU authorities reduced the import controls and required documentation of U.S. almond consignments necessary for entering the EU market. U.S. almond exporters no longer require a EU Common Entry Document or prior notification of goods to EU port authorities. This development and overall success of VASP will save the U.S. almond industry valuable time and resources by streamlining the procedures for exporting U.S. almonds to the European Union.

The cultivation of peaches occurred throughout the ancient world, from China to Rome, and eventually made its way to the Americas. By the middle of the 18th century, peaches were so plentiful in the United States that they were commonly mistaken as a native fruit. Due to their naturally sweet taste, peaches are highly desired and today they are produced commercially throughout the country. California is the dominant peach producing state, providing almost 75 percent of the country's peach production in 2012.

The next largest peach producing states are South Carolina and Georgia. California also produces virtually all of the nectarines grown in the United States.

Trade issue and how it was addressed

Access to the Australian market presents an enticing opportunity for U.S. peach and nectarine growers. Due to the counter-seasonal production cycle, the U.S. stone fruit industry estimates the Australian market could be worth $15 million over 5 years of trade for California's stone fruit producers. In July 2010, Australia issued a final policy to authorize market access for U.S. stone fruit (peaches, nectarines, plums, and apricots) from California and the Pacific Northwest States of Idaho, Oregon, and Washington. However, in response to appeals from Australian stakeholders, Australia subsequently prohibited market access until a mitigation could be identified and approved for the pest spotted wing drosophila (*Drosophila suzukii* or SWD) in stone fruit. SWD was first detected in California in 2008 and is a pest of concern to Australia.

Australia's concerns with the presence of SWD in the United States presented one of the most significant trade barriers to U.S. stone fruit in recent years. Australia required California's stone fruit producers to develop mitigation strategies to meet Australia's Department of Agricultural, Fisheries, and Forestry's (DAFF) quarantine standards for SWD. After extensive technical and policy collaboration between USDA and DAFF, the United States developed a mitigation that addressed Australia's plant health concerns while opening the market for U.S. peaches and nectarines. Australia's requirements for U.S. peaches and nectarines included an Australian phytosanitary inspection of the fruit either in California (preclearance) or at an Australian port of entry. The California stone fruit industry opted to alleviate the risks of shipment rejection or delays in processing the shipments on arrival in Australia by contracting Australian preclearance officials to conduct inspections in California. The California Grape and Tree Fruit League received TASC program grants to support the U.S. stone fruit industry's preclearance program for peaches and nectarines in 2013. In addition to reducing the uncertainty, fruit not complying with Australia's quarantine requirements could be diverted from export. Earlier detection of potential rejections relieved exporters of significant financial risks and allowed the export of peaches and nectarines to Australia in a timely manner in 2013. Efforts of USDA and the U.S. stone fruit industry as well as the availability of TASC program funds enabled U.S. fresh peach and nectarine exports, valued at $4.3 million dollars, to Australia in 2013.

Since the late 1800s, the Pacific Northwest region of the United States has been home to nearly the entirety of the American hop industry. Although 98 percent of U.S. hop production occurs in three states, in 2013 an additional 14 states joined commercial hop production. Due to uniquely skilled producers and the region's climate, American hops have developed a reputation throughout the world as some of the highest quality hops to be found. The U.S. hop industry now produces one-third of the world's hops.

Washington's picturesque Yakima Valley, nestled at the base of the Cascade Mountain Range, is one of the most fertile and productive growing regions in the world and home to approximately 75 percent of the U.S. hop acreage. Because of the desirable quality of the hops produced in the valley, almost two-thirds of the hops produced in this region are exported to other countries.

In Oregon's Willamette Valley, the climate experienced during the growing season facilitates the production of high quality aroma-type hops and about 15 percent of America's harvest.

In Idaho, Treasure Valley is home to one of the State's two primary hop growing regions. The rest of Idaho's hops are grown just 10 miles from the U.S.-Canadian border in the northern part of the state's panhandle. These two regions make up about 8 percent of the U.S. hop harvest.

Trade Issue and how it was addressed

In the cultivation process, the U.S. hop industry relies on a variety of pesticides to safely and responsibly address pest issues that emerge during the growing season. Without the aid of these pesticides, pests and disease would significantly reduce crop yield and quality. One of the most critical of these products is quinoxyfen, a newer, reduced-risk fungicide used to address the fungal pathogen of powdery mildew. Quinoxyfen provides late season protection that prevents the fungus from colonizing inside hop cones to the detriment of the hops, and is an important input in the stages leading up to harvest.

In 2013, over $191 million of hops and hop products (80 percent of the U.S. hop production) were exported—indicating the significant role trade plays for U.S. hop producers. The EU is the largest destination market for hops, representing almost 40 percent of U.S. annual crop exports and over $68 million in 2013. However, an overly restrictive EU pesticide tolerance for quinoxyfen significantly limited the market potential for U.S. hop exports to the region. The EU has implemented a MRL of 0.5 parts per million (ppm) for the pesticide while the U.S. had established a MRL of 3 ppm for hops. As a

result of this disparity, U.S. hop producers interested in exporting to the EU limited the use of quinoxyfen during later stages of production and risked fungal damage to their crop. Similarly, U.S. growers using quinoxyfen during the end of the growing season incurred costly segregation procedures for their crops or were completely shut out from exporting to the European market.

U.S. Hop Industry Plant Protection Committee (USHIPPC), with the support of the U.S. and German hop industries, began the process to seek a higher hop import tolerance for quinoxyfen in Europe. A higher tolerance would allow U.S. hop growers to use quinoxyfen at critical stages of production while meeting the EU regulatory standard. In order to submit a comprehensive data package to the European Food Safety Authority, the USHIPPC was required to conduct several field trials residue studies and gather technical information on the chemical. In 2010, USHIPPC requested and received a TASC program grant to gather the scientific research for their petition to the EU. Over the next 3 years, USHIPPC compiled the research data and submitted the import tolerance request to the EU authorities. As a result, EU officials raised the MRL of quinoxyfen to 2 ppm in January of 2014. U.S. hop growers may now apply quinoxyfen at critical stages of production and ship to the EU without the threat of a MRL violation.

Since 1839, when the state's first vineyard was planted near what is now modern day Los Angeles, California has been a home to the table grape industry. Today, virtually all of the grapes that are grown commercially in the United States are grown in California by family-owned operations. In 2013, the United States exported approximately 40 percent of total production and $850 million worth of grapes around the world. In 2013, the largest trading partners for table grapes were Canada, Hong Kong/China, and Mexico.

Trade issue and how it was addressed

Australia is an attractive counter-seasonal market for California fresh table grape exporters. Through the efforts of USDA, market access for California table grapes to Australia was granted in 2002. California fresh table grape access to Australia improved each year until 2010, when Australia expressed concern about SWD in California. Although SWD has not been found in California table grapes, SWD is present

in California, and Australia identified grapes as a potential host of SWD. In May 2010, Australia announced emergency import requirements for California table grapes to address this pest: methyl bromide fumigation plus an additional SWD inspection with individual examination of 2,400 grapes per inspection lot. The SWD protocol resulted in increased costs to U.S. producers and reduced exports to Australia by over 55 percent from 2009 to 2010. In particular, the costs associated with the Australian inspection procedures were burdensome to U.S. producers, discouraging exports to the Australian market. Since fumigation upon arrival was not permitted by Australia, many grapes were air shipped as opposed to more cost-efficient ocean transport. On behalf of California's table grape producers, USDA developed research to support a cold treatment protocol, submitted it to Australia, and gained Australia's approval in 2012 of this new treatment, which resulted in the removal of Australia's emergency inspection requirements.

To address these barriers, the California Table Grape Commission applied for and received TASC program grants to offset the increased cost of shipping to Australia due to the preclearance program. These funds mitigate the cost of shipping California table grapes to Australia, which boosted table grape exports. In 2009, the California table grape industry shipped approximately two million boxes to Australia and had 17 growers participating in the market. In 2010, exports dropped to 700,000 boxes and nine U.S. participants as a result of the restrictions. With a TASC program grant in place, the number of participants increased to 12 and the number of boxes shipped rose to 1.4 million in 2011. In 2012, figures continued to rebound to 14 growers and 1.6 million boxes, and, in 2013, to 18 participants and 1.9 million boxes. Since 2010 California table grape exports to Australia increased 130 percent to $50 million dollars in 2013. With the TASC program grant offering temporary assistance for exporting, shippers in California's Central Valley can continue to ship grapes to Australia with increased certainty, and, for the first time since the SWD issue arose, shippers in the Coachella Valley are able to participate in this market.

In addition, the California table grape industry shipped fruit directly to Western Australia for the first time ever in 2013. As a result of FAS, APHIS, and the California table grape industry efforts, access to Western Australia was achieved in 2013 with first-time exports of 225,000 boxes of California grapes.

Cold Chain Project: Developing the Infrastructure

Since 1998, FAS has been actively engaged in international cold chain technical assistance to address product loss and quality degradation as a result of improper refrigeration and other cold chain infrastructure problems in emerging markets. Prior to this initiative, insufficient cold storage infrastructure, particularly effective temperature and humidity control, was a primary impediment to the distribution of perishables to the Philippines. In June of 1999, cold chain improvement seminars were conducted in Manila in cooperation with FAS Posts, FAS/Washington, and U.S. private sector refrigeration firms in the area. The objective of these seminars was to present methodologies for reducing the loss of the product as well as to increase product value. Presentations featured U.S. expertise in the handling, distribution, and marketing of U.S. perishables. In addition, FAS, in cooperation with other government agencies, recruited ten major U.S. refrigeration firms interested in participating in these seminars. As a result of the overwhelming positive response from the attendees, the FAS/Manila staff worked with the Philippines in 2001 to host additional cold chain activities that matched a handful of key companies in the market with U.S. cold chain experts. This work developed cold chain improvement plans to facilitate imports into the country, as well as to build relationships between U.S. companies and local importers. These activities culminated in 2002 when FAS partnered with the International Association of Refrigerated Warehouses to launch the Cold Chain Association of the Philippines (CCAP). The goal of CCAP was to help local firms meet new and evolving world food standards, as well as improve the import, storage, handling, and distribution of perishable foods in the Philippines.

Trial Shipment: Determining Feasibility for Fresh Vegetables

In June of 2004, the government of the Philippines issued an official letter announcing that its Department of Agriculture's Bureau of Plant Industry (BPI) would allow the importation of fresh vegetables from the United States. Soon after the announcement, local importers in the country approached the FAS Agricultural Trade Office in Manila to explore this new opportunity. Unfortunately, U.S. exporters remained reluctant to initiate next steps due to perceived regulatory constraints of importing fresh produce. At the time it was difficult to obtain import permits and there was little knowledge among

importers of how to carry out trade in terms of logistics, proper handling, and sourcing. In addition, no trade relations existed between U.S. suppliers and prospective importers, as U.S. fresh vegetables had not been previously authorized. Additionally, it was unclear if vegetables shipped via sea freight to the Philippines would arrive in marketable conditions and withstand storage once in country. In order to overcome these concerns, FAS Emerging Market Program funds were allocated to conduct a trial shipment to determine the feasibility of shipping fresh vegetables to the Philippines. A full-container load of mixed fresh produce from the United States was shipped via sea and arrived in Manila at the end of September in 2005, while another mixed load of fresh produce was shipped via air freight, arriving mid-October. Using the relationships cultivated through the cold chain project and CCAP, the produce from the shipments were moved to local facilities owned by a CCAP member where quality tests were conducted. The project successfully demonstrated shipping fresh produce was possible and the product was within USDA/AMS Grade Standards. Product samples were collected and sent to importers for additional quality and marketability testing purposes while some product was kept in storage for further USDA testing. This activity demonstrated that produce could be kept in cold storage for another 3 weeks and remain in acceptable condition for supermarkets, hotels, and restaurants in Manila.

Opening the market

After the completion of the trial shipment, there was increased interest from both exporters and importers in further cultivating a trade relationship for fresh vegetables. The following year, Western Growers, an industry trade association, hosted a buying team and arranged site visits throughout California for prospective buyers to view the production process and develop relationships with U.S. producers. Although these actions further increased interest in and demand for U.S. produce, import permits became increasingly difficult to obtain, and again the Philippine Government placed restrictions on U.S. vegetable imports citing phytosanitary concerns. In order to demonstrate minimal quarantine risk associated with importing of U.S. vegetables, Western Growers used a TASC program grant in 2012 to host a delegation of Philippine officials. The delegation visited fresh vegetable farms and facilities to observe and understand U.S. food safety procedures during production as well as best practices for pest management. In addition to the site visits, BPI and APHIS established the parameters for market access of U.S. fresh vegetables. After 15 years, multiple programs, and close collaboration between USDA agencies and the U.S. vegetable industry, the Philippines formally opened its market to U.S. fresh celery, lettuce, and cruciferous vegetables (broccoli and cauliflower) on June 30, 2014.

Conclusion and Looking Forward

U.S. specialty crop producers are the most efficient and productive in the world. However, they face mounting TBT and SPS barriers that hinder exports of their goods to the majority of the world's consumers. With the increase of trade agreements and subsequent decline in tariffs and quotas, countries increasingly turn to non-tariff barriers such as SPS and TBT as a means to protect and support their producers. As purchasing power increases in overseas markets and consumers demand more specialty crop products, these barriers will continue to emerge.

With the implementation of the Agricultural Act of 2014, TASC program grants have been expanded to fund proposals that address TBT issues such as labeling, quality standards, certification documentation, environmental restrictions, and packaging requirements. When these restrictions are arbitrarily imposed and are unscientific, they create significant barriers for U.S. specialty crops. Additionally, as plant protection methods are developed, MRLs present trade authorities with new harmonization challenges. Through close partnership with industry, FAS and its sister USDA agencies are equipped with the necessary tools to address these challenges as they arise. USDA will continue to advance the interests of U.S. agriculture in the world marketplace.

Multilateral trade negotiations continue to present opportunities for the United States to address unwarranted trade barriers. In November of 2009, the United States announced its participation in the Trans-Pacific Partnership (TPP) negotiations in order to develop a trade agreement that promotes U.S. economic priorities and values in the Asia-Pacific region. Twelve countries are included in the TPP negotiations, with talks focusing on finalizing market access requests, improved transparency, and regulatory cooperation. In 2013, approximately 50 percent of U.S. specialty crop exports (over $10 billion in value) were shipped to TPP countries. This trade agreement presents U.S. specialty crop producers with a great opportunity to meet the growing demand in these markets.

In February of 2013, the United States announced plans to enter into negotiations with the European Union on the Transatlantic Trade and Investment Partnership (T-TIP). This comprehensive agreement aims to bring together two of the most modern and developed economies in the world, and will offer an opportunity to reduce tariffs between the two parties and address some of the SPS and TBT barriers facing U.S. exports in the EU. In 2013, 15 percent of specialty crops exported (over $3 billion in value) were exported to the European Union. TPP and T-TIP negotiations afford U.S. specialty crop producers a promising opportunity to increase exports as demand in these countries continues to grow. Looking forward, USDA intends to continue defending U.S. agriculture and will work to ensure U.S. specialty crops remain competitive in the global market.

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