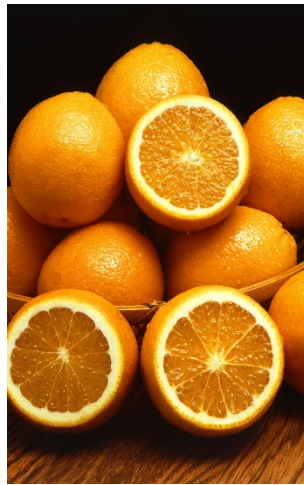
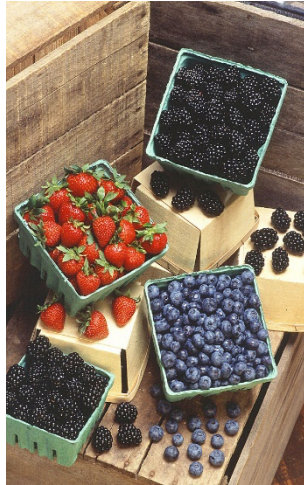




United States
Department of
Agriculture



U.S. SPECIALTY CROPS TRADE ISSUES REPORT

2019 ANNUAL REPORT TO CONGRESS

(Cover photos courtesy of USDA ARS.)

2019 U.S. SPECIALTY CROPS

TRADE ISSUES REPORT

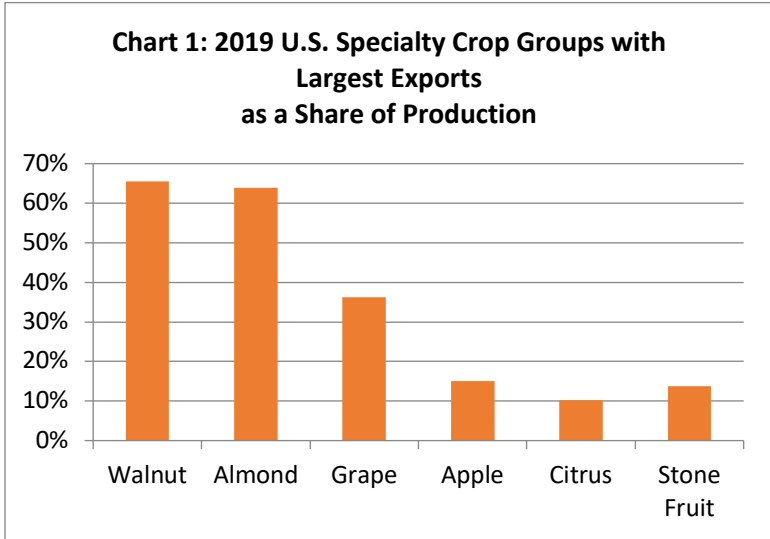
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USDA is pleased to provide the *2019 U.S. Specialty Crops Trade Issues* report to the U.S. Congress. This report is provided as required under Section 203 (e)(7) of the Agricultural Trade Act of 1978 (7 U.S.C. 5623) as amended by the Agriculture Improvement Act of 2018 (PL 115-34). For this publication, “specialty crops” are defined as fruits, vegetables, tree nuts, dried fruits, horticultural crops, and nursery crops.

FOREWORD

U.S. exports of specialty crops reached \$23.4 billion in fiscal year (FY) 2019, accounting for nearly 17 percent of total U.S. agricultural exports. Tree nuts represented more than one-third of FY 2019 specialty crop exports. Foreign market access helps the U.S. specialty crop industry thrive and supports the livelihood of those on farms and in related industries. Chart 1 demonstrates the dependency some specialty crops have on the export market.



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

The Foreign Agricultural Service (FAS) and its USDA partners are committed to expanding export opportunities for the U.S. specialty crop sector. This report describes market access barriers confronting producers and exporters and highlights the efforts and resources used by USDA and the U.S. agricultural industry to facilitate the export of U.S. specialty crops. USDA works with U.S. agricultural industry groups, U.S. regulatory agencies, and the Office of the U.S.

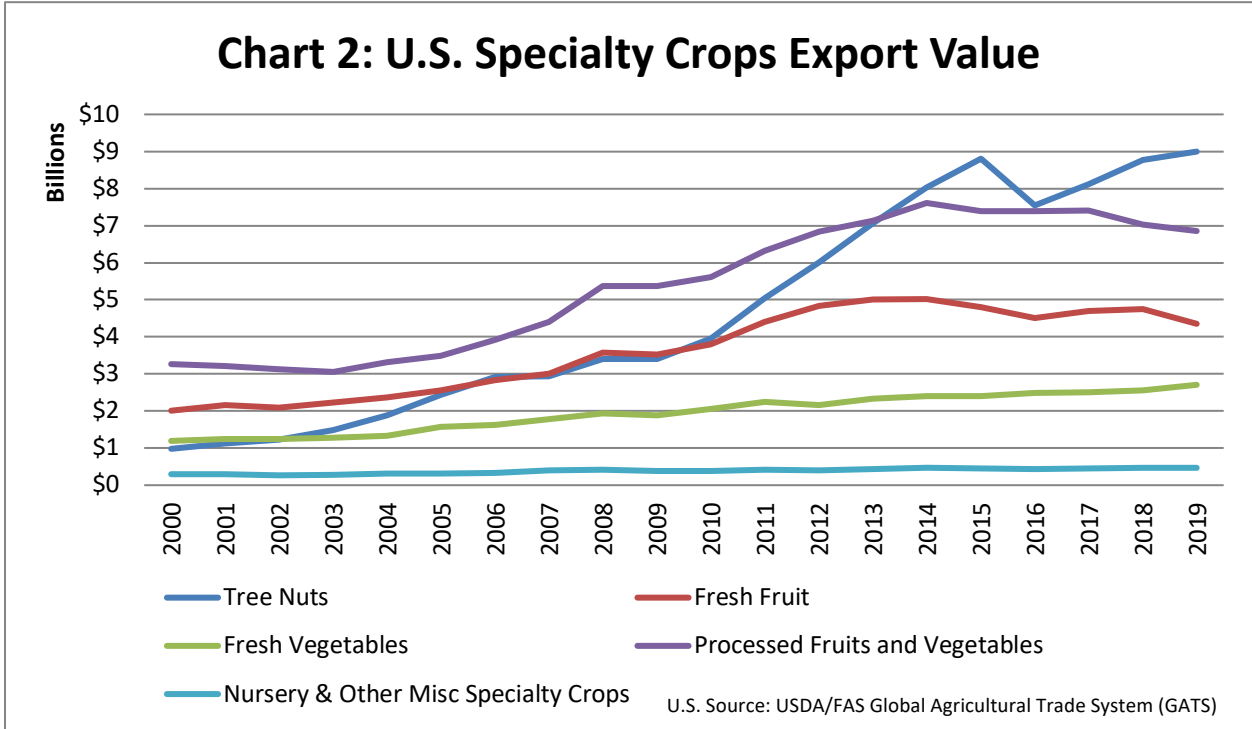
Trade Representative (USTR) to open, expand, and maintain access for U.S. specialty crop

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

Trade barriers such as burdensome requirements related to pre-export plant health inspections, labeling, or quality certification may discourage some U.S. specialty crop producers from shipping products overseas. However, the USDA is committed to assisting U.S. agricultural stakeholders and is well-positioned to overcome many barriers that deter U.S. specialty crop exporters and help them compete in the global marketplace.

U.S. SPECIALTY CROP EXPORTS

In FY 2019, the export value for U.S. specialty crops decreased slightly compared to FY 2018 levels. The U.S. tree nut, fresh vegetable, and nursery sectors experienced export growth in 2019, while processed fruits and vegetables and fresh fruit exports declined. Chart 2 indicates that total export value of U.S. specialty crops also dipped slightly in 2019 to \$23.4 billion from \$23.6 billion in 2018 primarily due to lower export sales in processed fruits and vegetables and fresh fruit.



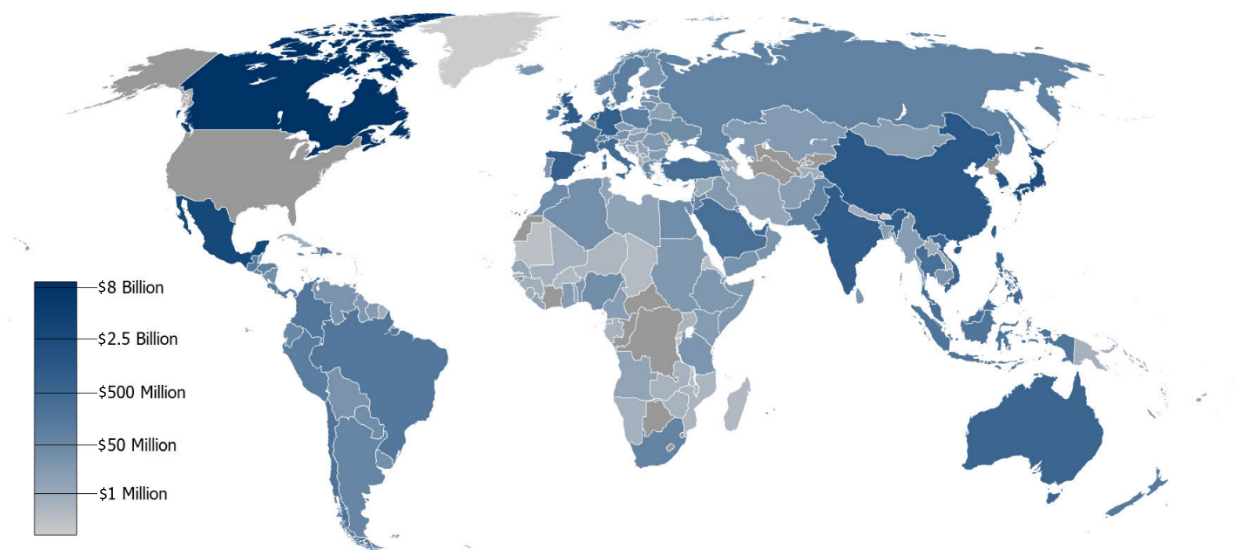
Specialty crop export growth reflects several factors, such as increased purchasing power in emerging markets where middle class populations are becoming accustomed to consuming a variety of high valued, quality specialty crops grown in the United States. Technological innovation is another factor, particularly in production efficiency and for improved transportation systems. Innovation lowers the costs of international trade, making U.S. exports more affordable. Infrastructure improvements and supply chain efficiency also facilitated the exports of highly perishable products such as fruits, vegetables, and floriculture, positioning these exports for continued future growth.

Under the U.S.-Mexico-Canada Agreement (USMCA), the three countries agreed to strengthen science-based measures that protect human, animal, and plant health while improving the flow of trade. The USMCA also updates origin rules for processed fruits to assure that preferences benefit U.S. producers. For wine, the three countries agree to avoid technical barriers to trade through non-discrimination and transparency regarding sale, distribution, labeling, and certification of wine and distilled spirits.

EXPORT CHALLENGES

Export markets provide opportunities and challenges for U.S. specialty crop producers. Many countries require risk analyses and export protocols to protect their producers from quarantine pests and diseases. Foreign governments also implement food safety measures to protect consumers. In some cases, the risk analysis, export protocol, or food safety measure unjustifiably restricts market access for U.S. commodities. For example, some countries establish new, excessively low maximum residue limits (MRLs) for pesticides or other substances in or on food and agricultural products. MRLs may differ from those in the United States and lack adequate scientific justification, resulting in exporters facing additional commercial risks in cases where foreign standards or regulations are more restrictive than necessary. Such measures can be used as trade barriers designed to limit U.S. agricultural exports that compete with domestic production in foreign markets.

U.S. EXPORTS OF SPECIALTY CROPS BY COUNTRY 2019



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

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

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

FOREIGN AGRICULTURAL SERVICE (FAS)

FAS maintains a global network of 98 offices covering 177 countries. These offices provide unbiased public information on foreign markets, develop relationships with foreign governments and importers to solve emerging problems, and advise Washington agencies on strategies to support U.S. exports. Washington-based commodity analysts provide objective intelligence on foreign market opportunities and regulatory requirements, prepare market forecasts, and address foreign policies affecting U.S. agricultural trade. In responding to potential threats to U.S. agricultural exports, FAS plays a unique role in analyzing technical and policy actions taken by trading partners and in coordinating resources within

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

ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS)

APHIS is responsible for safeguarding the health and value of U.S. agriculture, including domestic and international export markets. APHIS uses science-based policies and international agreements to open, expand, and maintain export markets, thereby ensuring that U.S. agricultural exports are protected from unwarranted barriers. The APHIS Plant Protection and Quarantine (PPQ) program also develops and coordinates U.S. phytosanitary export policies and export protocols implemented by PPQ and by state and county regulators, which results in successful exports of U.S. agricultural products around the world. APHIS supports U.S. specialty crop exports with an on-the-ground network of agricultural attachés in key export markets abroad, and by maintaining offices at vital U.S. export facilities.

AGRICULTURAL MARKETING SERVICE (AMS)

AMS programs facilitate the efficient marketing of U.S. agricultural products. AMS certification, auditing, inspection, and laboratory analysis services are effective tools for demonstrating that exported products comply with quality requirements in foreign markets. AMS also plays a key role in regulating and providing guidance on the certification, production, handling, and labeling of USDA organic products. Organic equivalency arrangements eliminate additional certification burdens on producers and facilitate the trade of organic specialty crops.

AGRICULTURAL RESEARCH SERVICE (ARS)

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

INTERAGENCY RESPONSE TO TECHNICAL NON-TARIFF BARRIERS

Trade barriers to U.S. specialty crop exports can be complex, and the U.S. government's response is generally formulated within an interagency context. FAS representatives overseas or their APHIS counterparts may be the first to learn of a potential barrier to trade. If the issue is recent and a shipment has arrived at the destination port, USDA overseas staff are well-positioned to work to facilitate the rapid release of perishable products from customs, thus minimizing storage costs and spoilage.

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

the interagency process of scientific experts from APHIS, the Environmental Protection Agency (EPA), and the Food and Drug Administration (FDA) ensures that the U.S. positions are scientifically sound and persuasively articulated. USTR evaluates notified measures to assess their consistency with the notifying country's WTO commitments and other international obligations. These U.S. Government interactions occur at many levels, from informal meetings with government officials to formal consultations in the WTO.

U.S. regulatory agencies are involved in establishing international standards related to food safety and plant health that directly impact U.S. specialty crop exports. FAS coordinates with these agencies to ensure U.S. policy positions relating to international standards are science-based and reflect U.S. agricultural export interests. U.S. officials participate in the development of trade-related standards in international standard setting bodies, with FAS providing diplomatic expertise to build support for U.S. policy positions. The United Nations' Codex Alimentarius Commission or International Plant Protection Convention (IPPC) standards often serve as the basis for national regulations adopted by many trading partners. USDA and USTR encourage U.S. trading partners to consider these international standards when developing their own regulations to facilitate U.S. exports. USDA capacity building programs reinforce this message and help countries build the technical capacity needed to meet their international obligations.

TECHNICAL ASSISTANCE FOR SPECIALTY CROPS (TASC) PROGRAM

Congress established the TASC program under the Farm Security and Rural Investment Act of 2002, which directed the Secretary of Agriculture to operate the program through FY 2007 using funds from USDA's Commodity Credit Corporation. USDA established the program to address unique barriers that prohibit or threaten the export of U.S. specialty crops by providing for public- and private-sector projects. TASC was first reauthorized in the Food, Conservation, and Energy Act of 2008. The Agricultural Act of 2014 reauthorized the program and expanded its goals to address technical barriers to trade (TBT) such as restrictions related to labeling or quality certification. The Agriculture Improvement Act of 2018 (Pub. L. 115-334), which reauthorized the program for fiscal years 2019-2023, made changes to the program that improve the program's flexibility and usefulness to stakeholders, such as making work on potential barriers to trade eligible for funding under the program and allowing for more than five years of program funding for a project. In addition, this rule updates the regulations to bring the operation of the program into conformance with the requirements in the Uniform Guidance. Additional changes are desirable to bring the administration of the program into line with the current best practices in Federal grantmaking.

FAS operates the current TASC program to fund projects that address existing and potential sanitary and phytosanitary (SPS) and TBT issues threatening U.S. specialty crops exports. Activities must benefit the industry at large rather than a specific company, and applicants must provide a clear strategy for overcoming trade barriers and market access issues. Any U.S. organization, private or public, with a demonstrated role or interest in exporting U.S. specialty crops may apply for TASC funding. In line with the changes to the program, awards will generally be granted for a project period not exceeding five years with the opportunity for an extension based on a determination of the effectiveness of continued funding.

FAS engages with TASC stakeholders at every step of the program process. FAS provides Notices of Funding Opportunity (NOFO) to potential program participants of TASC funding availability through an annual announcement on Grants.gov. The NOFO provides guidance on proposal submission, including

content and form of application submission. FAS routinely engages in other opportunities to promote the program to possible applicants such as encouraging application to the program during meetings with industry groups or other interested parties. Additionally, FAS regularly engages with industry stakeholders via email and telephone inquiries about the TASC program and to request informational packages.

Direct engagement also includes breakout sessions and presentations on the TASC program that are provided annually at the U.S. Agricultural Export Development Council Conference. Furthermore, webinars on the TASC program are provided each year to Land-Grant Colleges and Universities that provide information and guidance on proposal submissions and recommendations for projects. Finally, FAS conducted a TASC tour to the West Coast to promote the program recently.

With a total of \$9 million available in 2019, TASC program grants generated positive results in pest and disease research, food safety workshops, study tours, pesticide field trials, and pre-clearance programs. All eligible proposals received are considered for funding. In FY 2019, FAS awarded a total of \$4,206,075 in TASC program awards, with some awards being funded as multi-year projects. In FY 2019, 14 TASC proposals were considered. Of this amount, 11 proposals received funding, two proposals were rejected, and one proposal was withdrawn. Funding for program administration totaled \$1,124,245, and the authorized funding was reduced by \$558,000 due to sequestration. In 2019, \$3,855,529 in TASC funding was unallocated. Table 4 shows TASC program funds awarded in 2019. Additional outreach to the specialty crop industry on the TASC program will be conducted in 2020 to expand usage of the program.

Table 1: TASC Program 2019 Agreement List

| Agreement Number | Activity Title | Participant and Project Description | Funded Amount |
|------------------|---|--|---------------|
| 2019-01 | Eliminating Insect-Related Trade Barriers for the Eastern U.S. Highbush Blueberry Industry – Year 3 | U.S. Highbush Blueberry Council: To conduct postharvest research that proves: 1) the blueberry maggot (BBM) can be eliminated from trade channels via postharvest methyl bromide fumigation and its alternatives; and 2) the spotted wing Drosophila (SWD) can be eliminated from trade channels using treatments effective toward BBM. | \$400,790 |

| Agreement Number | Activity Title | Participant and Project Description | Funded Amount |
|------------------|---|--|---------------|
| 2019-02 | Developing Effective Pre- and Postharvest Methods to Control Diplodia Stem-end Rot (<i>Lasiodiplodia theobromae</i>) and Reduce Mandatory Segregation of Fresh Florida Grapefruit Exports | <p>Florida Citrus Packers:</p> <p>To develop new or improved treatments and/or technologies that are economically sustainable and effective in reducing Diplodia stem-end-rot (SER) while maintaining fruit quality and shelf life for fresh fruit distribution.</p> | \$1,120,034 |
| 2019-03 | Organic Equivalency Application Template | <p>Organic Trade Association:</p> <p>To develop an organic equivalency application that countries must complete in order to evaluate if U.S. organic products exported to that country maintain their organic integrity as produced under the USDA National Organic Program.</p> | \$268,400 |

| Agreement Number | Activity Title | Participant and Project Description | Funded Amount |
|-------------------------|---|---|----------------------|
| 2019-04 | Establish Permanent Maximum Residue Levels for U.S. Highbush Blueberries in South Korea | <p>U.S. Highbush Blueberry Council:</p> <p>To compile residue data packages for the South Korean Ministry of Food and Drug Safety (MFDS). The following industry-identified priority chemicals will be included: chlorothalonil, clethodim, diazinon, fenpropathrin, fluazifon-p, iprodione, methomyl, norflurazon, simazine, zeta-cypermethrin, and ziram. This funding is for the first year of the project.</p> | \$189,850 |
| 2019-05 | Addressing the EU MRL Challenge Through an EU Early Alert System | <p>Bryant Christie, Inc.:</p> <p>To research, create, and provide an EU Early Alert Maximum Residue Level (MRL) System to USDA. The first part will include the rolling Article 12 MRL announcements, along with deadlines for comments and contacts in registrants to support retention of MRLs. The second part will be a quarterly report on the EU pesticide reevaluation system, which will allow for earlier review and engagement on MRLs with the objective of avoiding major trade disruptions due to EU MRLs. This funding is for years 2 - 6 of the project.</p> | \$354,112 |

| Agreement Number | Activity Title | Participant and Project Description | Funded Amount |
|------------------|------------------------------------|--|---------------|
| 2019-06 | Seeking Market Access to Argentina | <p>Northwest Horticultural Council:</p> <p>To provide a technical, plant health site visit for two SENASA officials, which is required to re-establish export protocols for apples, pears, and cherries.</p> | \$11,382 |
| 2019-07 | Grower MRL Priority Database | <p>Bryant Christie, Inc.:</p> <p>To make MRL needs readily available to registrants and the U.S. government by maintaining all MRLs in the Grower MRL Priority Database for nine critical export markets and CODEX, maintaining and updating existing priorities in the database annually, determining resolved priorities for all markets annually, assisting new groups with priority submissions, adding one market to the database, and addressing user questions.</p> | \$267,158 |

| Agreement Number | Activity Title | Participant and Project Description | Funded Amount |
|------------------|---|---|---------------|
| 2019-08 | Establishment of Sweet Cherry MRLs in the Republic of Korea | <p>Northwest Horticultural Council:</p> <p>To establish eleven priority cherry MRLs prior to January 1, 2022. Establishing these crucial MRLs will allow for continued successful shipments of more than \$125 million worth of cherries annually to the Korean market. NHC will assemble data packages, format them to the Korean requirements, and address concerns the Korean government might have with the submission.</p> | \$163,000 |
| 2019-09 | EU Barrier GAP Analysis | <p>Organic Trade Association:</p> <p>To complete a gap analysis for USDA regarding technical and non-tariff barriers to trade for U.S. organic products to the European Union.</p> | \$687,500 |
| 2019-10 | Eliminating Insect-Related Trade Barriers for the Eastern US Highbush Blueberry Industry – Year 4 | <p>U.S. Highbush Blueberry Council:</p> <p>To conduct postharvest research that proves: 1) the blueberry maggot (BBM) can be eliminated from trade channels via postharvest methyl bromide fumigation and its alternatives; and 2) the spotted wing Drosophila (SWD) can be eliminated from trade channels using treatments effective toward BBM.</p> | \$395,924 |

| Agreement Number | Activity Title | Participant and Project Description | Funded Amount |
|------------------|--|--|--------------------|
| 2019-11 | Integrated Strategies to Address Trade Barriers for Export Sweet Potatoes in the United States | North Carolina State University: To develop cultural and chemical control strategies that can be immediately applied by sweet potato growers, packers, and shippers to achieve the product quality expected by importers. This will include: 1) Identify effective fungicides and insecticides for field and postharvest use that will result in high quality sweet potatoes for export, while complying with MRLs; 2) Determine the effects of various curing and storage conditions on sweet potato quality, disease incidence, and insect occurrence; and 3) Establish how shipping conditions impact product quality for exports destined to the European Union (EU). | \$347,925 |
| | | Total | \$4,206,075 |

2019 Success Stories

ARGENTINA - U.S. PACIFIC NORTHWEST (PNW) SWEET CHERRIES: On December 3, 2019, Argentina officially reopened market access for U.S. sweet cherries from Oregon, Utah, and Washington. This action followed technical negotiations by APHIS and a TASC funded site visit in October 2019 in response to Argentina’s request for the visit before approving market access. U.S. exporters can now access the market using commercially viable pest mitigation treatments. In 2011, Argentina closed the market, citing spotted wing drosophila concerns and insisting on an unnecessary pest risk assessment (PRA). U.S. exports in the 2020 marketing year could reach \$650,000.

ARGENTINA - CALIFORNIA STONE FRUIT ACCESS: On November 8, 2018, Argentina sent a letter to USDA confirming that it will continue to allow market access for California stone fruit indefinitely while

Argentina conducts a PRA. Argentina had originally agreed to allow California stone fruit to send shipments in 2018 but stipulated that this allowance would have to be renewed every year. As a result of USDA negotiations, political pressure, and technical discussions, Argentina's letter adds needed regulatory certainty for U.S. exporters.

ARGENTINA - U.S. PRICKLY PEAR CACTUS CUTTINGS ACCESS: On June 26, 2019, Argentina agreed on the import requirements for U.S. prickly pear cactus cuttings after a year of technical exchanges with USDA. Argentina requires the cuttings to be accompanied by a phytosanitary certificate. On July 30, 2019, the first U.S. shipment of prickly pear cactus cuttings arrived in Argentina.

CHILE - U.S. STONE FRUIT ACCESS: On June 24, 2019, Chile removed the methyl bromide fumigation requirement to mitigate spotted wing Drosophila for U.S. stone fruit exported to Chile. After years of technical exchanges and political pressure from USDA, Chile will still require methyl bromide fumigation for fruit from areas regulated for light brown apple moth (designated areas in California). In 2019, U.S. stone fruit exports to Chile were over \$500,000.

EU - SEEDS FOR SPROUTING EXPORT CERTIFICATION PROGRAM: In 2019, USDA and FDA collaborated with U.S. industry to develop a U.S. certification program to meet EU requirements for seed hygiene and traceability. In 2012, the EU market for seeds for sprouting closed to the United States when the EU established special requirements for sprouts following a domestic outbreak of foodborne illness traced to seeds imported from Egypt. In September 2019, USDA and FDA hosted an EU audit on seeds for sprouting and other commodities to evaluate the control systems in place to control microbiological contamination. Two companies have applied to the program, and annual exports are expected quickly to reach \$1.0 million. USDA will be monitoring the initial results of the program in 2020 to ensure that the EU and participant exporters comply with the terms of the certification program.

HONDURAS - U.S. FRESH POTATOES SHIPMENT RELEASED: In May 2019, Honduran authorities detained a shipment of \$120,000 worth of U.S. fresh potatoes due to a pest detection. The authorities could not determine whether the pest was a quarantine pest. USDA provided technical information and convinced authorities to allow the shipment to enter the market after the shipment was fumigated. Fresh U.S. potato exports in 2019 to Honduras amounted to approximately \$4.4 million.

INDIA – BLUEBERRIES: In March 2019, the first trial shipment of fresh California blueberries arrived in India following USDA's successful market access negotiation. Due to a discrepancy in the phytosanitary certificate, the product was initially detained but released after USDA intervened with Indian port officials. This first shipment of blueberries amounted to approximately 800 pounds.

KOREA – PHYTOSANITARY FRAMEWORK: In July 2018, Secretary Perdue raised concerns about Korea's slow progress on U.S. market access priorities with his counterpart at the Ministry of Agriculture, Food, and Rural Affairs. During the November 2018 KORUS FTA SPS meeting, FAS and USTR asked Korea to expedite a variety of U.S. horticultural market access requests during the KORUS SPS Committee Meeting. In June 2019, APHIS met with Korea's Animal Plant Quarantine Agency (APQA) at the 2019 U.S.-Korea Plant Health Bilateral meeting in Busan, Korea. APHIS and APQA agreed to a phytosanitary framework which outlined timelines for completing market access requests and market improvements.

KOREA – CITRUS HARMONIZATION PROTOCOL: During the 2019 U.S.- Korea Plant Health Bilateral meeting, Korea agreed to harmonize the Caribbean fruit fly protocol for Florida citrus within six months. Harmonizing the Caribbean Fruit Fly export program with a similar protocol for Japan would save

industry resources. This Florida citrus harmonization protocol applies to grapefruit, oranges, lemons, limes, and mandarins. U.S. citrus exports to Korea in FY 19 were \$41 million.

MEXICO – CALIFORNIA STONE FRUIT: During the 2019 growing season, California successfully exported stone fruit to Mexico following transfer of the oversight program from Mexico’s national plant protection organization to APHIS. Mexico had agreed in 2014 to fully transfer responsibility for export certification activities to USDA after numerous trade policy interventions by FAS during the United States – Mexico Consultative Committee on Agriculture meetings, and technical negotiation by APHIS. U.S. stone fruits exports to Mexico were \$55.4 million in 2019.

VIETNAM – BLUEBERRIES: In 2019, after multiple USDA and USTR trade policy meetings, robust technical exchanges, and a site visit by Vietnamese officials, USDA successfully negotiated market access for U.S. fresh blueberry exports to Vietnam. Market access was initially requested in 2015. The United States exported just over \$260,000 of blueberries to Vietnam in 2019. The total market is valued at \$1 to \$2 million.

VIETNAM – ORANGES: In October 2019, USDA successfully regained market access for U.S. oranges to Vietnam after multiple USDA and USTR meetings and technical exchanges, including a USDA-Emerging Market Program (EMP) funded site visit by Vietnamese and USDA officials to view citrus phytosanitary procedures. Vietnam closed this market in 2016 when its officials ceased issuing import permits for U.S. citrus. In 2019, the United States exported \$30,000 worth of oranges to Vietnam after access was granted late in the year.

UNITED STATES – Multistate Outbreak of E. coli O157:H7 Infections in U.S. Romaine Lettuce: In November 2018, FDA and the Centers for Disease Control announced a multistate outbreak of E. coli O157:H7 illnesses linked to romaine lettuce grown in California. Primary export markets, including Taiwan, Hong Kong and Panama banned all romaine lettuce shipments pending a change in the regulatory status of U.S. romaine lettuce. Some Caribbean countries placed temporary holds on shipments and advised the public not to consume U.S. romaine lettuce. Working through FAS overseas posts, FAS bridged the gap between FDA and overseas posts to press markets to remain open or open back up. FAS worked closely to maintain trade with industry counterparts in Canada, the largest market for U.S. romaine, which imported \$448 million in lettuce products in 2019. FAS collaborated with FDA to reopen several markets: Taiwan in February 2019, Panama in March 2019, and Hong Kong in March 2019 (removing the ban on Californian lettuces, as well as the previous import ban on romaine lettuce grown in Arizona from a separate E. coli outbreak in spring 2018).

2019 TRADE ISSUES

PESTICIDE MAXIMUM RESIDUE LIMITS (MRLs): The U.S. agricultural industry benefits from having the latest and most effective crop protection technologies, which enable U.S. agricultural producers to safely and effectively mitigate pest and disease-related threats. However, new pesticides are sometimes authorized for use in the United States prior to authorization for use in other countries, resulting in asynchronous approvals that can be barriers to U.S. agricultural exports in markets where those pesticides have not yet been approved.

FAS coordinates with USTR, EPA, the U.S. specialty crop industry, the U.S. chemical industry, and foreign regulatory agencies to address MRL issues and reduce the potential for MRL violations. To support this effort, FAS awarded TASC funding to the U.S. specialty crop industry to maintain an MRL priority

database that identifies critical pesticides for approval in targeted export markets. Facilitating timely approvals allows U.S. specialty crop growers more flexibility in the use of crop protection materials, particularly new materials that may be more environmentally friendly. In addition, FAS provided TASC program funding to support the development of pesticide residue data to assist in establishing Codex MRLs for crop protection products that are key for U.S. specialty crop producers.

CHINA: During 2019, FAS reviewed and coordinated with the U.S. agricultural industry in the development of comments in response to China's WTO notifications for establishing pesticide MRLs for food products, including horticultural commodities. China's goal is to establish more than 10,000 MRLs by 2020. On August 15, 2019, China released a National Food Safety Standard (NFSS) that replaces and makes technical changes to the previous standard which will be implemented on February 15, 2020. The NFSS includes over 7,107 MRLs for 483 pesticides in 256 food products. China has yet to release a draft regulation for implementing an import tolerance policy which is a critical step for developing a viable process establishing MRLs important to U.S. horticultural exports. FAS is working with EPA in assessing options for collaborating with China's Institute for the Control of Agrochemicals, Ministry of Agriculture on developing an import tolerance policy as well as renewing a Letter of Intent authorizing coordination between China and the United States on Good Laboratory Practices that will allow for mutual acceptance of pesticide data.

EUROPEAN UNION: In 2019, FAS approved TASC program funding to continue an alert system that tracks upcoming EU deadlines for data submissions and approval for MRL decisions on plant protection products. This helps U.S. industry to facilitate EU authorities' early review of key crop protection products. In 2019, FAS and USTR raised concerns with the EU's MRL and pesticide regulatory approval process in bilateral meetings and in multilateral forums, including the WTO SPS and TBT Committees. FAS and USTR also coordinated with other WTO Member countries to raise concerns and question the EU about its scientific basis for banning pesticides that are critical to Members' agricultural production. In July 2019, FAS and USTR raised this trade concern in the WTO Council on Trade in Goods, and nearly 100 other Members also expressed their concerns that the EU's MRL policies disrupt trade and discourage safe and effective use of plant protection products in agricultural production.

JAPAN: In 2019, FAS continued to encourage U.S. industry to share scientific information with Japan to support Japan's establishment of science based MRLs. In the early 2000s, Japan successfully implemented a positive list system (PLS) with provisional MRLs, many based on Codex standards, while conducting risk assessments for permanent MRLs. This approach minimized disruptions to U.S. exports. Though Japan's system for establishing MRLs remains effective for industry, Japan's strict enforcement policy for MRLs can result in burdensome requirements for industry, and commodities may remain under enhanced monitoring for up to three years if a violation occurs. In addition to requiring MRLs for post-harvest fungicides (PHFs), Japan classifies PHFs as food additives which require additional labeling, creating a disadvantage for U.S. products because Japanese growers do not use PHFs. FAS is pursuing options to address this issue. The United States exported approximately \$1.65 billion in specialty crops to Japan in FY 2019.

KOREA: On January 1, 2019 Korea transitioned to a PLS for agricultural chemicals. Throughout 2018, FAS and USTR worked with Korean officials to ensure a smooth transition, resulting in implementation of hundreds of temporary MRLs by Korea's Ministry of Food and Drug Safety in October 2018. This included formal bilateral engagements with Korea, follow up in between meetings that included industry outreach to identify priority, trade disruptive MRLs, and informal communication with Korean regulators. These efforts protected over \$1 billion in U.S. specialty crop exports to Korea. Trade

continued with minimal disruption in 2019. Since these temporary MRLs will facilitate trade only through December 31, 2021, FAS continues to work with the U.S. industry and Korea to establish permanent MRLs before the deadline. FAS awarded TASC funding to the U.S. Highbush Blueberry Council and the Northwest Horticultural Council to assist in the establishment of permanent MRLs. These funds are used to hire contractors to assemble data packages for submission to Korea.

TAIWAN: In July 2019, FAS and USTR sent a joint letter to Taiwan's Ministry of Health and Welfare requesting that Taiwan finalize four priority MRLs identified in August 2018 (commodities impacted by these MRLs were wheat, lettuce, potato, fruits, vegetables, and seeds). By September 2019, Taiwan notified three of these MRLs to the WTO. In October 2019, FAS met with Taiwan's Food and Drug Administration (TFDA) and TFDA agreed to establish four additional priority, trade facilitative MRLs for peaches, onions, oranges, and blueberries by the first quarter of 2020. In 2019, the United States exported over \$272 million in specialty crop products to Taiwan.

GLOBAL IMPORT RESTRICTIONS FOR WINE

INTERNATIONAL WINE TECHNICAL SUMMIT: U.S. wine exporters continue to see a growing number of overly restrictive foreign import requirements, notably requiring official certificates beyond those normally provided by the U.S. Department of Treasury's Alcohol and Tobacco and Tax Trade Bureau (TTB). The requirements often involve additional laboratory testing or certification of Good Manufacturing Practices. FAS provides the TASC Program funding to the California Wine Institute, a cooperator and leading trade association representing California wineries, to support and host the International Wine Technical Summit. This annual event brings industry and regulators from the United States and trading partners together to focus on the use of science in the development of regulatory and enforcement systems that impact wine trade. In 2019, 55 government participants represented 15 wine-producing and importing countries. The International Wine Technical Summit is organized by the U.S. government and the Wine Institute under a Memorandum of Agreement between the U.S. Department of Commerce (DOC) and the Wine Institute. Participating U.S. agencies include USDA, DOC, and the TTB. In FY 2019 the United States global exports of wine were approximately \$1.35 billion.

OTHER TRADE ISSUES (BY REGION)

AFRICA AND THE MIDDLE EAST

EGYPT – SEED POTATOES: In 2019, USDA continued efforts to gain market access for U.S. seed potato exports to Egypt. USDA and USTR negotiated with Egypt through high-level policy engagements and at the technical level, including the Trade and Investment Framework Agreement discussions. While the PRA for U.S. seed potatoes was completed over two years ago, Egypt continues to delay approval of the United States as an origin for exporting seed potatoes to Egypt. U.S. seed potato exports could reach \$15 million annually, should market access issues be resolved.

MOROCCO – SEED POTATOES: In 2019, USDA worked with the U.S. potato industry and the Moroccan government to support the approval process and official trials of U.S. seed potatoes. The United States first requested market access to Morocco for U.S. seed potatoes in 2015, and Morocco authorized U.S. seed potato variety trials while its Ministry of Agriculture finalizes a PRA. With the support of USDA Quality Samples Program (QSP) funding, USDA and industry are continuing to address the commercialization of U.S. seed potatoes, including seed registration and redundant seed quality field trials. The first two seed potato trials are scheduled to conclude in December 2020, and market access will be granted for all varieties pending successful trials.

ASIA AND THE PACIFIC

AUSTRALIA – BLUEBERRIES: During the May 2019 Plant Health bilateral meeting, Australia requested efficacy data for U.S. blueberries treated with methyl bromide to mitigate blueberry maggot and spotted wing drosophila, which APHIS advised that it would provide once completed.

AUSTRALIA – OFFSHORE PRE-SHIPMENT INSPECTION (OPI) PROGRAM: By April 2020, Australia plans to remove all inspectors from the United States under the OPI program, which is used to pre-clear U.S. citrus, grapes, stone fruit, and cherries destined for Australia. During a Plant Health Bilateral meeting, USDA was successful in moving the end date of OPI from December 2019 until April 2020 to account for the U.S. citrus export season, however Australia noted this would be the last deferral of the program's end date. FAS is working directly with industry stakeholders and continues to raise preparedness issues with Australia, such as through bilateral engagement at the World Trade Organization, and raising concerns with Embassy officials as well as with Australian counterparts. The California and PNW fruit industries value the OPI program to facilitate prompt clearance of fruit upon arrival in Australia, as data demonstrates that the OPI program reduces the number of rejections at destination ports. FAS awarded TASC program funding to the California table grape industry to assess the viability of shipping non-precleared grapes to Australia. In March and April 2019, APHIS provided research to Australia to support methyl bromide fumigation schedules in California table grapes and California stone fruit should spotted wing drosophila be detected at an Australian port of entry. In 2019, the United States exported over \$101 million in fresh fruit to Australia.

CHINA- PHASE ONE AGREEMENT: Throughout FY19, USDA and USTR negotiated the Phase One economic and trade agreement with China. The Phase One agreement addressed structural barriers to trade and will support a dramatic expansion of U.S. food, agriculture, and seafood product exports, increase American farm and fishery income, generate more rural economic activity, and promote job growth. For specialty crops, China agreed to finalize phytosanitary protocols for U.S. avocados, blueberries, potatoes, and California nectarines.

INDIA – APPLES, ALMONDS, AND WALNUTS: On June 16, 2019, India announced retaliatory duties on imports of certain U.S. products in response to U.S. Section 232 action on steel and aluminum. This included an additional 20 percent duty on U.S. apples on top of the current applied 50 percent duty, as well as a 20 percent increase on U.S. in-shell walnuts stacked on top of the currently applied 100 percent duty. The duty on U.S. shelled almonds increased from INR100/kg to INR 120/kg and the duty on U.S. in-shell almonds increased from INR35/kg to INR41/kg. Despite these tariffs, India continues to be a top export market for U.S. in-shell almonds. In FY 2019, the United States exported over \$681.6 million of almonds (shelled and in-shell) to India. U.S. walnuts exports (shelled and in-shell) to India fell from a record high of \$53 million in FY 2017 to \$20.6 million in FY 2019. U.S. apples exports to India fell from a record high of \$170.4 million in FY 2018 to \$57.2 million in FY 2019.

INDIA – AVOCADOS: In 2019, FAS raised market access for avocados with India during trade discussions. APHIS also provided a response to India on proposed mitigation measures for three quarantine pests of concern, light brown apple moth, omnivorous leaf roller, and West Indian red scale. APHIS determined that avocados for consumption are not a pathway for these pests into another country. APHIS is awaiting response from India.

INDIA – CHERRIES: In 2019, USDA and USTR continued to discuss market access for cherries with India. In April 2018 bilateral discussions, India noted it would accept APHIS’ systems approach proposal as an alternative to fumigating U.S. cherries. USDA and India continue to resolve technical differences, including an August 5, 2019 letter from APHIS noting concerns on the draft import protocols.

INDIA – PEAS AND PULSES: In 2019, USDA and USTR raised market access for pulses with India. Since the end of 2017, India has restricted imports of pulses through quantitative restrictions and increased import duties on peas to support their domestic industry. USDA continues to engage with India to approve market access for U.S. pulses without requiring methyl bromide fumigation. In April 2018, India noted that it would conclude its review of the U.S. request to not require fumigation for pulse exports by March 2019—and India currently waives the fee for fumigation on arrival. In 2019, the United States exported only \$40.7 million worth of pulses to India, primarily due to limiting the quantity of imports, a large decrease from \$142 million in 2016.

INDIA – STRAWBERRIES: On July 23, 2019, APHIS sent a letter to India outlining comments on 17 pests of concern for India. Of those 17 pests, APHIS noted only five had a reasonable likelihood of following the export pathway and that production practices would mitigate these pests of concern. APHIS is awaiting India’s response.

INDONESIA – FRESH POTATOES: Despite a 2017 WTO finding against Indonesia’s trade restrictive licensing requirements for horticultural products, Indonesia continued to deny market access for fresh table stock potatoes. Additionally, Indonesia restricted imports of other fresh U.S. horticultural products through delayed issuance of import permits and other requirements under its complex import permit system. FAS and USTR continue to work with Indonesia to resolve import licensing challenges, highlighting the need to streamline approvals between Indonesia’s Ministries of Agriculture and Trade. In 2019, the United States exported no fresh potatoes to Indonesia.

JAPAN – APPLES: In September 2019, APHIS and Japan’s Ministry of Agriculture, Forestry, and Fisheries (MAFF) held a plant health bilateral to discuss market access issues for specialty crops. In December 2019, MAFF agreed to remove oversight treatments for U.S. apples and published a final notice and move toward using a systems approach, as requested by USDA. Apples currently exported to Japan are required to undergo a cold treatment and methyl bromide fumigation with a Japanese official present. FAS awarded TASC funding to develop data on the susceptibility of various apple varieties to quarantine pests to support removal of unnecessary import requirements.

JAPAN – STONE FRUIT: During the 2019 U.S.-Japan Plant Health Bilateral meeting, APHIS and MAFF agreed to exchange necessary information to move forward on a market access request for a new plum variety. USDA will continue to work with Japan on developing the required technical plant health data needed to justify expanding market access to new U.S. plum varieties.

JAPAN – CHIPPING POTATOES: During the September 2019 U.S.-Japan Plant Health Bilateral held between APHIS and Japanese counterparts, Japan agreed to open the shipping window for U.S. chipping potatoes to include year-round market access. Shipments were previously limited to a six-month import window (February to July). However, U.S. chipping potatoes remain subject to several restrictions, including on overland transportation to facilities away from ports. USDA and USTR will continue to engage Japan in high-level policy and technical meetings, and express concerns that the import restrictions on overland transportation of chipping potatoes are not based on science. In FY 2019 the United States exported \$15 million of potatoes to Japan.

JAPAN – FLORIDA CITRUS: In 2019, FAS awarded the Florida citrus industry a TASC grant to address post-harvest treatment of grapefruit shipments to Japan. In recent years, Japan imposed a new requirement for *L. theobromae*, which causes Diplodia stem-end rot on fresh citrus exported to Japan. Citrus greening (*Huanglongbing*) in Florida increased the prevalence of Diplodia stem-end rot, which can now be observed pre-harvest in addition to post-harvest. The citrus industry used the TASC funding to develop new pre-harvest measures to address concerns regarding Diplodia stem-end rot. In 2019, the United States exported \$10 million in grapefruit to Japan.

KOREA – APPLES AND PEARS: Since the mid-1990s, USDA sought market access for California and PNW apple and pear exports to Korea. In June 2019, the APHIS and APQA agencies agreed to a phytosanitary framework approach for bilateral horticultural market access requests.

KOREA – BLUEBERRIES: Korea currently permits imports of U.S. fresh blueberries produced only in Oregon. During the 2019 Plant Health Bilateral meeting, Korea agreed to complete administrative actions for the U.S. blueberry export program to increase market access for U.S. blueberries. In 2019, the United States exported \$8.8 million in blueberry products to Korea.

KOREA – TEXAS GRAPEFRUIT: In July 2018, Secretary Perdue raised concerns about Korea’s slow progress on U.S. market access priorities with his counterpart at the Ministry of Agriculture, Food, and Rural Affairs. During the November 2018 KORUS FTA SPS meeting, FAS and USTR pressed Korea to address multiple market access requests simultaneously and Korea agreed. Since 2015, the United States has sought expanded market access for grapefruit to Korea to include Texas grapefruit. In June 2019, APHIS and APQA agreed to a phytosanitary framework approach for bilateral horticultural market access requests which will help speed up progress on market access requests. In 2019, the United States exported \$5 million in grapefruit to Korea.

KOREA - SEED POTATOES: During the 2019 Plant Health Bilateral meeting, Korea agreed to complete the approval for seed potato certification from Colorado and Montana within six months and finalized a draft proposal to lift the ban on seed potatoes from Montana and Colorado. Seed potatoes from Montana and Colorado that meet the Seed Potato Certification Standard will be allowed to be used for exporting potatoes to Korea when this notice goes into effect. In 2019, the United States exported over \$3.5 million of fresh potatoes to Korea.

KOREA – STONE FRUIT: In July 2018, Secretary Perdue raised concerns about Korea’s slow progress on U.S. market access priorities with his counterpart at the Ministry of Agriculture, Food, and Rural Affairs. During the November 2018 KORUS FTA SPS meeting, FAS and USTR pressed Korea to address multiple market access requests simultaneously and Korea agreed. In June 2019, APHIS and APQA agreed to a phytosanitary framework approach for bilateral horticultural market access requests which will help speed up progress on market access requests.

NEW ZEALAND – CITRUS: Since April 2019, USDA have been engaged with New Zealand on its ban on imports of U.S. fresh citrus, put in place due to the detection of a spotted wing drosophila larvae, as well as concerns on bean thrips. USDA continues to raise concerns in meetings with New Zealand about the impact on U.S. citrus exports. In October 2019, APHIS provided research to New Zealand showing the efficacy of phosphine fumigation on navel oranges and mandarins to restart the import of U.S. fresh citrus. In 2019 the United States exported \$25.6 million of citrus to New Zealand.

TAIWAN ORGANIC PRODUCTS: Taiwan maintains pesticide residue tolerance levels for organic products significantly lower than those allowed under USDA organic regulations. This results in hold-and-test requirements that hamper imports of perishable fresh produce. In 2018, FAS approved TASC program funding of a project to develop a manual for U.S. exporters, helping to remove one USDA certifier from Taiwan's mandatory hold-and-test list. In 2019, Taiwan proposed favorable changes to their import processes on testing, and USDA's National Organic Program and FAS will continue to discuss Taiwan's proposed changes and Taiwan's request for organic equivalency. In 2019, U.S. organic exports to Taiwan dropped from \$22 to \$21 million.

EUROPE

EU – AFLATOXIN CONTROLS: The EU remains a key export market for U.S. almonds, pistachios, and peanuts, yet the United States faces challenges associated with the EU's increased import controls for mycotoxin contamination. The EU modifies its testing frequency for aflatoxin in almonds, pistachios, and peanuts based on compliance history, including any violations of EU aflatoxin levels notified through the Rapid Alert System for Food and Feed (RASFF). RASFF is a public portal that publishes all instances of food and feed safety violations in the EU, including aflatoxin contamination above regulatory limits. These notifications are sent to all Member States (MS), but each MS determines how and when to register an alert as well as how to respond to alerts, which can lead to inconsistent scrutiny of U.S. products.

Since April 2018, EU MS were authorized to subject U.S. almonds to increased controls at their borders following a high number of shipment rejections based on aflatoxin contamination starting in 2017. USDA and the Almond Board of California engaged the EU to demonstrate industry efforts to improve compliance. Following a sustained decrease in RASFF notifications, the EU approved a return to the regime of mandatory less-than-one-percent border checks in September 2019.

The pistachio industry launched its Pistachio Export Aflatoxin Reporting program in October 2018 to improve pre-export testing and communication with the EU. Ultimately, the industry seeks to move into the EU's least restrictive import testing scheme, for which a continuing positive trend in compliance rates for aflatoxins in U.S. pistachios remains critical. U.S. peanuts became subject to increased inspections in 2019, when the EU approved emergency measures to increase testing rates for aflatoxins in peanuts to a mandatory 10 percent, the same control level as U.S. pistachios. The EU audited the U.S. peanut industry in October 2019 and will determine which safeguard measures for aflatoxin are necessary in the future. FAS has worked closely with the almond, pistachio, and peanut commodity groups and the EU and MS governments to ensure continuing trade. FAS interventions include policy guidance, clarification of regulatory processes, and assistance in the release of detained shipments.

EU – REVISED ORGANIC STANDARDS: In 2012, the United States and the EU established an equivalence arrangement on organic products, allowing products certified in each country to be traded in the other's market. In July 2018, the EU notified revised standards to be implemented in 2021, and new regulations for imports of organic products from third countries to be implemented by 2026. The new EU organic regulations require the EU to enter into bilateral agreements with third countries and do not allow for one-way recognitions of equivalence as currently allowed. USDA and USTR will need to renegotiate an equivalence agreement based on the EU's revised standards and determine the form of the agreement by the EU's deadline of 2026. In prior EU equivalence discussions, TASC funding was used to complete a side-by-side comparison of standards to prepare for negotiations.

RUSSIA – IMPORT EMBARGO: In August 2014, Russia imposed an embargo on most U.S. agricultural products. The embargo, initially announced for one calendar year, has been extended until the end of 2020. The embargo halted exports of several U.S. horticultural products to Russia including tree nuts (except almonds), apples, pears, grapes, and citrus. In 2013, prior to the embargo, U.S. agricultural exports to Russia included \$32.8 million in tree nuts (except almonds), \$12.3 million in apples, \$12.1 million in pears, \$2.7 million in grapes, and \$1.2 million in citrus.

THE AMERICAS

ARGENTINA – APPLES AND PEARS: Since 2009, Argentina has blocked all U.S. apple and pear exports over concerns regarding the efficacy of postharvest treatments for fire blight. In 2018, during bilateral discussions, USDA and USTR requested that Argentina grant full market access for apples and pears. On September 24, 2019, USDA hosted a site visit at U.S. apple and pear production and packing facilities in Washington, Oregon, and Idaho. While Argentina assesses the results, USDA continues urging Argentina to resume issuing import permits for U.S. apples and pears.

CUBA – SEED POTATOES: On August 20, 2019, USDA submitted a draft seed potato protocol to Cuba regulators in order to gain new market access for U.S. seed potatoes. The U.S. potato industry anticipates that once this market opens, annual sales of seed potatoes could reach approximately \$5 million.

MEXICO – APPLES: In July 2019, Mexico conducted a one-week audit visit during the export season for California apples treated with methyl-bromide. Mexico did not report any significant issues, and, per the transition agreement, APHIS resumed oversight of California apple exports to Mexico in 2020. Mexico may conduct audits every three years, starting in 2022. Since 2015, Virginia and Michigan have chosen to not export apples to Mexico, so terms of the oversight reduction agreement have not been initiated. California may also ship apples to Mexico using cold treatment but did not ship in 2019. with this treatment. The Washington program operates under a cold treatment protocol, and Mexico recently completed a 2018 audit with no significant findings. The United States is Mexico's largest supplier of apples, with exports valued at more than \$265 million in 2019.

MEXICO – FRESH POTATOES: In March 2019, FAS met with the legal team for Mexico's Agriculture Ministry and pressed for full engagement and defense of a case now before Mexico's Supreme Court on imports of fresh potatoes. In the first half of 2019, FAS met regularly with the U.S. potato industry to share information and legal analysis and develop a joint action plan to gain expanded market access for U.S. potato exports to Mexico. In March 2018, legal and technical teams from Mexico's Agriculture Ministry and USDA met to discuss the longstanding market access barriers to U.S. potatoes beyond a 26-kilometer border zone. Mexico's potato industry filed a series of lawsuits to halt the expansion of U.S. fresh potato imports. In November 2018, Mexico's Supreme Court agreed to hear a case on this issue. In 2018, FAS provided TASC program funds to the U.S. potato industry to address legal challenges in Mexico. Despite these restrictions, Mexico is the second-largest export market for U.S. fresh potatoes, after Canada, with exports valued over \$52 million in 2019