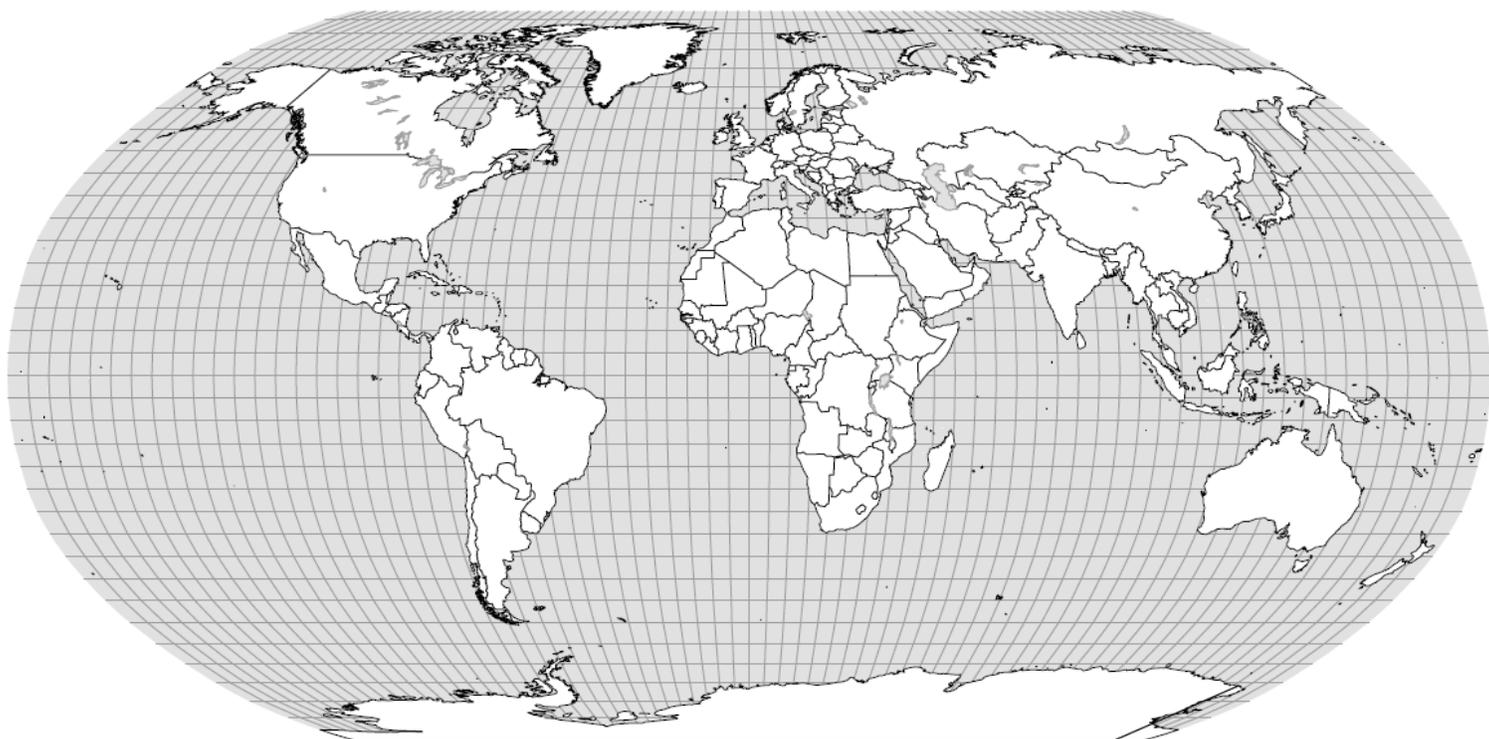


IDAHO

AGRICULTURE TRADE ISSUES REPORT

2017



Idaho State Department of Agriculture
Market Development Division
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www.agri.idaho.gov

INTRODUCTION

The Trade Issues Report began as the result of a Trade Issues Workgroup formed in February 1999 to address trade barriers for Idaho agriculture. The report is now published annually by the Idaho State Department of Agriculture to identify sanitary and phytosanitary measures (SPS) not based on science, tariffs, quotas, animal health requirements and other trade barriers that face Idaho agriculture exports.

Identifying issues is the first step in working to resolve trade barriers. The Department's action plan includes the following:

- Distributing the Idaho Agriculture Trade Issues Report to state and national officials, particularly Idaho's Congressional Delegation, USDA Foreign Agriculture Service and Office of U.S. Trade Representative.
- Establishing a direct dialogue with USDA Foreign Agriculture Service and Office of U.S. Trade Representative throughout the year as developments occur.
- Addressing specific issues directly with foreign government officials. Issues are discussed during Governor's Trade Missions and official meetings with Consuls General or Ambassadors visiting Idaho.
- Monitoring trade agreements and WTO negotiations that impact Idaho agriculture.
- Participating in key bilateral and multi-lateral forums including the Tri-National Agriculture Accord.

The trade issues that follow have been identified by industry as issues of concern. There may be additional issues, however, that are not included. For a complete listing of potato trade issues, contact the National Potato Council for a copy of their current "National Trade Estimate Report on Foreign Trade Barriers." The Northwest Horticultural Council also has a "National Trade Estimate Report on Foreign Trade Barriers (NTE)" for tree fruit.

Issues not specifically listed in this report that may affect products produced in the state are still of concern to the Department. The state of Idaho is interested in expanding market opportunities for all Idaho products regardless of rank or industry size. Reducing trade barriers for Idaho products will benefit Idaho farmers, ranchers and agribusinesses by giving Idaho's producers more alternatives in the marketplace.

Industry groups and individual exporters are encouraged to submit additional issues to the Department at any time. For information, or to submit an additional trade issue, contact:

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The Idaho State Department of Agriculture would like to thank the following organizations for their valuable feedback and contributions to the Idaho Agriculture Trade Issues Report:

Idaho Potato Commission

Northwest Horticulture Council

U.S. Dairy Export Council

U.S. Grains Council

U.S. Meat Export Federation

U.S. Wheat Associates

United Nations Food and Agriculture Organization

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UNITED STATES TRADE AGREEMENTS

Over the past few years, U.S. exports accounted for about a quarter of the country's growth. One in three acres of American farms is planted for sales overseas and 32% of gross farm income comes from exports. With 96% of the world's consumers living outside the U.S., foreign trade is increasingly important to expand the U.S. economy. Trade agreements create an opportunity to exchange goods and services more easily. The presidential negotiating authority, Trade Promotion Authority (TPA), is the process by which Congress gives authority to the President and/or U.S. Trade Representative to enter into trade negotiations in order to lower U.S. export barriers. Once legislation has been submitted to Congress for approval, under the TPA, both houses of Congress will vote on the agreement without making any amendments. The TPA lapsed in 1994 and was returned to the President under the Trade Act of 2002, but subsequently expired on July 1, 2007. However, Congress re-authorized TPA under the Trade Act of 2015 and the act was signed by the President in July of 2015.

The U.S. is a member of various bilateral free trade agreements (FTAs): Australia, Bahrain, Chile, Israel, Jordan, Morocco, Oman, Peru, and Singapore. The U.S. trade agreement with Colombia was signed on October 12, 2011 and was implemented on May 15, 2012. The U.S.-Korea (KORUS) and U.S.-Panama Free Trade Agreements were signed on October 21, 2011. The U.S.-Korea FTA took effect March 15, 2012 and the U.S.-Panama FTA took effect October 31, 2012. Multilateral agreements include NAFTA with Canada and Mexico and CAFTA-DR with Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.

On January 23, 2017, President Trump withdrew the United States from negotiations to enter the Asia-Pacific trade agreement known as the Trans-Pacific Partnership Agreement (TPP) with Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam and Japan. These eleven countries continue to negotiate the original agreements in a new FTA without the United States, called the TPP 11, in hopes of convincing the United States to re-enter into the partnership. For more information on FTAs visit <http://www.ustr.gov/trade-agreements/free-trade-agreements>.

In 2013 negotiations for the Transatlantic Trade and Investment Partnership (TTIP), a trade pact between the U.S. and the EU, began. With the EU and the U.S. representing 47% of global GDP and 33% of world trade flows, the potential benefits and risks of this trade agreement are significant. The TTIP seeks to expand U.S.-EU trade flows by reducing U.S.-EU differences in product standards and regulations (i.e. discrepancies in U.S. and EU environmental, food safety, and chemical standards), and increasing investment across the Atlantic. One of the greatest stumbling blocks for agriculture includes differences in the treatment of geographical indicators (GIs). Much progress has been made since 2013 regarding market access but discussions were halted indefinitely through the 2016 election in the United States, and were never resumed. However, in mid-2017, both sides made statements that they were open to continuing negotiations, but no meetings have been held since October 2016. More details of the negotiations can be found at <http://trade.ec.europa.eu>.

The final provisions of the North American Free Trade Agreement (NAFTA) were fully implemented on January 1, 2008. With full implementation, the last remaining tariff barriers on a handful of agricultural commodities such as U.S. exports to Mexico of corn, dry edible beans, nonfat dry milk and high fructose corn syrup and Mexican exports to the United States of sugar and certain horticultural products were removed. However, many non-tariff barriers to trade remain including restrictions on fresh potatoes. In spite of NAFTA, cross border trade disputes continue to occur. When President Trump took office in January of 2017, he vowed to renegotiate NAFTA with the overall goal of improving the trade balance and reducing the trade deficit with NAFTA countries. So far, renegotiations have commenced but have not been open to the public. Some of the negotiation goals are to: maintain reciprocal duty-free market access for all goods, address non-tariff barriers, establish better rules of origin and customs regulations, create higher standards of transparency, and promote the effective protection of intellectual property rights. The full NAFTA objectives page can be found at <https://ustr.gov/sites/default/files/files/Press/Releases/NAFTAObjectives.pdf>.

THE WORLD TRADE ORGANIZATION

In 1995, the World Trade Organization (WTO) came into being as the successor to the General Agreement on Tariffs and Trade (GATT). The WTO is the only global international organization dealing with the rules of trade between nations. The Uruguay Round, which took place in 1982 at a ministerial meeting of GATT, led to an Agriculture Agreement to promote order and fair competition and to decrease distortion through specific commitments by member countries. The Agriculture Agreement includes issues dealing with market access, domestic support, and export subsidies. The WTO has 164 members as of July 29, 2016.

The current round of negotiations referred to as the Doha Round began in November 2001. After failing to reach a compromise on agricultural import rules during the 2008 negotiations, trade ministers agreed in December 2011 to focus on a smaller package including "Trade Facilitation," or reducing red tape at borders. After intense negotiations at the 2013 Ninth Ministerial the trade ministers agreed on a Trade Facilitation Agreement, the Bali Ministerial Declaration. The 10th Ministerial was held in Nairobi in December 2015 and the "Nairobi Package" was adopted. The package contains six Ministerial Decisions including three on agriculture: Special Safeguard Mechanism for Developing Country Members; Public Stockholding for Food Security Purposes and Export Competition. Significant progress was made within Export Competition including a commitment to abolish export subsidies for farm exports. Developed countries will immediately remove export subsidies, except for a handful of agriculture products, and developing countries will do so by 2018 with a longer time-frame in some limited cases. The 11th Ministerial will be held in Buenos Aires on December 10-13, 2017. For more information, visit <https://www.wto.org/>

AGRICULTURAL ISSUES

WORLDWIDE



ALL PRODUCTS

Under the WTO Agreement on Agriculture, member countries agreed to reduce domestic policies that are considered to be trade-distorting. Every year countries are required to submit documents describing their expenditures on domestic government support to agriculture sectors. In 2011 the U.S. spent a little over \$5 billion in Aggregate Measure Support (AMS, domestic support for agriculture that is considered to distort trade and therefore subject to reduction commitments). It is important to note that the U.S. is limited by WTO commitment to not spend any more than \$19.1 billion dollars on AMS programs and the closest it has come to that cap was \$16.8 billion in 2000. The reduction levels in agricultural subsidies and tariffs that were agreed to in the Uruguay Round were:

	Developed Countries 6 years: 95-00	Developing Countries 10 years: 95-04	Domestic Support Ceiling Commitments	
	Tariffs		United States	\$19.1 billion
Average cut for all agricultural products	-36%	-24%	European Union	\$79 billion
Minimum cut per product	-15%	-10%	Japan	\$36 billion
	Domestic support			
Total AMS cut for sector (base period 1986-88)	-20%	-13%		

Source: http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm3_e.htm

Issue: Export Subsidies

Export subsidies are special incentives provided by governments to encourage increased foreign sales. In the WTO, 25 countries can subsidize exports on certain products. The U.S. is authorized to subsidize 13 products including wheat, wheat flour and dairy products; however, the U.S. has chosen not to exercise those subsidies. For a complete list, visit:

http://www.wto.org/english/tratop_e/agric_e/negs_bkgrnd08_export_e.htm.

The U.S. proposed to the WTO in 2000 to eliminate export subsidies through progressive implementation of annual reduction commitments over a fixed period. At the Hong Kong WTO Ministerial Meeting in 2005, members agreed to the parallel elimination of all export subsidies to be completed by the end of 2013, with developing countries receiving an additional five years to fully eliminate their subsidies. In October 2013 ministers acknowledged a positive trend regarding decreased use of export subsidies. However the “parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect” could not meet the 2013 deadline. Ministers reaffirmed the parallel elimination of export subsidies as a final objective on export competition of the Doha Round.

Progress was finally made at the Tenth WTO Ministerial held in Nairobi in December 2015. The “Nairobi Package” included an agreement on export competition. Developed countries will immediately remove export subsidies, except for a handful of agriculture products, and developing countries will do so by 2018 with a longer time-frame for extenuating circumstances to continue until 2023. The package also limits export credits, export credit guarantees or insurance. More information about the specific timelines and exceptions in the package can be found at:

https://www.wto.org/english/news_e/news15_e/mc10_19dec15_e.htm

WTO members undertook at the Agriculture Committee meeting in June of 2016, their first review of agricultural export policies since the Nairobi ministerial decision to scrap farm export subsidies in all developed countries. Several of the 16 WTO members with schedules of commitments permitting them to subsidize their farm exports confirmed their intention to formally modify their schedules.

The European Union by far has been one of the biggest offenders in providing large agricultural subsidies to its farmers and producers. For example, the EU has been distorting world dairy markets for decades with export subsidies for dairy products. Prior to the Nairobi Package, EU was permitted to spend over 1 billion euros (\$1.08 billion dollars) a year on dairy export subsidies: 724 million euros on other dairy products, 346 million on cheese, and 298 million on skim milk powder.

Issue: Food Safety

Food safety is an increasingly important issue. FDA is responsible for the safety of 80% of all food consumed in the U.S., including the entire domestic and imported food supply; however, meat, poultry, and liquid eggs are under the authority of USDA. To view the most current alerts visit the FDA’s webpage at <http://www.fda.gov/opacom/7alerts.html>.

FDA has developed a comprehensive Food Protection Plan to protect the nation's food supply from both unintentional contamination and deliberate attack, focusing on prevention, intervention, and response. For more details, visit:

<http://www.fda.gov/food/guidanceregulation/foodprotectionplan2007/ucm2018344.htm>.

In 2004, the U.S. began requiring registration for food manufacturers and producers who produce or export to the U.S. Many countries have initiated similar requirements, including the EU, Canada, and Mexico. In addition, food safety commissions or agencies have been emerging in countries such as Japan and India as they prepare for additional global trade. On January 4, 2011, President Obama

signed the Food Safety and Modernization Act (FSMA), requiring companies to develop and implement written food safety plans in an effort to prevent food-borne illness. The provisions of the FSMA also provide FDA with the authority to better respond and require recalls when food safety problems occur, as well as ensure that imported foods are as safe for consumers as those produced in the United States. More information and updates to FSMA rules can be found here:

<http://www.fda.gov/Food/GuidanceRegulation/FSMA/default.htm>

The Codex Alimentarius Commission (Codex) was created in 1963 by the Food and Agriculture Organization of the United Nations (FAO) and the World Health Organization (WHO) to develop worldwide food standards, guidelines and related texts such as codes of practice under the Joint FAO/WHO Food Standards Program. These standards include biotechnology, irradiation, and meat standards. The United States aligns its food safety standards to those established by Codex. For more information visit: www.codexalimentarius.org.

Issue: Geographical Indicators

Several countries, including the European Union and some of its allies, have been pursuing an aggressive bilateral strategy to restrict the use of common product names by producers outside of the specific country through FTA negotiations, bilateral Intellectual Property discussions, and other forums such as the Anti-Counterfeiting Trade Agreement (ACTA). The goal of these countries is to advance their own commercial interests for food products through advocating for wider use of Geographical Indicators (GI), beyond the realm of appropriate protection of product niches in order to try to appropriate for their sole usage. With this, many product names that are commonly used around the world, including in international trade are considered to be generic in the U.S. and many other countries. In the case of the EU for cheese, these names include generally used names such as Feta, Parmesan, Muenster, Provolone and Romano, along with many others. Feta isn't even a place and the EU didn't begin pushing for GIs until 1992, long after U.S. producers had well established cheese brands and such cheese names had become common and generic.

If successful, the efforts of these countries to limit the use of these common product names will significantly impair current U.S. exports that use those terms considered to be generic descriptions and will also greatly limit the future global potential for the U.S. industry. The affected U.S. industries, including dairy and beverages, stress how critically important it is for government and industry to work together in a very concerted manner to ensure that the customary use of common product names can continue in foreign markets.

The E.U. has recently concluded a series of FTA's that contain important levels of protection for geographical indicators with South Korea, Singapore, Colombia and Peru, Central America, Canada, and Ukraine. The E.U. is currently negotiating with Vietnam, Moldova and Georgia, and Japan to protect their GIs in even more countries. U.S. producers must adhere to these GIs when exporting to a country that recognizes them.

Issue: Pesticide Harmonization

Pesticide harmonization efforts have been ongoing in Australia, New Zealand, Canada, the EU, and Japan, the result of which has been the establishment of positive minimum residue levels (MRL) systems. U.S. officials are working to keep the Codex or U.S. standards as the default measurements and the new tolerances based on risk assessments. Attaché reports on these situations can be found at: www.fas.usda.gov/data/search

Issue: Tariffs

One of the achievements of the Uruguay Round of multilateral trade talks was to increase the amount of trade under binding commitments (see table). In agriculture, 100% of products now have bound tariffs. The result is a substantially higher degree of market security for traders and investors. Idaho food and agriculture product exports are still significantly hindered by high tariffs. These are specifically noted in this document.

In addition, mega tariffs (100% or higher) play a major role in industry protection. Although the statistics

2017 Simple Average Tariffs – Agricultural Products		
Country	Bound	Most Favored Nation
Canada	15.4	15.6
Mexico	45.0	14.6
China	15.7	15.5
Korean Republic	57.9	56.9
Japan	17.4	13.1
Indonesia	47.1	8.4
Philippines	35.0	9.8
Malaysia	55.6	8.4
Thailand	39.3	31.0
Chile	26.1	6.0
United States	4.8	5.2

have not been updated, when last calculated, the EU had 141 mega tariffs (specifically in meat and dairy products); while Japan had 142 mega tariffs (specifically in grains and dairy products). The U.S. had 24 mega tariffs, significantly fewer, mainly on tobacco, dairy, and sweeteners.

Source: https://www.wto.org/english/res_e/booksp_e/tariff_profiles17_e.pdf

Issue: Value of U.S. Dollar

The U.S. dollar exchange rate plays an important role in U.S. agricultural trade. A comparatively weak dollar means U.S. products are relatively less expensive than the products from foreign countries. The value of the U.S. dollar has increased over the past year, making exports less competitive on the global market. Furthermore some countries intervene in the foreign exchange market, which ultimately stimulates exports and slows imports. Over the past few years this issue has primarily been associated with China, but China has taken large steps to separate themselves from this issue and is no longer seen as a currency manipulator.

Issue: Visa Issuance

Idaho businesses often have difficulty in obtaining visas from the U.S. Department of State-Bureau of Consular Affairs for foreign visitors, including company employees, traveling to the U.S. for business purposes. In some cases, the determination of visa issuance appears haphazard to Idaho businesses and their associates, and sufficient explanations for refusals are not always provided. This has resulted in significant ill will with business partners, customers, and buyers of Idaho agricultural products who are unable to visit the state and see the product, production, and manufacturing practices of Idaho exporters first-hand.

On January 19, 2012, President Obama signed an executive order establishing the “Visa and Foreign Visitor Processing Goals and the Task Force on Travel and Competitiveness,” (VIWP) which aims to reduce processing time for all nonimmigrant visa applicants and increase processing capacity for China and Brazil. The goal of the order was to increase the number of foreign visitors to the United States, thus creating jobs and spurring economic growth in the U.S. economy.

On January 27, 2017, President Trump signed an executive order to make it more difficult for foreign individuals to enter the U.S. Section 8 of President Trump’s Executive Order: Protecting the Nation From Foreign Terrorist Entry into the United States refers to the immediate suspension of visa interview waivers specifically, the VIWP, and imposes a requirement that all nonimmigrant visa applicants, with exceptions, undergo in-person interviews.

SUGAR

Issue: Subsidies

Around 100 countries produce sugar and each one has some form of government intervention that affects the costs of production. The U.S. is one of the largest producers and consumers worldwide. The U.S. sugar industry is very efficient with production costs below the world average after adjustments made for government intervention.

The U.S. is a net importer of sugar, and imports have historically averaged around 15% of the total amount of sugar that the U.S. consumes. Sugar imports are subject to TRQs. For Fiscal Year 2018, the in-quota quantity for the tariff-rate quota on raw cane sugar is 1,117,195 MMT raw value, which is the minimum amount to which the U.S. is committed under the WTO. This is an unfair obligation because the U.S. can produce its own needs at a competitive price, but are subject to importing sugar from countries that heavily subsidize their domestic industry. The U.S. industry is supportive of open market access worldwide, but not until domestic subsidies are significantly reduced.

ARGENTINA



CATTLE

Issue: Live Cattle –Import Ban

Live cattle from the United States are currently banned due to a risk of BSE. This ban has been in effect since 2004.

FRUIT

Issue: Apples and Pears – Phytosanitary Ban

Since 2009, Argentina has no longer issued import permits for U.S. apples and pears. Suspension of imports occurred due to concerns about the transmission of the bacteria causing fire blight via apple and pear fruit. The USDA-APHIS has submitted technical information to the Argentine government documenting that the risk of transmitting the bacteria on mature symptomless apple and pear fruit is very low. There has not been any response to this letter. Rather, the Argentine government has begun a new pest risk assessment on apples, to replace the one conducted in 2005, indicating that this assessment will be used to determine the Import Permit requirements for apples. The U.S. will continue to work with Argentine officials to address the issue and reinstate the issuance of permits for importation.

Issue: Cherries - Phytosanitary Ban

Argentina prohibits the importation of Pacific Northwest (PNW) cherries into the country due to concerns over cherry fruit fly and other insect pests. This trade barrier has been in place since the mid-1990s. The U.S. government and Argentinian government have yet to reach an agreement on an export protocol.

Issue: Tariffs and Export Rebates

Argentina has a tariff, tax and rebate system that makes it difficult to import fruit because of increased costs, which are transferred to the buyers. Trade pacts among different South American countries also leave U.S. fruit exporters at a competitive disadvantage. The table on the next page lists the current import tariffs, statistical taxes, export taxes and rebates.

2017 Argentina Tariffs, Taxes and Rebates for Apples and Pears	
Countries outside of Mercosur	Countries within Mercosur (Argentina, Brazil, Paraguay, Uruguay)
Import tariff: 10%	Import tariff: 0%
Statistical tax: 0.5%	Statistical tax: 0%
Export tax: 0%	Export tax: 0%
Export rebate (apples, > 20Kg): 3.4% Export rebate (pears, > 20Kg): 2.7% Export rebate (2.5Kg-20Kg): 5% Export rebate (< 2.5Kg): 6%	Export rebate (apples, > 20Kg): 3.4% Export rebate (pears, > 20Kg): 2.7% Export rebate (2.5Kg-20Kg): 5% Export rebate (< 2.5Kg): 6%

AUSTRALIA




SEED

Issue: Alfalfa Seed – Phytosanitary Restrictions

Australia currently prohibits all U.S. alfalfa seed due to Verticillium Wilt (VW) except from seven counties in California. A lab test can be done although neither the test nor a field inspection currently is being accepted. The requirements for the export program for the seven counties are generally threefold: (1) area of freedom, (2) phytosanitary seed inspection program, and (3) Sheppard and Needham’s wash test. Idaho cannot meet the area of freedom requirements.

Issue: Sweet Corn – Overly Stringent Requirements

Idaho is the only U.S. state with an established protocol to ship sweet corn seed to Australia which was established in April of 2002. The requirements include export field registration, field sanitation and pest control measures, export crop inspection and testing, packing house registration and procedures, pre-export seed inspection, packing and labeling requirements, and on-arrival inspections. The requirements, however, are far more stringent than other countries. Most exporters do not bother to register their fields because of the onerous requirements. Additionally, biotech seed is prohibited unless it has an import permit. Shipments of non-biotech seed have been delayed or even prohibited due to concerns by Biosecurity Australia.

BRAZIL




DAIRY PRODUCTS

Issue: Tariffs and Non-Tariff Barriers

Plant registration and product label registration are required for export to Brazil. The U.S. dairy product exporter must have the plant included on the U.S. Department of Agriculture- Agricultural Marketing Service’s (USDA-AMS) list of U.S. Dairy Plants Surveyed and Approved by the USDA Grading Service or in the list of plants approved by the FDA (state approval alone is not permitted). Product labeling for any shipped item must be registered with the Brazilian government. If identical products are shipped

under different brand names (requiring different labels on the packaging), each label must be registered separately even though the actual products may be identical.

Brazil's tariffs on dairy products favor Mercosur members over the U.S.

2017 Tariffs on Dairy Products			
Tariff Number (HTS)	Product Description	Common External Rate (%)	Mercosur Rate (%)
0401.10.10	Milk and Cream, UHT	14	0
0401.10.90	Milk and Cream, UHT	12	0
0406.10.10	Cheese, Mozzarella (1)	28	27
0406.10.90	Cheese, Other	16	0
0406.20.00	Cheese: Grated or Powdered	16	0
0406.90.10	Cheese, with a fat content less than 36%, by weight (1)	28	27
0406.90.20	Cheese with a fat content superior or equal to 36% and less than 46%, by weight (1)	28	27
0405.10.00	Butter	16	0
0405.90.10	Butter Oil	16	0
0402.21.10	Whole Milk Powder (1)	28	27
0402.21.20	Nonfat Milk, Powder (1)	28	27
0404.10.00	Whey Powder (2)	28	27

FRUIT

Issue: Tariffs and Miscellaneous Charges

Brazil charges a 10% import duty (CIF) on fresh apples, cherries, and pears. This tariff serves as a significant barrier to Idaho fruit exports to Brazil as fruit imports from Mercosur countries enter duty-free and ALADI countries (Argentina, Bolivia, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela) enter with preferential treatment. Brazil also levies a significant number of miscellaneous charges, port charges, internal taxes and assessments that amount to a significant cost increase to consumers above the landed value of the product.

<http://nwhort.org/?s=australia>

Apple and pear imports from countries other than Argentina, Paraguay and Uruguay are limited by a quota of 10,000 metric tons (MT) from August 1 through December 31. Nevertheless, import permits in excess of this quota are regularly issued by Brazilian officials.

WHEAT

Issue: Tariff and Tariff Rate Quota

Brazil is one of the largest importers of wheat in the world. Brazil imports approximately 90% of its wheat from Mercosur countries at zero tariffs; however the majority of their imports come from neighboring Argentina. Non-Mercosur countries, including the U.S., are subject to a 10% common external tariff (CET) and a Merchant Marine Renewal Tax (MMRT) of 25% of the freight cost.

The tariff on non-Mercosur nations unfairly hurts the competitiveness of countries like the United States, especially since the Brazilian government can eliminate the CET when it is convenient for them.

Brazil agreed to a TRQ of 750,000 MT at zero duty for wheat under the Uruguay Round of the WTO, but, with the exception of 2013, they have not implemented that commitment. Enactment of this TRQ on a consistent basis would benefit U.S. wheat producers greatly.

CANADA



DAIRY

Issue: Fresh Cheese not included in “Food Preparations” Definition

Canada has unilaterally altered the definition of “food preparations” to exclude any packages containing fresh cheese. This blocks all U.S. exports of processed products containing fresh cheese, including pizza kits and appetizers with cheese.

Issue: Milk Pricing Scheme

Through a new dairy ingredient pricing strategy, Canada developed a new milk pricing class in February of 2017 called Class 7. Class 7 milk is comprised of skim milk components, including milk protein concentrates, skim milk and whole milk powders, edible casein, rennet casein, and various powders derived from milk products. By developing this class, Canada has effectively created a way to domestically sell high-protein dairy products at a much cheaper rate than their supply management system currently allows. This adversely affects many U.S. milk producers, especially producers of ultra-filtered (UF) milk, because, until now, Canada’s high tariffs did not affect UF milk, and the U.S. dairy industry has been able to send UF milk to Canada without high tariffs or any restrictions. There is also concern that Class 7 pricing will facilitate exports of surplus Canadian skim milk products that would not otherwise be price competitive in international markets, potentially displacing similar U.S. product exports.

There is concern that the class 7 pricing system violates Canada’s WTO obligations.

Issue: Tariff Rate Quota

Canada protects its domestic cheese industry through a tariff rate quota system. The 1998 U.S. - Canadian Free Trade Agreement (CFTA) eliminated many tariffs, but the preferential duty rate only applies to imports within the quota. The quotas are small, resulting in the higher duty rate utilization. Imports of cheese are limited to 20,412 MT. Some imports above that level can be made through the Import for Re-Export Program (IREP). Dairy products that are imported by Canadian processors for use in manufacturing goods, such as confectionary items, which are re-exported can be shipped to Canada under the IREP and avoid the over-access tariffs. Under the TPP deal that the United States backed out of, Canada had agreed to allow dairy imports at 3.25% of their annual production.

Issue: Tariff on Processed Dairy Products

In addition to tariff rate quotas, Canada protects its dairy industry through high tariffs on some manufactured goods. Processed items containing more than 50% dairy content are subject to prohibitive tariffs.

2017 Customs Tariff Schedule for Cheese				
H.S. Code	Product Description	Quota	Below quota tariff	Above quota tariff
0406	All cheese (cheddar, powdered, mozzarella, soft)	20,412 MT	0	245.5%

(Tariff Schedule for Processed Dairy Products on next page)

2017 Customs Tariff Schedule for Processed Dairy Products			
H.S. Number	Description	Unit of Measure	MFN Tariff
2106.90.93	50% or more by weight of dairy content, within access commitment	KGM	7%
2106.90.94	Containing 50% or more by weight of dairy content, over access commitment	KGM	274.5% but not less than C\$2.88/kg

POTATOES

Issue: Fresh Imports - Anti-dumping Duties

Since 1984, Canada has imposed an anti-dumping duty on fresh potato imports from Washington, Oregon, California, and Idaho into British Columbia for allegedly selling potatoes below cost of production. Fresh potato floor price is determined by the Canadian government and varies by state of origin. Any imports below those prices are impacted with the importer paying the difference between the floor price and the actual sale price to Revenue Canada. The PNW potato industry contested the allegations of dumping and the methodology used by the Canada Border Services Agency (CBSA) in calculating the dumping margins during reviews of the dumping order held in 1984, 1986, 1990, 1995, 2000, 2005, and 2010. Each time, the Canadian authorities refused to revise the dumping order.

Dumping duties are not imposed on U.S. potatoes because they are unfairly traded. Rather, the dumping duties are maintained because the Canadian antidumping law sets floor prices at cost of production rather than at normal agriculture commodity prices in a free market.

The Canada Border Services Agency (CBSA) conducts a review every five years to determine whether U.S. potatoes exported to British Columbia should be subject to anti-dumping duties. In September 2010, the review stated that potato stocks in 2009-2010 were high and prices dropped significantly; however, CBSA did not rule to remove the anti-dumping duties and left them in place. North American potato industry publications report that current price levels are well below costs of production for U.S. potato growers.

On May 21, 2014, the CBSA initiated a re-investigation in accordance with the Special Import Measures Act (SIMA), of the normal values and export prices of certain whole potatoes originating in or exported from the United States of America for use or consumption in the province of British Columbia. A re-investigation concluded on September 18, 2014 upheld the Canadian claim that prices are reflective of the going market rate. Additional information is available at: www.cbsa-asfc.gc.ca/sima-lmsi/ri-re/menu-eng.html.

Issue: Restrictions on Bulk Shipments

Canada continues to maintain restrictions on the importation of potatoes shipped in bulk containers (i.e. containers larger than 50 kg or 100 lbs.). Potato processors in Canada source bulk raw potatoes to supply plants in Canada. In order to move bulk potatoes, Canada requires that a Ministerial Exemption (ME) be issued. An agreement was made between the U.S. and Canada in 2007 to streamline the process for shipments of bulk potatoes. However, in spite of these changes, the ME system represents a significant barrier to trade in potatoes and other U.S. agricultural products. For the trading relationship with Canada to continue to mature, Canada should completely eliminate the ME requirement and allow for willing buyers and seller to conduct trade.

WHEAT

Issue: Restrictions on U.S. Grain Exports

Canada has varietal registration requirements for wheat and barley. Canada eliminated a portion of the varietal controls in 2008 by no longer requiring that each registered variety of grain be visually distinguishable based on a system of Kernel Visual Distinguishability (KVD). This KVD requirement limited U.S. export access to Canada's grain market because U.S. varieties are not visually distinct and cannot be registered for use in Canada. While this policy change is an improvement, it will take years before U.S. wheat varieties are able to complete the necessary field trials to determine whether they will be registered for use in Canada. In the meantime, due to "grown in Canada" requirements, U.S. wheat, regardless of quality, will continue to be sold in Canada as "feed" wheat at sharp price discounts compared to Canadian varieties. In 2013 revision of the Canada Grains Act was under consideration in the Canadian Parliament. However, the Canadian Grains Commission may establish grades and grade names for any kind of grain grown in the Western Region or Eastern Region, and establish the specifications for those grades, as well as set out a method, visual or otherwise, for determining the characteristics of the grain for the purposes of meeting the quality requirements of purchasers of grains. For more information on the Canadian Grains Act visit: <http://laws-lois.justice.gc.ca/eng/acts/G-10/>

Furthermore, non-Canadian grain is not allowed to receive an official grade beyond the lowest statutory level. This results in U.S. wheat having to be traded on a specification basis only or bear the lowest grade level in the Canadian system. Canada also requires foreign grain that is mixed with Canadian grain to be marketed as foreign or mixed grain.

WINE

Issue: Favorable treatment for British Columbia Wine

Canada has specific regulations on how wine can be sold. In April of 2015, British Columbia (BC) amended regulations to permit the sale of wine in grocery stores. The amended regulations provide two options for grocery stores to sell wine. Under the "wine on shelf" option, a grocery store may sell wine anywhere within the grocery store, but only BC wine may be sold on grocery store shelves. Imported wine may only be sold in grocery stores under a "store within a store" option. Under the "store within a store" option, wine sales must be conducted in a "wine store" that is physically separated from the grocery store, has controlled access, and separate cash registers from the grocery store's cash registers. As a "store within a store", a grocery store may sell both BC wine and imported wine. The discriminatory BC regulations negatively affect U.S. winemakers by effectively denying them access to BC grocery store shelves, a new and growing retail channel.

On January 18 of 2017, the Obama Administration launched a new trade enforcement action against Canada at the World Trade Organization. This action challenges British Columbia's regulations that discriminate against the sale of U.S. wine in grocery stores.

The Trump Administration filed an additional formal request on September 28 for consultations at the World Trade Organization (WTO) over British Columbia (BC) regulations that favor BC wines over imported US wines. This new request updates the previous request.

CHINA (PRC)



BEEF

Issue: Restrictive Import Requirements

In December 2003, China imposed a ban on U.S. bovine products in response to the bovine spongiform encephalopathy (BSE) detection in a cow imported into the U.S. from Canada. China's ban included not only beef, but also low-risk bovine products (i.e. bovine semen and embryos, protein-free tallow and non-ruminant origin feeds and fats), which pose no risk of BSE and should not be banned under existing international standards.

In 2004, after numerous meetings, technical discussions, and a visit to U.S. bovine facilities by Chinese food safety officials, China announced a lifting of its BSE ban for some low-risk bovine products like bovine semen and embryos subject to facility certification. Additionally, China signed a bilateral protocol for non-ruminant origin feeds and fats contingent on facility certification by Chinese regulatory authorities. In 2006, China declared its border open to U.S. beef under 30 months of age. However, U.S. and Chinese officials never finalized a protocol until 2017.

As part of the U.S.-China 100-Day Action plan, under the framework of the US-China Comprehensive Economic Dialogue announced on May 11, 2017 by US President Donald Trump and the People's Republic of China President Xi Jinping, the U.S. Department of Agriculture reached an agreement with Chinese officials on final details of a protocol to allow the U.S. to begin beef exports to China. In June of 2017, China accepted its first shipment of US Beef in more than 13 years. Although this is a great stepping stone, the requirements are very stringent and limited to animals under 30 months of age. Only about 10% of U.S. cattle will qualify for these requirements.

The requirements are as follows:

- Beef and beef products must be derived from cattle that were born, raised, and slaughtered in the U.S., cattle that were imported from Canada or Mexico and subsequently raised and slaughtered in the U.S., or cattle that were imported from Canada or Mexico for direct slaughter;
- Cattle must be traceable to the U.S. birth farm using a unique identifier, or if imported to the first place of residence or port of entry;
- Beef and beef products must be derived from cattle less than 30 months of age;
- Chilled or frozen bone-in and deboned beef products are eligible for shipment. For a complete listing, refer to the FSIS Export Library; and
- Carcasses, beef, and beef products must be uniquely identified and controlled up until the time of shipment.

These requirements apply to US companies (slaughterers, fabricators, and/or processors) that supply beef and beef products as listed on the USDA Food Safety and Inspection Service (FSIS) website: <https://www.fsis.usda.gov/wps/portal/fsis/topics/international-affairs/exporting-products/export-library-requirements-by-country/Peoples-Republic-of-China>.

DAIRY

Issue: Whey - Ban on Benzoyl Peroxide and Benzoic Acid

On June 1, 2009, with the enforcement of China's new Food Safety Law, the Chinese government implemented more stringent testing of imported foods for compliance with Chinese standards. As a consequence, China started testing whey products for the presence of benzoic acid, a byproduct of bleaching with benzoyl peroxide.

Benzoic acid can be used in many food products in China, but not whey. The AQSIQ may choose to request an affidavit stating that a product was not manufactured with the usage of benzoyl peroxide as a bleaching agent. Although U.S. products bleached with this substance have been shipped to China for many years, the Chinese government did not routinely test for the presence of benzoic acid in whey products. Now that products are routinely tested, those products that fail to pass the test may be rejected or destroyed.

In 2006, Codex adopted the usage of benzoyl peroxide at a rate of 100 mg/kg as a bleaching agent in dry whey products and subsequently in 2007 for liquid whey products. Therefore, China's standards for whey products are not based on sound scientific principles. In addition, the Chinese Ministry of Health issued a notice on December 15, 2010, banning benzoyl peroxide and calcium peroxide in the production of wheat flour and its products as of December 1, 2011.

HAY & HAY PRODUCTS

Issue: Alfalfa cubes and pellets, and Timothy Hay – Phytosanitary Restrictions

Alfalfa cubes, alfalfa pellets and timothy hay are prohibited entry into China due to a lack of an established import protocol. APHIS has initiated a market access request with the Chinese government and the issue was discussed at several of the U.S.-China bilateral meetings. APHIS has been provided with information from U.S. cube and pellet processors in order to request AQSIQ to conduct a PRA for cubes and pellets, the first step in developing an import protocol.

Issue: GMO testing of Alfalfa Hay

China does not have any GMO alfalfa varieties approved so all alfalfa hay must be non-GMO. China issued a directive in July, 2014 that increased the testing of non-GMO alfalfa. The concern is that any alfalfa hay that exceeds the lowest detection limit of 0.01% will be rejected. The "zero" standard is overly restrictive. Minute levels of cross contamination from equipment or dust can cause a shipment of non-GMO alfalfa to be rejected. In comparison, Japan sets food products as non-GMO to have no more than 5.0% GMO ingredients, far greater than 0.01%. Japan does not have a standard for animal feed so industry defaults to the food standard. Recognizing the unintentional or technically unavoidable traces of GM material, many countries including those in the EU only require GM labeling of foods with a threshold of .9%-1.0%.

HORSES

Issue: Import Restrictions

The shipment of live horses to China was suspended pending China's revisions to the import protocol. A process for the importation for live horses has been agreed upon between APHIS and China's AQSIQ. Once AQSIQ updates its website, and horses are on the list, exporters will be able to ship. However, there is a new stipulation on the health certificate, saying that the horses must come from an equine infectious anemia free zone 8 kilometers in diameter.

POTATOES

Issue: Fresh - Phytosanitary Ban

Idaho fresh potatoes are prohibited entry into China because of reported phytosanitary concerns. In 2000, AQSIQ conducted a PRA to develop protocols for imports of U.S. potatoes from Idaho, Oregon and Washington. In 2001, a Chinese technical delegation visited the Northwest, gathering information on potato production areas, packing facilities, potato pests, mitigation measures, pesticide use, sprout inhibitors, phytosanitary inspections, and plant quarantine measures (specifically on viruses, diseases, nematodes, and insects) as well as an overview of all aspects of the U.S. potato industry from planting, growing, and harvesting to packing and shipping.

For the last decade, the issue has been raised at every U.S.-China plant health bilateral. In a violation of international trade practices, China's AQSIQ has overtly linked progress on the U.S. potato request to Chinese apple access to the U.S. During the September 2012 bilateral talks, Beijing again did not provide a final PRA. Finally on October 25, 2013, AQSIQ provided USDA with a PRA draft. The 153-page pest risk assessment of the PNW potatoes identified 32 pests of concern. APHIS provided a preliminary response to the PRA during the U.S.-China plant health bilateral in November 2013. In June 2014, AQSIQ responded to APHIS by providing a revised PRA that included a shortened list identifying 26 pests of concern. AQSIQ also provided a draft market access protocol for PNW potatoes. There are some objections to the pests of concern as well as the draft protocol and no agreement has yet been reached.

PROCESSED FRUITS & VEGETABLES

Issue: Certificate Requirement

China required phytosanitary certificates for processed potato products including frozen and dehydrated potatoes until 1998 when Chinese officials met with USDA-APHIS officials and agreed to lift this requirement. Instead, a Certificate of Quality and Condition issued by the USDA-AMS is required. International Standards for Phytosanitary Measures under the International Plant Protection Convention (IPPC) provides that importing countries should not require phytos for processed plant products because they have no potential to introduce regulated pests. The manufacturing process of heat treatment and/or cold temperatures eliminates the likelihood of processed products harboring pests. USDA authorizes the issuance of federal phytosanitary certificates that certify plant products free of pests and diseases, but prohibits federal phytosanitary certificates from being issued on processed products.

In 2001, it was suggested that the Certificate of Quality and Condition (CQC), USDA-AMS Form FV – 146CS, be accepted in place of a phytosanitary certificate for potato products. The CQC is appropriate for processed products and certifies that the “product is in good condition and appears fit for human consumption.” In 2002, the Chinese government accepted and implemented the USDA-AMS document with regard to the importation of potato products. While this is an improvement, the process is expensive, time-consuming, and unnecessary.

SEED

Issue: Corn Seed – Phytosanitary Ban

Corn seed to China is prohibited because of *Erwinia stewartii* or Stewarts Wilt. A Pest Risk Assessment (PRA) has been requested but never completed.

Issue: Protection of Proprietary Varieties

China is one of the world's largest producers and users of seeds, and although China has implemented laws and regulations, intellectual property right (IPR) violations and counterfeit cases occur frequently. In April 1999, China joined the International Union for the Protection of New Varieties of Plants (UPOV) adopting the first two acts (China has not yet adopted the Act of 1991 that requires new members to grant protection for all new plant genera and species within a decade). UPOV is an international organization whose mission is to promote and protect new varieties of plants. It sets guidelines and uniform principles for protecting plant material. Without plant breeders' rights, there is nothing to prevent others from propagating and selling proprietary plant material. Companies are strongly advised to register their trademarks and copyrights in China. Although registration does not guarantee complete immunity to IPR violations, without it companies have little legal recourse.

Seed sold in counterfeit packages identical to legitimate brand name packages is the most frequent problem for seed companies. Other crimes include theft of seed/germplasm from production fields or facilities which is then bred and marketed by other companies. Seed companies also report demands

for restitution for “inferior quality” seed sold by counterfeiters. Local courts also can award damages to growers even when poor crop management or weather borne problems, not seed quality, reduce yield. However, the country has yet to improve testing technology to support its examination of applicants' compliance with the conditions for new plant varieties. A list of the protected plant varieties in China can be found at <http://www.cnvp.com/english/National%20List%20of%20Protected%20Plants.htm>.

WHEAT

Issue: Phytosanitary Restrictions and High Tariffs

Despite a 1999 bilateral agricultural cooperation agreement between China and the U.S. regarding *Tilletia controversa* Kuhn (TCK) and Karnal bunt (KB), China maintains restrictive quarantine requirements on U.S. winter wheat. The agreement specifically allows discharge of vessels with U.S. wheat at any port in China with expeditious delivery to buyers and processors without additional treatment.

In southern Chinese ports, U.S. winter wheat must discharge at one designated port and a cleaning fee is assessed. Although market values for U.S. winter wheat classes often are competitive with other origins, including Chinese domestic wheat, importers have limited purchases because of potential discharge issues and the additional costs and burden to re-ship wheat from the cleaning facility. China's wheat import TRQ system set a quota of 9,636,000 MT with an over-quota tariff of 65% and an in-quota tariff of 1%.

COLOMBIA



ALL PRODUCTS

Issue: Non-Tariff Barriers

Although the implementation of the Unified Portal for Foreign Trade (VUCE) has significantly streamlined the paperwork process for imports and exports, Colombia's bureaucracy still constitutes a barrier to trade for both local and foreign companies. Pilferage in customs warehouses and robberies of trucks persists, but cases have decreased dramatically.

Colombian customs can detain shipments indefinitely because of improper tariff schedule classification, incorrect address, or even simple typing errors. When mistakes are made by the exporter or importer, the goods may be refused entry into Colombia and be returned at considerable expense to the exporter or importer. Colombian customs statutes provide for significant fines and penalties for light infringement of procedures and errors in freight forwarding documents by customs agencies (Agencias Aduaneras). U.S. freight forwarders and intermediaries are subject to the same sanctions and penalties as Colombia's agents and brokers.

POTATOES

Issue: Import Permit for Potatoes

Only a limited amount of fresh potatoes are exported to Colombia. There is currently no bilateral market access agreement for fresh potato exports and shippers need to obtain an import permit, but this is extremely difficult to do because Colombia offers very few import permits to protect the local industry.

COSTA RICA



POTATOES

Issue: Fresh Table Stock –Prohibited

In April 2012, Costa Rica closed the market for U.S. fresh potatoes due to the Zebra Chip disease in the United States. In 2016, Costa Rica opened the market for U.S. chipping potatoes. There were discussions between industry officials and Costa Rican quarantine experts about opening table stock access in 2017, but little progress has been made to open this market.

Issue: Fresh -Tariffs and Quota Allocation

With the implementation of CAFTA-DR in Costa Rica in 2009, most tariffs on U.S. agricultural exports were immediately eliminated. Remaining tariffs on most other U.S. agricultural products are set to be eliminated by 2020. However, under CAFTA-DR, a TRQ has been applied to fresh potatoes. Fresh potato shipments within the TRQ enter Costa Rica duty-free; once the TRQ is exceeded, Costa Rica's current MFN tariff of 45% is applied. In 2017, the TRQ is set at 354 MT. Costa Rica will liberalize trade in fresh potatoes through continual expansion of the TRQ (by adding 6 MT per year).

CUBA



FRUIT

Issue: Apples and Pears - Phytosanitary Requirements

The Northwest Horticultural Council (NHC) has asked USDA-APHIS to obtain access to Cuba for Idaho and Oregon fruit, but due to political realities the request has not been actively pursued. In 2002, at the request of Cuban officials, the NHC hosted a site visit for Cuban officials in Washington State. U.S. and Cuban officials have subsequently signed an agreement allowing for the export of Washington apples and pears, but not for Idaho and Oregon. Duties for most favored nations average 10.7%. Duties for all other nations, including the U.S., in most cases do not exceed 17%.

POTATOES

Issue: Lack of Shipping Protocol

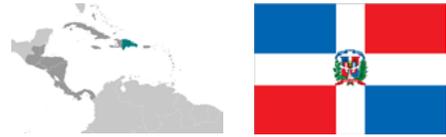
Presently there is no protocol in place for shipping table stock and seed potatoes from the U.S. However, Cuba currently imports large quantities of seed potatoes from Canada. In June 2008 a delegation from Cuba visited three seed potato producing states to learn about seed potato production and the certified seed program. The purpose of this trip was to develop a shipping protocol. Cuban officials subsequently visited the Midwest and Northeast of the U.S.

A protocol was drafted and sent to both governments for review in September 2008. This protocol has not been ratified because: (1) it mentioned viruses, pests, and diseases that do not occur in the U.S. and (2) it contained wording for state-by-state exclusions. USDA-APHIS, NPC, and various state potato commissions objected to the draft. The draft was revised alleviating U.S. concerns and resubmitted to

the Cuban government for signature on August 19, 2009.

Potatoes USA organized an informational exchange mission to Cuba in March of 2017 to meet with Cuban Agriculture officials and to explore the potential role for U.S. potatoes in Cuba. Cuba is trying to boost potato production by importing high quality seed potatoes, so there are strong hopes of planting trials for U.S. seed potatoes. Future progress would include the completion of the import protocol by USDA and the Cuban Ministry of Agriculture for U.S. seed potatoes to enter Cuba, but there is currently still no protocol in place for sending potatoes from the U.S. to Cuba.

DOMINICAN REPUBLIC



POTATO SEED

Issue: Quotas

The CAFTA-DR eliminated the Dominican tariffs applied on U.S. potatoes. However, a problem has emerged with U.S. seed potato exports to the Dominican Republic. Dominican importers of U.S. seed potatoes are not having their full request granted when seeking import permits. Instead, they are told there is a quota on seed potato imports, and only certain amounts can be imported from the U.S. Under CAFTA-DR, there is no quota on U.S. seed or fresh potatoes, and there should be no quantitative limitation on imports of either product.

At present, there is no formal quota for exporting seeds, but an informal quota does exist, meaning the local government in the DR controls the quantities imported each year for these seeds.

Issue: Phytosanitary Import Requirements

The U.S. currently exports seed potatoes to the Dominican Republic under an import permit system. Requirements for import permits can change from state to state making this system problematic. The U.S. potato industry seeks a signed seed potato market access agreement for all U.S. seed-producing states to ensure that Dominican Republic's quarantine regulations are standardized. This is an issue that is continually being addressed but there is no standardized market access agreement in place.

EGYPT



ALL PRODUCTS

Issue: Foreign Product Registration

In January of 2016 the Government of Egypt issued a decree requiring foreign manufacturers of specific retail products to register for export with the Egyptian General Organization for Export and Import Control effective February 29, 2016. Of the 23 products requiring registration, eight are retail food products. These products include: dairy and dairy products for retail, dried and preserved fruit for retail, oils and fats for retail, chocolate and food preparations containing cacao for retail, sugar confectionaries Pastries and foods prepared from cereals and bakery products, fruit juices for retail, and natural and sparkling water.

FAS and USDA have stated that “While the US has trade in all of these categories, many of these products are imported as ingredients and not for the retail market. Exports of dried fruit, chocolate products and dairy, which sell to both retail and non-retail sectors, will likely be most impacted by the measure.”

POTATOES

Issue: Seed Potatoes - Phytosanitary Import Ban

Egypt is one of the largest importers of seed potatoes in the world. In 2009, the Egyptian government and Egyptian growers expressed an interest in importing U.S. seed potatoes. As a result, APHIS, working with the U.S. potato industry, forwarded a draft market access protocol for consideration by Egyptian authorities. Egypt sought additional information regarding the industry and pests faced by U.S. seed potatoes. This information was provided in January 2010. Several bilateral meetings were subsequently held.

In 2012, Egypt completed its PRA of U.S. seed potatoes, which cleared the way for a market access agreement to be finally signed. There have been numerous exchanges between APHIS and CAPQ on this agreement. With the launch of the SNHP industry representatives and leaders are hopeful that they will be able to finalize market access for U.S. seed potatoes to Egypt and other potential export countries.

Contrary to expectations of the U.S. industry, a market access agreement was not signed after hosting a delegation of Egyptian officials in June 2013. Progress has been made, but a final import protocol for U.S. seed potatoes to enter Egypt is still not in place.

Egypt imports seed potatoes exclusively from the EU, primarily the Netherlands and the UK. For five years, Egyptian and U.S. quarantine officials have worked on a bilateral market access package: concurrent market access for Egyptian oranges and tangerines to the United States and U.S. seed potatoes to Egypt. The U.S. has finalized its risk assessment for Egyptian citrus, and in February 2015 Egypt approved certified seed potato imports from the state of California, leaving 15 other U.S. states yet to be approved.

EUROPEAN UNION



BEEF

Issue: Ban

The EU bans all U.S. beef that is produced with growth hormones (imposed in 1989) maintaining hormones pose a risk to human health. Numerous medical studies, including several European-based studies, have shown that there is no health risk. In 1998, and again in 2008, the WTO ruled in favor of the U.S. and Canada by stating that the EU had not provided enough scientific evidence to justify the ban. The EU chose not to conform to the WTO ruling and in 1999 the U.S. imposed ad valorem duties on a list of EU products. In May 2009, following a series of negotiations, the United States and the EU agreed to a partial settlement that could resolve this longstanding trade dispute. This agreement is done in three phases. Phase 1, which lasted until August 2012, expanded market access for U.S. beef to the EU under an annual TRQ of 20,000 MT at duty-free for beef produced without growth-promoting hormones. The United States removed all of the retaliatory duties that it was applying to a list of EU products. August 1, 2012, the agreement moved into Phase 2, during which the duty-free quota was expanded to 45,975 MT. EU quota years run from July 1- June 30. Phase 3 effective July 1, 2013, set

the TRQ for U.S. high-quality beef at 45,000 MT (plus the 3,200 MT for Canada) and the United States renounced its claim at the WTO to have the EU accept beef produced using growth promoters. The TRQ remains only open for hormone free beef.

While this agreement is a bilateral agreement signed between the U.S. and the EU, it was deemed that for the new quota to be in compliance with WTO rules it would have to be open to any supplying country. The definition of “high quality” beef written into the agreement calls for the qualifying beef to come from animals that have been finished on a high energy diet for at least 100 days before harvesting and for a carcass grading system to be in operation directly under governmental control. Despite these stringent and restrictive requirements the EU Commission has now recognized four other supplying countries as being able to comply with these conditions and has given access to this quota to the U.S., Canada, Australia, New Zealand and Uruguay. Increased imports from these additional countries have limited access to the market for U.S. suppliers.

FRUIT

Issue: Tariffs and Entry Pricing System

The European Union imposes a complicated tariff and quota system used to protect domestic production at different times of the year, but the system discriminates against low-priced imports. Products valued below the entry price are charged a tariff equivalent in addition to the fixed tariff. The tariff equivalent is graduated for products valued between 92 and 100 percent of the entry price. The fixed tariff and the full tariff equivalent are levied on imports valued at less than 92 percent of the entry price, making imports of lower-priced produce unfeasible. The entry tariffs also change throughout the year. The tariffs will be different percentages depending on the date of importation.

U.S. imports of apples, pears, and cherries are consistently valued above the entry prices and, therefore, charged only the fixed tariff.

GENETICALLY MODIFIED FOODS AND ORGANISMS

Issue: Excessive Regulation of GMOs

The EU has barriers on Genetically Modified Foods and Organisms (GMOs). Since 2004, the ban on marketing GMO products was lifted. However, the EU maintains significant regulatory barriers on the importation of GMOs. The criteria for the approval of all GM crops states that GMs must not be dangerous to human health or the environment, misleading to consumers, or nutritionally disadvantageous in comparison to non-GM options. Since 2004, few genetically-modified food and feed products have been approved to market in the European Union. Those that are approved include varieties of cotton, corn, oilseed, potatoes, soybeans, and sugar beets. The full list of approved food and feed varieties can be found at http://ec.europa.eu/food/dyna/gm_register/index_en.cfm.

According to an international agreement called the Cartagena Protocol on Biosafety (established in September 2003) a nation can reject the GMO imports without scientific proof if they think that the product will cause harm to domestic crops or human health. The members of the Cartagena Protocol designed protocols to have transparency and control over the GMO world trade. The U.S. has not signed the Cartagena Protocol because of concerns with the language within the protocol allowing for a nation to reject a product without scientific evidence.

On September 29, 2006, the WTO found that the EU measures under the Cartagena Protocol were in breach of the EU's obligations under the WTO Agreement on the Application of Sanitary and Phytosanitary Measures. On November 21, 2006, the WTO Dispute Settlement Body (DSB) adopted recommendations and rulings calling for the EU to bring its measures into compliance with WTO obligations. The U.S. and the EU initially agreed to a one-year reasonable period of time (RPT) for EU compliance, which ended on November 21, 2006. The parties subsequently agreed to extend the RPT

until January 11, 2008, which subsequently expired without resolution.

Currently the EU has a set of rules for the importation of GM food stating that imported GM food has to be labeled and separated along the supply chain to safeguard against "contamination" of organic farms. Any product containing more than 0.9% GM content must be labeled as such, a policy that can lead to shipments being sent back to the U.S. The U.S. and the EU continue technical discussions on market access issues for biotech products; however Canada and Argentina have settled their disputes with the EU. On July 15, 2009, Canada and the EU signed a final settlement of the WTO dispute that Canada had brought against the EU. Similarly, Argentina and the EU announced their final settlement of the biotech dispute on March 18, 2010. There has been development with respect to market access to GM corn products. On February 11, 2014, DuPont Pioneer was granted access to the EU market with their product called TC1507.

On March 27, 2017, a majority of EU countries voted against allowing two new genetically modified crops grown in Europe. The votes were not decisive however, and did not represent a "qualified majority" – or countries that make up at least 65% of the EU population. 17 countries also used an opt-out clause, with two more using the clause for part of their territories.

GRAINS

Issue: Duties

The EU has a very strict policy for setting duties on grains. Import duties are based on a maximum duty-paid import price that is based on a representative CIF price and derived duty that is set every two weeks for each category of grain. The European Commission monitors grain prices daily, and changes the duties often. The E.U. has bound duties for all cereals set under the GATT agreement. However, for some cereals, the applied rates are different from the bound one.

INDIA



DAIRY

Issue: Requirement for U.S. Dairy Certificate

The vast majority of U.S. dairy exports are blocked from the Indian market. This is due to barriers India has maintained on U.S. dairy exports since late 2003, when their sanitary certificate requirements were revised to require arbitrary and unfeasible new government attestation statements. Since 2004, USDEC and NMPF have worked closely with the U.S. and Indian government to try to reach an agreement on an export certificate that would demonstrate compliance with India's import requirements. The U.S. government has raised these concerns in bilateral and multilateral meetings over the past eight years with historically very little response and no genuine engagement in pursuit of a good-faith resolution from the Indian side.

Over the past several years, India has shown a repeated unwillingness to constructively work to resolve this issue and to ensure that all of its restrictions are based on sound science. The U.S. has provided considerable scientific data in support of its position, compromise solutions to address India's concerns, as well as information demonstrating that the vast majority of countries around the world accept U.S. dairy products and recognize them as safe.

FRUIT

Issue: Apples, Pears and Cherries - Tariffs

India imposes a 50% duty on apples, and a 30% duty on pears and cherries. In addition, the government of India charges a 0.9% Educational Tax on all direct and indirect taxes, excluding the CIF value. Apples are exempt from the Educational Tax because the duty charged is equal to the WTO bound rate.

PEAS, LENTILS, & CHICKPEAS

Issue: Phytosanitary Restriction

In 2004, India imposed a non-tariff barrier requiring all imported pulses to be fumigated with methyl bromide and certified free of stem and bulb nematodes, pea cyst nematodes, and bruchids. The U.S. and Canada have been granted a series of waivers allowing pulse shipments to be fumigated in India, rather than in the exporting country. The fumigation waiver was requested because methyl bromide must be applied at or above the ambient temperatures required on the label (5°C or 42°F). Processing plants and warehouses across the northern tier of the U.S.A. are below 42°F for 6 months of the year or longer. The fumigation waiver remains in place, with extensions being granted in six-month increments, but the U.S.A. Dry Pea & Lentil Council (USADPLC) continues to work closely with USDA-APHIS on a long-term solution to this issue. The specified pests are insignificant in the processed pulses being exported to India. Fumigation is not warranted. The USDA-APHIS phytosanitary certificate provides the Indian government with adequate assurances that the shipments are free of the specified pests. The temporary waiver is set to expire on December 31, 2017.

POTATOES

Issue: Processed - Tariffs

U.S. potato growers and processors have identified India as an important growth market for U.S. frozen fry exports based primarily on the expansion of U.S. Quick Service Restaurant chains in the country. India currently applies a 30% duty on imported potato products. This applied rate is lower than India's bound rate, but the reduction has been nullified to some extent by the addition and occasional repeal of a variety of "taxes" in addition to the ad valorem tariff.

The current effective duty paid is approximately 50% on frozen fries (30% tariff, 6-10% countervailing duty, 3% educational taxes, and 4% and 1% additional customs duties). These taxes change annually, so the specific taxes currently applied may be different, but the issue is unchanged. It is unclear whether these additional duties are also applied domestically and therefore WTO-compliant.

In recent years, the U.S. potato industry, in coordination with the U.S. Embassy in New Delhi, have requested that India significantly lower its 30% duty on frozen potatoes and 30% duty on dehydrated potatoes in annual Indian budget cycles when tariffs are set. Although several commodities had their tariffs reduced in March 2011 through this process, the Indian fry tariffs have remained unchanged to date.

Indian Potato chip, fries and flake manufacturers have even urged the government to waive the 30% import duty on potato to improve supplies and check soaring prices at home.

In addition to the unilateral tariff reduction, the U.S. potato industry requests that only the tariff (and not the additional duties) be applied on potato imports, unless those taxes are applied domestically as well. To date, no progress has been made on any of these requests. For more information please visit: <http://www.ustr.gov/sites/default/files/2014%20NTE%20Report%20on%20FTB%20India.pdf>

INDONESIA



ALL PRODUCTS

Issue: Onerous Documentation Process and Transparency Issues

In the past few years, Indonesia has enacted numerous regulations on imports that have increased the burden for U.S. exporters. Besides tariffs, import licensing procedures, and permit requirements, exporters may also be subject to pre-shipment inspection requirements, local content and domestic manufacturing requirements, and quantitative import restrictions.

According to exporters, one of the most difficult issues they face is the requirements that all imported packaged food products for retail must be registered through the BPOM (National Agency of Drug and Food Control). Additionally, some products require additional approvals from other Indonesian regulatory agencies such as the Ministry of Trade (MOT) and the Ministry of Agriculture (MOA). Importers must obtain an import approval letter from BPOM before they can apply for an import recommendation to the MOA. One import recommendation is valid for one HS code, one country of origin, one port of loading, and one port of destination. Imports of horticulture products can only be conducted by registered importers of horticulture products.

In November 2012, the Indonesian House of Representatives passed Law 18/2012, known colloquially as the new Food Law. Law 18/2012 replaced former overarching food laws but further maintained unjustified and trade-restrictive licensing regimes for the importation of horticultural products, animals and animal products. Indonesia has amended its regime several times, adding additional trade-restrictive requirements. In 2013, the U.S. took the issue to the WTO and requested consultations with Indonesia which resulted in Indonesia replacing and amending some import licensing measures. These changes however did not remove the apparent WTO inconsistencies and introduced new restrictions. In May 2014, New Zealand and the U.S. filed a joint-dispute against Indonesia on imports of horticulture, animal and animal products into the country on account of prohibitions or restrictions, unreasonable import requirements, and failure to notify and publish sufficient information concerning its import licensing measures. In March 2015, the United States filed a case against Indonesia with the WTO, claiming that Indonesia's strict licensing requirements limit U.S. farm exports. Although Indonesia has recognized some of these issues, efforts to repeal these regulations have not gone far enough to eliminate the trade barrier.

In addition to agency approvals and issues, BPOM regulation states that all imported food material/ingredients, including processed foods, must obtain an entry permit (SKI) from the head of BPOM for every shipment. The SKI is needed to release the products from customs. To obtain the permit an importer must provide supporting data and documents.

In Indonesia, product registration numbers (ML) are required for all packaged foods imported for retail purposes. Importers report that obtaining the number is time consuming and requirements can be confusing and excessive. However, the ML registration process has improved slightly by the implementation of the E-registration for low risk processed food products (707 kinds of food products) since early 2013. The regulatory distinction between food retail packaging and foodservice packaging continues to be unclear, resulting in complications for HRI imports with BPOM.

In conjunction with its import registration and licensing regimes, Indonesia prohibits the importation of certain products at certain times and restricts the sale of imported products within Indonesia. Approvals are only issued at the beginning of 6 month intervals, in which all sales, transport, and customs clearance must occur within that limited window. Those approval documents are also extremely limited

in scope and scale, specifying the type, quantity, country of origin, port of entry, and use of the products that each importer may import during the relevant six-month period. Any products of a different type, in a greater quantity, from another country, through a different port, or for a different use than those specified in their approval are prohibited. Additionally, import approval will not be issued for any horticultural products harvested more than 6 months before hand or if the domestic market price falls below a level determined by a ministerial body in Indonesia.

Although documentation requirements for import permit applications have declined, the process also formalizes import limitations based on cold storage capacity. Regulations do not specify how the evaluation of cold storage is relevant, or how the exact volume per importer is evaluated. However, current practice within MOT is to limit the volume of import permits to the absolute capacity of an importer's cold storage, with no consideration for turnover during the course of the import period. Overall, the lack of infrastructure, including, but not limited to poor port facilities, supply chain management, and cold chain facilities creates a drag on the wider distribution of food products throughout Indonesia.

For more detailed information visit

https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Jakarta_Indonesia_12-24-2015.pdf

POTATOES

Issue: Tariffs

Indonesia has a varied tariff structure that applies to all potato products except for seed potatoes. The tariffs range from 5% to 20%.

ISRAEL



FRUIT

Issue: Cherries - Phytosanitary Trade Barrier

Israel prohibits the imports of U.S. sweet cherries to enter the country. Concerns regarding plant pests and diseases are said to be the reason. Since June of 2002, APHIS has been working with Israel to complete the risk analysis on cherries to resolve this issue. In February 2012, due to lack of progress on the issue, the USTR raised the issue as part of the U.S.-Israel Free Trade Agreement Joint Commission discussions emphasizing the importance of completing the PRA for cherries and resolving market access disputes. To date, Israel has yet to issue a PRA.

Issue: Apples and Pears - Tariff Rate Quotas

In 1985, the U.S. and Israel signed an FTA. In 1996, the U.S. and Israel signed an Agreement on Trade in Agricultural Products (ATAP) which established a program of gradual and steady market access liberalization for food and agriculture products. The ATAP provides a schedule of tariff rates, quotas, and reference prices. The ATAP expired, but has been renewed annually while negotiations over a new ATAP continue.

Imports of U.S. apples and pears may enter duty-free under a TRQ. The 2017 TRQ for apples and pears is 4000 MT and 1364 MT respectively. Israel has a specific duty that is charged on all U.S. out-of-quota apple and pear imports regardless of their CIF value. The specific duty is 1.92 NS per kilogram for apples and 2.13 NS per kilogram for pears.

POTATOES

Issue: Seed potato – Prohibited

Imports of seed potatoes from the U.S. are strictly prohibited.

JAPAN



BEEF

Issue: Import Restrictions

In December 2003, Japan banned most products derived from cattle, sheep, and goats following the discovery of a cow with BSE in Washington State that was imported from Canada. Eventually, the two countries agreed to resume two-way trade of beef and beef products, subject to their respective domestic approval processes based on science. In December 2005 Japan officially opened its market to U.S. beef from cattle 20 months and younger with all specified risk materials (brain, spinal cord tissues, and bone marrow) removed.

However, on January 20, 2006, just a few weeks later, Japan once again halted beef imports from the U.S. after an inspection revealed that a shipment of beef from New York contained vertebral columns which were in violation of the agreement between the U.S. and Japan. In June 2007 trade resumed for U.S. beef from animals that were 20 months or younger upon the implementation of stricter regulations and requirements by the USDA.

In 2010, negotiations intensified seeking the age be changed from 20 months to 30 months. After a lengthy review, Japan changed the policy effective February 1, 2013. For under-30-month cattle slaughtered on or after this date, all beef and veal muscle cuts and offals are eligible for export to Japan. Beef from cattle imported from Canada and Mexico are also eligible.

Some U.S. products remained ineligible, even from cattle meeting the age eligibility standard. However, ground beef and veal from cattle under thirty months became eligible June 3, 2013. Since April 1, 2014, scalded small intestines, stomachs, and blood vessels (including aortas) are eligible for export to Japan. All remaining processed beef products from cattle under thirty months of age slaughtered after January 23, 2015 became eligible as well.

The limit on beef products from cattle under 30-months of age continues to be an overly restrictive and unnecessary requirement.

Issue: Tariffs and Safeguard

Under the 1988 U.S.-Japan Beef and Citrus Agreement, beef tariff reductions were negotiated and the import quota system was removed. The 394,000 MT quota in fiscal 1990 became a 70% import tariff in 1991. Under the agreement, this rate was lowered to 60% and then to a bound rate of 50%. The agreement also removed restrictions on the purchasing and distribution of beef. The Uruguay Round on Agriculture further lowered the tariffs from 50% to 38.5% in 2001.

Japan continues to have tariff rate safeguards in place for beef. If cumulative beef imports on a quarterly basis exceed the imports of the quarter of the previous year by 17% then the beef tariff increases from 38.5% to 50%. Japan uses 2002-2003 data as the baseline for chilled beef, so the tariff rate on chilled beef is unlikely to be affected. If the TPP agreement is ratified, however, Japan will reduce beef tariffs from 38.5% to 9% over a 16 year phase-in period.

On April 18, 2017, Vice President Mike Pence began trade talks with Japanese officials in Tokyo in hopes that the United States and Japan should soon negotiate a bilateral free trade agreement so beef import tariffs are lowered, but until then the tariffs are still in force.

In Japan’s first fiscal 2017 quarter (April – June), frozen beef imports from all nations totaled 89,253 tonnes, up 17.1 percent from a year ago, and imports from non-EPA nations reached 37,823 tonnes, up nearly 25 percent. Due to these figures, the “safeguard” for domestic farmers has kicked in and the tariff for all frozen beef exported to Japan increased from 38.5% to 50%, from August 1, 2017 through March 31, 2018. This increase is the first time the tariff mechanism for chilled beef imports has been triggered since August 2003. This tariff only affects exporters from countries that do not have free trade agreements with Japan, currently including the United States. Several competitors, including Australia, enjoy far lower tariffs than the U.S., putting the U.S. producers at a competitive disadvantage.

DAIRY PRODUCTS

Issue: Tariff Rate Quotas

Japan limits worldwide dairy product imports through a restrictive quota system. Imports within the quota are also assessed excessive duty rates. Within quotas, tariffs range from 0 to 35%, with the 35% rates applicable to products containing added sugar as well as high-fat products.

H.S. Code	Product description	Quota	Tariff
0404.10.1110	Whey with added sugar (6.48)	137,202 MT	35%
0404.10.1191	Whey without added sugar (6.48)		25%
0404.10.121	Whey, mineral concentrated with added sugar	14,000 MT	35%
0404.10.122	Whey, mineral concentrated without added sugar	14,000 MT	25%
0404.10.129	Mineral concentrated whey outside quota		29.8% + 425 ¥ /kg
0404.10.131 0404.10.141	Whey for animal feed	45,000 MT	0
0406.20.200	Grated or powdered cheese (not processed)	0	26.3%

As part of the TPP agreement, Japan agreed to eliminate tariffs on most cheeses over a 16 year period. Tariffs on most whey products would be eliminated in 6 to 21 years depending on the type of whey. Tariffs on lactose would be eliminated in the first year. A TRQ would be established for skim milk powder and butter. Both would increase to 3,719 MT after year five with no additional increases after that. In the absence of TPP, it may be possible to include these same concessions in a possible bilateral FTA with Japan.

FRUIT

Issue: Pears – Phytosanitary Ban

Imports of U.S. pears into Japan are prohibited for plant quarantine reasons such as fire blight.

Issue: Apples, Cherries, Nectarines and Pears - Tariffs

Japan imposes import duties of 9% ad valorem on cherries, 17% ad valorem on apples, 6% ad valorem on nectarines, and 5% ad valorem on pears (assuming market access for pears was to open up).

POTATOES

Issue: Fresh Table Stock - Phytosanitary Ban

Japan prohibits imports of U.S. fresh table stock potatoes. Potatoes have been included during bilateral plant health negotiations, but no official changes have been made.

Issue: Processed - Tariffs

Japan's tariff on frozen French fries is 8.5%. Japan's tariff on dehydrated potato flakes, granules, and pellets (HS 1105.2) is 20%. And Japan's tariff on mashed potato and potato flakes (HS 2005.2) is 13.6%. All had scheduled reductions and elimination after 5 years under TTP.

SEED

Issue: Phytosanitary Restrictions

Japan has zero tolerance for any isolated soil in seed shipments. The MAFF feels that the difficulty in removing all soil from seed has been addressed through improvements in machine technology to the degree that they are now fully enforcing the zero-tolerance standard. Also, Japan will refuse to issue a phytosanitary certificate if seeds are contaminated with more than 0.05% (weight ratio) of *Claviceps* (ergot) sclerotia and if contaminated with more than 0.01% (weight ratio) of *Sclerotinia sclerotia*.

MEXICO



FRUIT

Issue: Stone Fruit (Peaches, Nectarines) On-Site Inspections

In 1997, a pilot program was signed by Mexico and the U.S for the export of unfumigated peaches and nectarines from California. Continual discussions occurred, allowing California stone fruit and Northwest (Idaho, Oregon, and Washington) apricots into Mexico in 2002 under a systems approach program with registered packing facilities. The low prevalence of Oriental Fruit Moth (OFM), documented in three technical visits by Mexican officials, allowed the avoidance of oversight costs (a U.S. office). Slight program modifications were made in 2003 and 2004.

Peach and nectarine growers in Idaho, Oregon and Washington are seeking access to the Mexican market under a systems approach. These same growers currently ship apricots to Mexico under a systems approach for OFM and also have been successful in exporting peaches and nectarines to British Columbia, Canada, under the this OFM system approach protocol proposed to Mexico. OFM has never been discovered in stone fruit shipments to British Columbia, Canada, or in apricots to Mexico. Mexico requires the presence of on-site inspectors to monitor the program. This is not required for the apricot systems approach and is not needed for the peach and nectarine program. Mexico has explained that in order for the on-site verification requirement to be dropped, it must first change its federal regulation making this a requirement. The NHC requests that USTR and USDA FAS work with the Mexican government to make this regulatory change.

POTATOES – FRESH

Issue: Fresh -Border Zone Limitations

Expanding fresh potato market access into Mexico is the U.S. potato industry's highest international

market access priority. In March 2003, through a bilateral agreement, U.S. fresh potato market access was granted to the border region of Mexico, but limited to an area within 26 KM of the U.S.-Mexico border. The fresh-border zone limitation was lifted on May 19, 2014, allowing shipments of fresh potatoes to cities with populations greater than 100,000 provided that certain shipping and labeling requirements established by the Mexican government were met. Mexican potato growers filed a lawsuit (Amparo) on May 20. The entire Mexican market closed to U.S. potatoes on June 9, 2014, after a court injunction from the Seventh District Court in the State of Sinaloa to provisionally suspend fresh potato imports from the U.S. into interior Mexico.

Beginning July 7, 2014, APHIS resumed exports of potatoes into the 26 KM border area. This is an interim measure that will be in place until all legal challenges in Mexico are addressed for the expansion. There are several lawsuits pending in Mexico and The U.S. Potato Board, the National Potato Council, the Office of the U.S. Trade Representative, and other stakeholders are working to expedite the process. In July 2015, an appellate court overturned a temporary injunction granted by a lower court. This step is only temporary, but allows U.S. potatoes back in to the border zone. The litigation process is expected to take a few years.

Issue: PCN Testing Requirements

In April 2006, PCN was found in a routine survey of tare soil collected at a facility in eastern Idaho. Initially, Mexico closed the market to all Idaho potatoes as a result of the PCN detection. On April 2, 2007, Mexico agreed to a shipping protocol for Idaho fresh potatoes that requires testing on all fields outside of the regulated area prior to planting.

This field testing is a burden on U.S. farmers, being time consuming and costly. Over half a million samples have been collected in the past 10 years, and no PCN has been found outside of the Bonneville and Bingham counties, proving that the area outside of these two counties is free of PCN. On top of this, no other trading partners, including Canada and Korea, require field testing for potatoes grown outside of the regulated area.

VEGETABLE SEED

Seed Testing

For the past several years Idaho companies have had difficulty re-exporting China-origin pepper seed to Mexico due to pepper mild mottle virus (PMMoV) infections in China. Typically, Idaho companies grow pepper seed in China and test it for PMMoV using a PCR. If the seed tests positive, the seed is treated and re-tested with bioassay method to determine if the virus was killed/inactivated by the treatment. Some Idaho companies treat without testing.

Mexico re-tests all seed. When this China-origin seed is re-tested the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food of Mexico (SAGARPA) tests for the presence of viral protein, DNA, or RNA whether or not the virus has been killed/inactivated, resulting in false positives and therefore shipment rejections. The larger companies are able to get some seed into Mexico by testing their own seed and will not send test positive seed to Mexico and then may ship test-positive seed to other countries. However, smaller companies that import their seed often don't have that luxury of rerouting test-positive seed to other markets. Instead, these companies have their seed routinely tested by an APHIS accredited lab, and if the virus has been killed/inactivated, APHIS issues the phytosanitary certificate.

SAGARPA has been attempting to build capacity in a couple of their labs to be able to retest this seed in Mexico. Unfortunately, this method takes at least 6 weeks to perform. In addition, SAGARPA would need to have sufficient capacity to run multiple test trials at once to cover all incoming seed shipments, which currently does not appear to be feasible. The timeframes involved for SAGARPA has resulted in U.S. companies losing market share because the planting windows are not able to be met with such delays. In addition, there are reports indicating that PMMoV is already established in Mexico,

suggesting that it could/should be deregulated by Mexico and SAGARPA concerns about US companies in this regard are unnecessary.

The State of Idaho and APHIS are currently working with SAGARPA to accept APHIS issued phytocertificates or re-export certificates with the appropriate Additional Declaration on these products without the need for re-testing.

PERU



FLAX

Issue: Lack of import Protocol

U.S. flax is currently prohibited in Peru because of a lack of import protocol. The National Agricultural Sanitation Service of Peru (SENASA) has not established a protocol that would allow flax to be imported into Peru despite a high demand within the country. In January 2016, ISDA Director Celia Gould sent a letter to USDA APHIS requesting that a protocol be established. Currently industry is working with APHIS on providing information necessary for SENASA to conduct a PRA and establish the necessary protocol.

ONIONS

Issue: Import Permits

U.S. onions are prohibited unless Peru issues an import permit. The import permit will specify the phytosanitary requirements, and are inconsistently issued by the Peruvian Ministry of Agriculture. Peru issues import permits on an inconsistent basis. U.S. onions were allowed export to Peru in 2003, 2005, 2009 and 2011.

RUSSIA



ALL PRODUCTS

Issue: Sanctions and Export License Suspensions

The U.S., the EU and some U.S. allies (i.e. Canada and Australia) have imposed sanctions against a handful of Russian oligarchs and their privately held companies, as well as a few politicians that are believed to be providing logistic or financial support to Russian separatists inside Ukraine, which lead to Russia's annexation of Crimea in March 2014. In April 2014, the U.S. Treasury stated that harsher sanctions targeting specific sectors of the economy including finance and energy were on the table if Russia continued to back the separatists in Ukraine.

In addition to sanctions, the U.S. Department of Commerce's Bureau of Industry and Security and the State Department's Directorate of Defense Trade Controls (DDTC) announced that they have placed a hold on issuing licenses for exports and re-exports of controlled items, defense articles, and defense services to Russia until further notice.

As a result of the implementation of economic sanctions against Russia, Russia issued counter sanctions on some agricultural products from the U.S., Canada, the EU, Australia, and Norway. On August 6, 2014 Russia banned beef, pork, poultry, fruits, vegetables, fish, seafood, cheese, milk and a variety of other products.

Additional political sanctions were imposed at the end of 2016 but did not have an additional impact on the agricultural sector. The 2014 sanctions remain in place and U.S.-Russia relations continue to be fraught with various issues.

SOUTH KOREA



BARLEY-MALTING

Issue: KORUS – Tariff Rate Quota Dissolving

In the past, South Korea has used quotas to encourage the purchase of domestic malting barley and discourage imports even though domestic barley may cost as much as four times that of imported malting barley. Korea has an autonomous TRQ of 21,000 MT and applied tariffs of 20% in-quota. Korea's out-of-quota tariff and WTO bound duty is 513%.

The Korea-U.S. Free Trade Agreement (implemented March 15, 2012) increases access for all U.S. barley substantially. The duty-free quota baseline was established at 9,000 MT, growing 2% each year through year 15 at which time all U.S. shipments of malt and malting barley will enter duty-free. A safeguard duty was also set and will be gradually reduced to 174% by year 2026 with tariffs being completely eliminated in 2027. For 2017, 9,937 MT of U.S. malt and malting barley may enter the Korean market duty free.

The agreement also created a 2,500 MT duty-free quota for U.S. unhulled and naked barley which will increase 2% per year while the out-of-quota tariff is phased out over 15 years (2027). That quota is 2,760 MT for 2017.

BEEF

Issue: KORUS - Tariffs Dissolving

The KORUS significantly cuts the high tariffs on U.S. beef imports. Tariffs on imports of beef muscle cuts will decline from the initial tariff rate of 40% to zero in 15 equal annual reductions. The agreement includes a quantity safeguard of 270,000 MT for beef muscle cuts, growing at a compound 2% annual rate to a final safeguard level of 354,000 tons in year 2026. In 2027 and beyond, tariffs will be zero and the safeguard will no longer apply. Korean tariffs on beef offal also decline from their current levels of 18 and 27% in 15 equal annual reductions. Offal trade faces no safeguards.

DAIRY

Issue: KORUS - Tariff Rate Quotas Dissolving

The KORUS agreement created TRQs that doubled the amount of dairy accessible to Korea. The TRQ established for cheese, with an initial duty-free quantity of 7,000 tons, grows 3% annually. Out-of-quota tariffs on cheddar cheese are eliminated over 10 years, and out-of-quota tariffs on all other cheeses are eliminated over 15 years. The TRQ for skim milk powder, whole milk powder, and evaporated milk has an initial duty-free quantity of 5,000 tons total, growing 3% annually in perpetuity. The over-quota tariffs on these milk products remain unchanged at the MFN rates, ranging from 89 to 176%. The TRQ for

food-grade whey has an initial duty-free quantity of 3,000 tons, growing 3% annually. The over-quota tariff for food-grade whey was reduced from 49.5% to 20% upon implementation of the agreement and is phased out over 10 annual reductions. The agreement establishes a TRQ of 200 tons for butter and a TRQ of 700 tons for infant foods, with both of these quotas growing at 3%, and becoming duty-free in 10 years. The 36% tariff on whey blends is phased out through 10 annual reductions. Feed-grade whey became duty-free immediately.

FRUIT

Issue: Apples -Phytosanitary Ban

Korea prohibits the import of U.S. apples due to phytosanitary concerns such as codling moth and fire blight. APHIS has been negotiating with Korea to authorize imports of U.S. apples since 1993. In 1996, Korea submitted to APHIS a U.S. apple pest risk assessment (PRA) that identified 13 pests, including three spider mites (Yellow, Pacific, and McDaniel) of quarantine concern, and requested a proposal for the appropriate mitigation measures. U.S. industry maintains that the risk from pests of concern can be successfully mitigated and commercial shipments of fruit do not pose a threat to Korea's plant health.

Issue: Cherries – Fumigation Requirement

Only Idaho cherries from Ada, Canyon, Gem, Owyhee, Payette, Twin Falls, and Washington counties can be exported to Korea with methyl bromide fumigation to control pests of quarantine concern. In June 2008, the industry proposed and submitted a systems approach for the Northwest (Washington, Oregon and Idaho) which provides quarantine security that is equivalent to that provided by methyl bromide fumigation. Korea sent inspectors to California, Washington, Oregon and Idaho in 2008 to evaluate the step-by-step process used by U.S. producers. Research demonstrates that cherries are not a suitable host for codling moth, Korea has refused to accept the systems approach proposal.

Issue: Pears – Phytosanitary Ban

Korea prohibits imports of U.S. pears due to five quarantine pests identified in a PRA.

Issue: Apples, Pears and Cherries - Tariffs Dissolving

KORUS eliminated the tariff on U.S. cherries and decreases over time the tariff on apples and pears. Tariffs on U.S. fresh cherries were eliminated immediately. Under KORUS import tariffs on U.S. apples, excluding the Fuji variety, have a 10-year phase-out and the tariff on Fuji apples has a 20-year phase-out. The agreement also includes an initial quantity safeguard of 9,000 tons that increases in year 5 to 12,000 tons, growing 3% annually thereafter to 20,429 tons in year 23, after which the safeguard no longer applies. Beginning in year 11, the safeguard only applies to Fuji apples. Korean tariffs on non-Asian pear varieties will be eliminated in 10 years, and in 20 years for Asian pear varieties.

ONIONS

Issue: KORUS- Safeguards

Korea restricts onion imports through high tariffs and limiting quotas. The WTO in-quota tariff rate is 50% until the quota of 20,645 MT for world markets is met. At that time, the tariff jumps to 135%.

When the KORUS FTA was implemented, a 2,904 MT safeguard for U.S. onions was established in the first year ending December 31, 2012. Onions that entered under the safeguard amount were assessed a 126% tariff the first year with a 135% tariff over the safeguard amount. Each year, the safeguard amount increases and the duty applied to quantities that enter within the safeguard amount decreases. By the tenth year (2021), the duty for U.S. onions (45%) within the safeguard amount will be less than the WTO in-quota rate of 50%. The safeguard will increase to 5,808 MT in the fifteenth year. After the nineteenth year of the agreement, the safeguard is removed and all quantities enter duty-free.

POTATOES

Issue: KORUS - Tariffs and Quotas Dissolving

The KORUS resulted in duty-free immediately for frozen potatoes (French fries), eliminating the 18% tariff. Dehydrated potatoes (flakes and powder) entered the market under a 10 year safeguard with an initial duty-free quantity of 5,000 tons that grows 3% compounded annually. Potatoes for chipping will receive seasonal treatment that will be phased out over 15 years (2027). All quantities will enter duty-free during the out-of-season period (December 1-April 30), eliminating the 30% applied tariff. During the in-season period (May 1-Novemeber 30), the tariff will be phased out over 15 years. Fresh table stock potatoes will enter under a new TRQ, starting with a duty-free quantity of 3,000 tons that will grow 3% compounded annually in perpetuity. The over-quota tariff will remain at the current MFN rate of 304%.

Issue: Fresh Table Stock and Chipping - Phytosanitary Restrictions

In August 2012, Korea closed its market for PNW table stock and chipping potatoes due to the presence of zebra chip in the region. In October 2012, after intensive negotiations, Korea reopened the market for PNW chipping potatoes including Idaho. The market for fresh table stock potatoes remains closed. A final market access agreement was reached in September 2017. Korea has to undergo an internal review process. It is hoped that the market will be open in 2018.

TAIWAN (ROC)



FRUIT

Issue: Apples, Pears and Cherries - Tariffs

Tariffs are 20% for apples, 10% for pears, and 7.5% for cherries.

FRUITS AND VEGETABLES

Issue: Fresh – Maximum Residue Levels

Taiwan sets its own maximum residue levels. Newer chemical compounds registered for use in the U.S. may not yet have an MRL in Taiwan. Provisional MRLs, based on U.S. MRLs, have been established for certain crops if a chemical's registrant submitted a data package to Taiwan by October of 2000. Please see MRL table from Norwest Horticultural Council for specific chemical information (<http://nwhort.org/?s=taiwan>).

PORK

Issue: Ractopamine

In early 2007 Taiwan banned U.S. pork exports containing the leanness-enhancing drug ractopamine despite the eased restrictions on U.S. beef. Since 2007, U.S. officials have raised this issue repeatedly at meetings of the WTO SPS Committee as well as in bilateral meetings with Taiwan, including meetings at the most senior levels. Taiwan authorities appear to have acknowledged in a number of public statements that trace amounts of ractopamine do not present a health risk. The United States continues to encourage Taiwan to implement the remaining proposed MRL for ractopamine without further delay. In 2015, Taiwanese President Ma Ying-jeou stated that Taiwan does not intend to change its position with regard to ractopamine use in pork. However, Taiwan's current leader, President Tsai, has called for relaxing the rules on opening the market for U.S. pork.

POTATOES

Issue: Greening Potatoes

In September 2017, two fast food restaurants reported French fries with green patches being served to patrons. As a result, Taiwanese health authorities have become increasingly critical of potato shipments entering Taiwan. Taiwan's Food and Drug Administration reports that potatoes turn green due to exposure to light and due to the presence of a chemical called solanine, which in some extremely rare circumstances can cause illness. In the United States, greening is considered a quality issue, not a food safety issue, since people would have to consume significant quantities of green potatoes alone to have an adverse reaction. Although Taiwan's response is not based on sound science, Taiwan's Act Governing Food Safety and Sanitation allows for a penalty ranging from \$900 USD - \$100,000 USD to be assessed against food vendors found to be selling or using potatoes which contain solanine. A better solution is to base standards on science and establish a standard tolerance of solanine at 200 ppm, which is consistent with international standards.

Issue: Tariffs

Taiwan assesses a tariff on all U.S. Potatoes except seed potatoes. Tariffs range from 12.5% to 20%.

Issue: Late Blight Certification

Potatoes from the U.S. for export to Taiwan must be certified under an area freedom concept where the "area" in question means "the area or field from which the potatoes were harvested." Only potatoes that have come from inspected, blight free fields are eligible for certification. Those potatoes must be subsequently segregated in storage. Blight field inspections must be done by highly qualified State or Federal survey officials, following standardized survey techniques. This requirement is costly and unnecessary.

THAILAND



FRUIT

Issue: Apples, Pears and Cherries - Tariffs

Tariffs are 10% for apples, 30% for pears and 40% for cherries (ad valorem). As a result of the ASEAN-China Free Trade Area, the U.S.'s largest competitor, China, has been able to export competitive products to Thailand duty-free since 2003. Under the FTA between Thailand and Australia, Australian apples and pears also have duty-free access. Both FTAs leave U.S. suppliers/exporters at a competitive disadvantage.

LAMB

Issue: BSE

The Department of Livestock Development (DLD) of Thailand prohibits the entry of any U.S. sheep or goat meat. In December 2003, after finding the first BSE case the DLD placed a ban on all kinds of meat from ruminant animals (including goat and sheep). In early 2006, the DLD lifted the ban on boneless beef and beef products, but the ban remains in place for goat and sheep. However, Thailand does allow cooked lamb products to be imported as long as the country of origin/birth is approved by the Government of Thailand (GOT) and the product is cooked in a USDA facility.

POTATOES

Issue: Tariffs and Quantitative Restrictions

Thailand imposes some of the highest tariffs in the world on potato products. In addition, Thailand maintains and enforces a tariff rate quota of 302 metric tons on fresh and seed potatoes. When potatoes are imported outside of the tariff rate quota, tariffs can range from 20% to 125%.

VENEZUELA



ALL PRODUCTS

Issue: Import Permits

An import permit is required for all agricultural products. These import permits are not assigned equally to all exporters and result in unfair or restricted trade. These import restrictions are not based on scientific evidence, which raises concerns about the consistency of these practices with WTO requirements.

Import licensing practices prevent entry of U.S. agriculture products for goods including dairy products, fruits, and beef. Venezuela has failed to establish an open and predictable system for issuing import licenses which has led to application processing delays.

Import licenses are valid for four, six or twelve month periods, and are renewable. When applying for a license, local importers are required to submit a monthly list of imports received, indicating volume and value, along with the balance of the allocated quota along with the invoice of the most recent import. Local importers are required to obtain the “certificate of non-domestically produced food product” and the “certificate of insufficient domestically produced food product” from the Ministry of Light Industry and Trade (MILCO), in order to obtain import licenses.

FRUIT

Issue: Apples, Pears and Cherries -Tariffs

Tariffs for apples, pears, and sweet cherries are 15%. U.S. fruit trade is limited by tariffs, the import permit system, and the duty-free access negotiated by the Andean Community (Bolivia, Colombia, Ecuador, Peru, and Venezuela), Mercosur (Argentina, Brazil, Paraguay, and Uruguay) and Chile.

VIETNAM



FRUIT

Issue: Apples, Pears and Cherries - Tariffs

Tariffs are 10% for apples, pears, and cherries entering Vietnam.

Issue: Peaches, Plums, Nectarines – No Market Access

Currently, there are only four types of fresh fruit from the U.S. for which Vietnam has conducted PRAs, and are officially allowed access into Vietnam. These are apples, pears, grapes and cherries. Peaches, plums, nectarines, and other fresh fruit do not have official market access.

PEAS

Issue: Dry peas, Lentils, and Chickpeas -Tariffs

Tariffs on peas, lentils, and chickpeas going to Vietnam range from 10% to 20% under a MFN tariff structure. The U.S. does not have a free trade agreement with Vietnam and therefore is at a disadvantage to those countries which do.

POTATOES

Issue: Tariffs and Quotas

Vietnam assesses a tariff on all U.S. Potatoes except seed potatoes. Tariffs range from 10% to 35%.

In addition to tariffs, the Vietnamese government imposes a quota system in order to regulate how much of any given item is allowed into the country. Importers must apply for a quota. When the government wishes to prevent or limit imports, they lower the quota or refuse to issue a permit, making it difficult to determine the availability of a quota.

IMPORT ISSUES

WORLDWIDE



COUNTRY OF ORIGIN LABELING (COOL)

Issue: U.S. Country of Origin Labeling (COOL)

On January 15, 2009, the USDA published the final rule for Country of Origin Labeling (COOL). Effective March 16, 2009, COOL regulations require country of origin labeling at retail for muscle cut and ground beef, veal, pork, lamb, goat, and chicken; wild and farm-raised fish and shellfish; fresh and frozen fruits and vegetables; peanuts, pecans, macadamia nuts, and ginseng sold by designated retailers.

Processed food items and food sold in restaurants and food chains are excluded. State and regional designations may be used for designation in certain circumstances. The law provides for penalties of up to \$1,000 per violation for both retailers and suppliers not complying with the law. For specific details on COOL visit <http://www.ams.usda.gov/rules-regulations/cool>

Mexico and Canada brought a WTO case against the United States for enacting COOL regulations, and in November 2011 a WTO panel ruled that the COOL regulations violated WTO rules on technical barriers to trade. The United States had until May 23, 2013, to come into compliance with the WTO ruling in COOL. In response, USDA issued a final rule to amend the COOL regulations to change the labeling provisions for muscle cut covered commodities to provide consumers with more specific information. The proposed rule was published in the March 11, 2013, Federal Register and can be viewed at <http://www.federalregister.gov/public-inspection>.

The new federal labeling rules went into effect May 23, 2013. The regulation requires meat products sold in the U.S. to be sorted, packaged and labeled separately depending on where the animal was born, raised and slaughtered. The new labels are required for steaks, ribs and other cuts of meat; ground meat and imported muscle cut meat labeling regulations were not affected by this change. Earlier USDA rules only required that countries of origin be noted (i.e. "Produce of U.S. and Canada"). Now, the label specifies "Born in Canada, raised and slaughtered in the United States." Both Canada and Mexico are strongly opposed to the new regulations.

In August 2013, Canada and Mexico requested a compliance panel be formed to ensure the U.S. was compliant. On January 15, 2014, the U.S. submitted its second written defense to the WTO dispute panel that was established to rule on Mexico's and Canada's claims that amendments to the COOL rules failed to correct the faults outlined by the original panel. The Panel met with Canada, Mexico, the U.S., and third parties in Geneva on February 18-19, 2014. The Panel issued confidential interim reports to the parties on June 27, 2014. The U.S. appealed a 2014 ruling in favor of Canada but lost the appeal. The final report found the U.S. in violation of WTO rules regarding technical regulations allowed under the WTO agreement. In order to avoid more than \$1 billion in retaliatory import tariffs congress repealed the labeling requirement in December 2015. While beef and pork no longer require COOL labeling, chicken and lamb must still be labeled with their country of origin.

HONEY

Issue: Sale of Product at Less than Fair Value (LTFV) by Argentina and China Producers

In September 2000, the American Honey Producers Association and the Sioux Honey Association filed a petition with the International Trade Commission (ITC) and Commerce, alleging that the honey

industry was being injured by LTFV imports of honey from Argentina and China and that Argentina subsidized their industry's honey products. In November 2001, the ITC determined the industry had been injured and the U.S. Department of Commerce (USDOC) issued antidumping and countervailing duty orders on imports of honey from Argentina and an antidumping duty order on imports of honey from China. Some of the duty orders have since been rescinded. On December 15, 2003, the USDOC International Trade Administration concluded that dumping had occurred and reparations were negotiated. The ITC determined in June 2007 that revoking the existing countervailing duty order on honey from Argentina and the existing antidumping duty orders on honey from Argentina and China would likely lead to continuation or recurrence of material injury within a reasonably foreseeable time. Therefore, the existing orders remain in place. The order was reviewed again after 5 years.

On January 31, 2012, the ITC published the results of a preliminary review of honey sales made from nine Argentine companies from December 1, 2009, to November 30, 2010. The preliminary results indicated that the honey was not being sold at less than normal value. During the preliminary results, it was requested that companies provide information regarding sales of honey made to the U.S. during the period of review to determine the appropriateness of preliminary margin assignments. The final assessment results and instructions were submitted to U.S. Customs and Border Protection (CBP) upon completion of the review, which was 180 days from the publication of the preliminary results. The CBP shall assess antidumping duties on all appropriate entries of subject merchandise in accordance with the final results of this review. The final results were that companies who provided valuable information were provided with a rate of zero and those that did not give information have a rate of 0.77.

In January 2015 the Department of Commerce ("Department") published the preliminary results of the twelfth administrative review, covering the period December 1, 2012, through November 30, 2013, of the antidumping duty order on honey from the People's Republic of China ("PRC") finding that Customs and Border Protection of the U.S. will assess anti-dumping duties of \$2.63 per kilogram on all appropriate entities. The duty rate of \$2.63 per kilogram is still in effect.

RESOLVED ISSUES

WORLDWIDE



MEAT

Issue: Pork Bans due to H1N1 Virus (Swine Flu)

The first two confirmed cases of the H1N1 virus (also referred to as the swine flu) in the U.S. were in children in southern California in April 2009, but officials first detected an outbreak of influenza in Mexico City in March 2009. Since the initial detection of the H1N1 virus, the WHO labeled the outbreak a pandemic.

In response, many countries banned pork products from the United States, although the WHO, the OIE, the WTO and other international health organizations stated that the virus cannot be spread through properly cooked food products.

In July 2009, Armenia, Azerbaijan, Bahrain, China, Indonesia, Jordan, Kazakhstan, Kyrgyzstan, Macedonia, Malaysia, Russia, South Korea, St. Lucia, Thailand, Ukraine, and Uzbekistan implemented bans on pork from the United States, which were subsequently lifted. China was the last country to lift the ban on U.S. pork in 2009.

AUSTRALIA



FRUIT

Issue: Cherries – Phytosanitary concerns

U.S. cherries were not allowed into Western Australia due to phytosanitary concerns including the possibility of introducing brown rot. After ten years of negotiations, the market for cherries into Western Australia was opened in July 2011.

WHEAT

Issue: State Trading Enterprise - Australian Wheat Board (AWB) Limited

After years of dispute, AWB Limited, formerly known as the Australian Wheat Board, lost its monopoly control as the exclusive manager and marketer of all Australian bulk wheat exports through what was known as the Single Desk system on July 1, 2008. As a result, wheat farmers began selling in an open market for the first time since 1939. AWB also marketed and traded a range of other grains including barley, sorghum, and oilseeds. Although AWB was a publicly traded organization, it was a sole marketer which restricted the right of other entities to export. Now, container-shipped wheat is open to export competition.

BRAZIL



SEED

Issue: Seed Certifications Protocols

Although Brazil has prohibited all seed imports until a PRA can be done, numerous products have already been through the PRA process and are approved for export when accompanied by a phytosanitary certificate. A list of seeds produced in the U.S. that are allowed entry into Brazil is present in Annex XIV of the Normative Instruction 36 published in 2010. Those seeds that do not appear on the list must complete a PRA. PRAs must also be completed for third-country origin seeds that are re-exported from the U.S. to Brazil.

CANADA



CATTLE

Issue: Bluetongue and Anaplasmosis

On March 22, 2007, Canada updated the requirements for all cattle from the U.S. Effective immediately: (1) All Bluetongue testing and requirements were deleted; (2) For Anaplasmosis, only one test is required during the 30 days prior to exportation. A CFIA issued import permit is required.

Previous to March 2007, there had been long-term barriers to the movement of U.S. feeder cattle to Canada. In April 2004, Canada increased access for U.S. feeder cattle from 39 states considered to have low or medium incidences of Anaplasmosis (AN) and Bluetongue (BT). Testing and treatment requirements were removed from U.S. feeder cattle imports, enabling year-round access to Canadian feedlots. As an additional risk mitigation measure, Canadian feedlots were required to segregate the imported U.S. feeder cattle from breeding stock and to identify, track, and restrict movement of the animals. Prior to this change, exports to Canada were restricted to limited states and only allowed from April 1–September 30.

Issue: Bovine spongiform encephalopathy (BSE)

On September 18, 2007, the USDA published a final rule amending the regulations for the importation of live bovine animals, bovine products, and byproducts from regions that pose a minimal risk of introducing BSE into the United States. The final rule establishes science-based provisions for safe trade with countries designated as minimal-risk countries for BSE while continuing to protect American agriculture. Canada is currently the only country designated by USDA as a minimal-risk country. Under the final rule, live cattle and other bovines (including bison and pregnant bovines) for any use (including breeding) born on or after March 1, 1999, are allowed for import from Canada. Also allowed for import are blood derived from bovines (collected under certain conditions), castings, and part of the small intestine derived from bovines. This rule became effective November 19, 2007.

Under Canada's enhanced feed ban, which came into effect on July 12, 2007, BSE should be eliminated from the national cattle herd within approximately 10 years. The CFIA expects the periodic detection of a limited number of cases to continue as the level of BSE continues to decline.

The United States had banned live cattle imports from Canada in May 2003 in the wake of Canada's

first confirmed BSE case. The Canadian border was reopened to beef imports with high-risk materials removed a short time later, and in July 2005 live Canadian cattle were allowed into the United States, as long as they were under 30 months of age and were going directly to a feedlot or directly to slaughter. This prohibited the importation of dairy heifers.

DAIRY PRODUCTS

Issue: Export Subsidies on Milk Products and Quotas on Fluid Milk

Canada's protectionist policies have historically undercut U.S. dairy exports. The U.S. filed WTO cases against Canada for its dairy export subsidy programs, and in 2002 the WTO found that Canada's commercial export milk scheme provided an export subsidy in the form of discounted milk to Canadian manufacturers of processed cheese and other dairy products. Canada lost all appeals. In May 2003, Canada agreed to comply with the WTO ruling ending special export permits exceeding Canada's Uruguay Round WTO level commitments and all other exceptions in July 2003.

In 1995, dairy export subsidy payments were replaced with a two-tiered pricing system based on export performance. Canadian dairy processors paid government-managed marketing boards a higher price for milk used domestically and a discount price for milk to be used in products for the export market. In 1999, the WTO ruled that Canada's special milk class system was indeed an export subsidy. In 2001, the "commercial export milk" (CEM) scheme was introduced.

POTATOES – FRESH

Issue: Potato Cyst Nematode

In April 2006, PCN was found in a soil sample collected from a potato processing facility in Idaho. This was the first time the PCN had been found in the United States. The nematode does not pose a threat to human health but can reduce the yield of potatoes and other crops. In 2006 ISDA and APHIS officials took more than 38,000 samples in the area from 224 production fields, 459 seed potato fields, and 58 facilities confirming that the pest was isolated. Additional surveillance continues.

On August 28, 2006, APHIS issued a Federal Domestic Quarantine Order to prevent the spread of PCN through regulatory authority provided by Section 412(a) of the Plant Protection Act of June 20, 2000, as amended, and the State of Idaho issued a parallel State Rule in support of the Federal Order. These regulations established restrictions on the interstate movement of certain regulated articles from Idaho and designated a regulated area identical to the Idaho Department of Agriculture quarantine, established April 27, 2006, restricting the intrastate movement of regulated articles.

Canada initially closed the border to Idaho nursery stock as well as potatoes. On October 11, 2006, Canada removed its prohibition against nursery stock which provided that the plants come from outside the regulated area.

In November 2006, Canada and the U.S. entered into an agreement for the import and export of seed potatoes based on a specific protocol for survey and certification. Idaho seed potatoes from outside the regulated area are eligible for export provided they meet the protocol requirements. Potatoes for consumption may be exported to Canada from both within and outside the regulated area.

On June 4, 2009, the CFIA and the USDA announced modified guidelines for PCN that allows for the continued trade of seed potatoes. The guidelines include increased soil sampling and testing from all fields where seed potatoes are produced for trade between the two countries. They also outline the measures that should be taken to manage PCN detection and contain procedures for the subsequent removal of restrictions on land.

WHEAT AND BARLEY

Issue: State Trading Enterprise Monopoly

The Canadian Wheat Board (CWB) received financial backing from the federal government including low interest rates and backing of guaranteed payments. Over the years, there were numerous disputes by the U.S. regarding CWB's unfair trading practices.

In March 2003, the WTO agreed to a U.S. request to convene a panel to hear a dispute about monopolistic wheat trading practices of CWB. In March 2004, the World Trade Organization (WTO) panel agreed with the U.S. that:

- Canada's mandatory authorization requirements for foreign grain entering Canadian grain elevators violated national treatment principles.
- Canada's "rail revenue cap," which may have resulted in lower rail transportation rates for the CWB than for imported grain, also violated national treatment principles.
- Canada's prohibition on mixing foreign grain with Eastern Canadian grain also violated national treatment principles.

The panel ruled against the U.S. in that it did not find that the CWB export regime violates Canada's obligations under GATT Article XVII governing the behavior of state trading enterprises.

In April 2004, the panel released its report, in which it ruled that the CWB was not violating WTO rules governing state trading enterprises. The WTO panel recognized the potentially harmful and trade distorting effects of state trading enterprises, but determined that the WTO Agreement as written does not provide an adequate remedy. USTR sought relief for farmers by filing a WTO challenge. As a result, Canada passed legislation in May 2005 that rectified its grain import and marketing system practices to bring them into compliance with the WTO panel's recommendations.

In 2007, following release of results from a survey conducted by the federal government showing more than 60% of Canadian barley growers favored eliminating single desk control of barley marketing in western Canada—results that CWB disputed—the Harper government announced it would unilaterally end CWB's barley monopoly. CWB challenged that effort in federal court and won the right to have Parliament ultimately decide whether or not barley farmers would be able to sell their crop outside the wheat board system. The government lost a subsequent appeal. In June 2008, CWB won another legal victory when a federal court ruled that Canada's agriculture minister violated the Charter of Rights and Freedoms when he issued a gag order in 2006 preventing the CWB from spending money to advocate the single-desk grain marketing system.

The Marketing Freedom for Grain Farmers Act, passed in December 2011, established a free market system for barley and wheat farmers in which the farmers are able to choose how to sell their crops and to which buyers they would sell. A voluntary CWB with government backing will remain in place until 2017 as the farmers make the transition from the monopoly. The change went into effect August 1, 2012. As of August 1, 2017, the CWB operates under the same regulatory conditions as any other private grain company, officially ending the monopoly.

CHILE



FRUIT

Issue: High Tariffs

Chile assessed a tariff of 6% ad valorem on the CIF value with an additional 18% value-added tax. The 2003 passage of the U.S.-Chile FTA provided U.S. horticulture better access to Chile's market. The tariff on apples and pears was immediately eliminated January 1, 2004, and three-quarters of all U.S. farm goods began entering Chile duty-free January 1, 2008. All duties are to be phased out over 12 years.

PEAS, LENTILS, & CHICKPEAS

Issue: Fumigation Protocol

Chile used to require fumigation for pea, lentil, and chickpea imports from the U.S. Domestic researchers have found that the U.S. does not have significant insect numbers to prompt the fumigation requirement. The Bruchidae family, commonly called storage seed weevils, is the prominent group of pests that are of concern in Chile.

Chile does not require fumigation from the U.S.'s largest competitor, Canada. The Canadian-Chile FTA strengthened Canada's competitive advantage in the Chilean market for special crops. USDA-APHIS had continued to press Chile to implement and enforce WTO-consistent sanitary and phytosanitary requirements. After years of effort by USDA-APHIS, the Chilean requirement of fumigation of U.S. peas and lentils was finally removed.

CHINA (PRC)



U.S. – CHINA AGREEMENT ON AGRICULTURE

In 1999, the U.S. and China signed a bilateral agreement as part of China's WTO accession package that contained China's commitments to provide greater market access for U.S. goods and services, including lowering tariffs. As part of the agreement, China committed to gradually reduce tariffs on agricultural products. The tariff reductions were completed in 2008, and all other criterion of the agreement have been implemented. The following table shows the lowered tariffs on select products:

Product	Original duty	Reduced Duties
Apples, Peaches, Cherries & Pears	30%	10%
Beef	45%	12%
Milk product: Cheese	50%	12%
Milk product: Ice cream	45%	19%

Milk product: Lactose	35%	10%
Milk product: Skim milk powder (SMP)	25%	10%
Potatoes: Dehydrated flakes and granules	30%	15%
Potatoes: Flour, meal and powder	27%	15%
Potatoes: Fresh or chilled & Potatoes: Frozen	13%	13%
Potatoes: Prepared/preserved, frozen	25%	13%
Potatoes: Prepared/preserved, not frozen	25%	15%
Wheat: The TRQ is divided among State Trading Enterprises and the private sector	Quota: 7.3 mil MT Duty: within quota: 1%, over quota:80%	Quota: 9.6 mil MT Duty: within quota: 1%, over quota: 65%

ALL PRODUCTS

Issue: Currency Manipulation

A substantial increase in the value of the Chinese currency is essential to reduce trade imbalances, but China has intervened massively in the foreign exchange markets, buying \$15-20 billion per month for several years to keep market pressures from pushing up the currency. Furthermore, by keeping its own currency undervalued, China has also deterred many other Asian countries from letting their currencies rise against the dollar for fear of losing competitive position against China. The overvalue currency makes Chinese exports cheaper in overseas markets and U.S. imports more expensive to Chinese buyers.

The China currency Manipulation Act of 2008 was presented in congress to stop currency manipulation by China. It proposed that Congress work with the International Monetary Fund (IMF) to take steps to ensure that China promptly takes steps to correct their exchange rate. In June 2010, the Chinese government pledged that it would allow for greater exchange rate flexibility, allowing its currency to float gradually upward. By December 2011, the yuan increased 18% compared to the U.S. Dollar. At the 2013 U.S.-China Strategic and Economic Dialogue, China adopted a flexible exchange rate.

In an April 2017 report, the United States Department of the Treasury established a "Monitoring List" of major trading partners that merit close attention to their currency practices and any major trading partners that accounts for a large and disproportionate share of the overall U.S. trade deficit. China is one of the countries listed on the Monitoring List. Once on the Monitoring List, an economy will remain there for at least two consecutive reports to help ensure that any improvement in performance versus the criteria is durable and is not due to temporary one-off factors.

FRUIT

Issue: Apples – Phytosanitary Restriction

China had long prohibited imports of U.S. apples other than Red and Golden Delicious varieties due to quarantine concerns over the bacterial disease fire blight. Furthermore, only three states were approved to export these two varieties: Idaho, Washington, and Oregon. Despite requests from APHIS for China to authorize the importation of six additional apple varieties (Fuji, Gala, Granny Smith, Rome, Jonagold, and Braeburn), the AQSIQ had maintained import restrictions on U.S. apples.

AQSIQ contended that fire blight may be transmitted to China's domestic crops if import restrictions were eased for U.S. apples. However, AQSIQ did not provide APHIS with scientific evidence that would justify excluding additional apple varieties and production areas from the export program due to fire blight. The U.S. industry and APHIS maintained that mature, symptomless apples produced under commercial conditions have not been shown to transmit fire blight.

In a related matter, in 2004 the WTO ruled in favor of the U.S. that Japan's quarantine measures for fire blight imposed on U.S. apples were maintained without scientific justification, providing additional support against China's position.

On August 9, 2012, China suspended imports of U.S. apples which were mainly from Washington citing postharvest disease concerns. On January 15, 2013, China made a proposal to reopen the market if the U.S. agreed to store apples for 20 days in packing sheds before shipping them to China. The U.S. disagreed and submitted a counterproposal in March 2013. Developments of this issue continued to be complex. Both markets remained closed to apples from either country until January 2015 when USDA and the Chinese government approved fresh apple imports for both countries effective in May 2015.

Issue: Pears - Phytosanitary Ban

As of January 2013 China has opened market access to pear imports from the U.S. Previously Chinese government prohibited the import of U.S. pears due to quarantine concern for the bacterial disease fire blight. Research has shown that commercially produced and packaged fruit is extremely unlikely to transmit fire blight. China was concerned that this bacterial plant disease might be transmitted to the country's domestic crops. Mature symptomless pears do not transmit the disease.

The U.S. industry and government first sought access for pears to the PRC in 1991. Finally after many years, pears from the PNW and California were granted market access to China.

PEAS

Issue: Food Safety Restriction

China was enforcing a limit on the selenium content of imported peas. Under Chinese regulations, the selenium content was limited to 3 parts per million (PPM) which is not in line with any health dangers related to selenium intake. In fact, this limit may have discouraged the intake of selenium at the minimum levels required for good health. USDA worked with the Chinese government on this issue, and the Chinese authorities agreed to review their selenium standard in coordination with USDA. Chinese authorities were allowing the importation of peas for noodle-making without reference to selenium content, because only the pea starch is used in the noodle-making process, and any selenium present is removed in the by-product that enters the animal feed chain. This exception allowed the U.S. to continue to export yellow peas to China while the selenium issue was under review. In March 2011, through the efforts of USDA and FAS, China's selenium restriction on imported peas was lifted.

COSTA RICA



POTATOES

Issue: Chipping Potatoes - Zebra chip

In April 2012, U.S. fresh potato exports were halted temporarily because of the pest zebra chip. The USDA and Ministry of Agriculture (MOA) had numerous meetings to try and reach an agreement so potato shipments could resume. In mid-June APHIS signed a bilateral agreement with MOA, effectively re-opening the market for chipping potatoes only.

Unexpectedly, Costa Rican authorities decided that the protocol had to be notified to the WTO to allow other members to provide comments. The U.S. objected to this procedure because the WTO does not require the notification of bilateral agreements such as the protocol in question. Nevertheless, Costa

Rica provided the two month comment period and received comments from domestic producers, which further extended the time that U.S. potatoes could not enter Costa Rica. After reviewing the comments, the MOA reopened the market to U.S. potatoes on October 26, 2012.

In August 2013, Costa Rica again closed its market to U.S. fresh potatoes due to the alleged detection of zebra chip in a shipment. Subsequent testing in a US lab had determined that zebra chip was not present in the shipment sample. In February 2014, USDA-APHIS sent a letter proposing a market access agreement to reopen the Costa Rican market to U.S. fresh potatoes. Unfortunately, the Costa Rican response issued in early May 2014 rejected this proposal, and instead proposed requirements that are not commercially feasible for U.S. potato exporters.

In November 2015, an official from Costa Rica's SFE visited the states of Washington, Oregon, and California to review industry growing and handling practices. In January, 2016 Costa Rica's Servicio Fitosanitario del Estado (SFE) informed APHIS that it would begin issuing import permits for U.S. chipping potatoes effective February 1. A protocol for additional measures for the importation of chipping potatoes due to zebra chip was also released. The market for fresh table stock potatoes remains closed.

EUROPEAN UNION



DAIRY

Issue: Somatic Cell Count Standard & Import Requirements

As the FDA has stressed to the European Union for more than a decade, somatic cell count (SCC) levels for raw milk are quality criteria and not food safety criteria and as such should not be required as part of public health attestations. The EU's mandatory compliance with its SCC levels illustrates the member states' efforts to enforce their own quality standards regardless of the available scientific evidence in support of a public health justification.

The EU's SCC certification requirements require each farm to meet a 400,000/ml. threshold, but Idaho changed state law in 2013 to reflect this requirement, no longer making it an issue for Idaho dairymen.

FRUIT

Issue: Cherries – Phytosanitary Trade Barriers

The European Union required cherries to be free of *Monilinia fructicola* (brown rot) and required documentation that controls had been applied in the field. This restriction limited the supply of cherries that qualify for export to the EU. *M. fructicola* reportedly occurs in Europe, yet there were no known official controls on the disease or on movement of fruit within the EU from those countries where positive detections had been made. In addition, there was no supporting technical documentation justifying its quarantine requirements.

In the spring of 2015, an import protocol was established and the market was re-opened to U.S. cherries.

HONG KONG



BEEF

Issue: Prohibition of Beef Products

Effective June 17, 2014, all boneless and bone-in beef products, tongue (no tonsils), ox tail and offal are allowed to be exported from the U.S. to Hong Kong. This change was in response to the OIE granting the U.S. negligible risk status for BSE in 2013, further affirming the safety of U.S. beef and beef products. Prior to June 2014 imports were limited to U.S. bone-in beef from cattle 30 months of age and younger.

The Special Administrative Region of Macau announced in November, 2015, that it would resume imports of American bone-in beef products derived from cattle over 30 months of age as well as ground beef and offal, regardless of age effectively granting full market access for U.S. beef products. Prior to November 2015, only bone-in U.S. beef products originating from animals under 30 months of age and boneless beef from animals regardless of age were permitted. For a list of eligible products visit: <http://www.fsis.usda.gov/wps/portal/fsis/topics/international-affairs/exporting-products/export-library-requirements-by-country/Hong-Kong>

INDIA



FRUIT

Issue: Fresh – Coated waxes, Mineral oils and Colors

On August 13, 2003, the Indian Ministry of Health & Family Welfare (MOHFW) issued a Gazette Notification G.S.R. 656(E) amending food regulations prohibiting the sale of fresh fruits and vegetables coated with waxes, mineral oils, and colors. Although this amendment was not enforced, it threatened U.S. apple, pear, and other horticultural exports to India as the U.S. industry uses coatings of carnauba wax and shellac to maintain the quality and shelf life of fresh horticultural products.

A regulation, effective February 28, 2008, permitted the use of beeswax (white and yellow), carnauba wax and shellac, not to exceed Good Manufacturing Practices. Shellac wax is now approved for use on fruit.

PEAS, LENTILS, & CHICKPEAS

Issue: Phytosanitary Restriction – WEED seeds and soil

In 2010, India announced that it would require Additional Declarations to be added to phytosanitary certificates for all imported pulses. The Additional Declarations as required by India would require USDA-APHIS to declare the shipment to be 100% free of quarantine weed seeds and soil contamination. USDA-APHIS takes the position that even with rigorous testing, it is impossible to provide a 100% guarantee that a shipment contains no weed seeds or soil. India planned on instituting these Additional Declaration requirements March 31, 2011. At that time, they granted a series of postponements to allow more time for discussions with trading partners. However, in January 2013 the Additional Declaration requirements were instituted at Indian ports, with significant penalty fees being imposed on pulses imported from the U.S. In the fourth quarter of 2013, USDA-APHIS was able to find common ground with the Indian authorities and began to issue Additional Declarations that India would deem to be satisfactory, without including blanket guarantees.

ISRAEL



FRUIT

Issue: Apple - Phytosanitary Trade Barrier

U.S. apple and pear exporters have a long history of shipping to Israel with no report of any detection of live apple maggot or plum curculio, the two primary pests of concern targeted by Israel with the cold treatment requirements. In March 2009, Israel's Plant Protection and Inspection Service informed the USDA-APHIS that apples and pears would have to meet the cold treatment requirements to mitigate the risks of apple maggot and plum curculio. Although Israel has not conducted a PRA, Israel granted the U.S. an exemption from this requirement until September 1, 2012. USDA officials worked with industry and state officials on a proposed cold treatment. In December 2012 bilateral meetings authorized the use of provisional cold treatment schedules until July 15, 2013. A work plan was put into place in 2014 for apples.

JAPAN



FRUIT

Issue: Cherries – Phytosanitary Restrictions

U.S. cherry exports to Japan have required fumigation with methyl bromide to control codling moth since the export program began in 1978. In the past, Japan has been unwilling to eliminate this costly fumigation requirement and inspection program despite evidence demonstrating minimal risk of transmitting codling moth.

Based on USDA research that demonstrated that cherries are not a suitable host for codling moth, the U.S. requested that Japan remove the specific treatment requirement for sweet cherries. In its place, the U.S. government submitted a systems approach to the Japanese government for consideration, which combines post-harvest commodity inspection with good orchard pest management practices. The industry supplied documentation that the proposed systems approach provides quarantine security, which is equivalent or better than that provided by methyl bromide fumigation.

In July of 2009, Japan agreed to allow cherries from orchards in Washington, Oregon, and California that use traps to monitor pest levels, rather than fumigate for them. Due to issues resulting from the tsunami in 2010, the rule making process to allow cherries from Idaho was not able to move forward as quickly as anticipated. On May 31, 2013, however, Idaho was added to the list of states allowed to export without fumigation.

POTATOES

Issue: Fresh Chipping - Phytosanitary Ban

In April 2006, PCN was found in a soil sample collected from a potato processing facility in Idaho. This was the first time the PCN had been found in the United States. The nematode does not pose a threat to human health but can reduce the yield of potatoes and other crops. Scientists from USDA-APHIS and ISDA conducted extensive soil sampling to determine the extent of PCN in Idaho and established a

regulated area within Idaho with strict protocols. An eradication program using fumigation and other methods has also been established. Eradication may take many years.

Although processed potatoes are not considered a source for infection because nematodes cannot survive the cooking process, Japan immediately banned shipment of chipping potatoes from the United States. The market was reopened in February 2007 for all original shipping states except Idaho.

On September 15, 2017, it was announced that Japan expanded market access for US chipping potatoes, resuming imports from Idaho for the first time in 11 years.

KOREA



BEEF

Issue: Import Quotas, Restrictions on Marketing, Distribution and Labeling

Korea had a complex regulatory scheme that discriminated against imported fresh, chilled and frozen beef. Beef was imported under a government-set quota through the Simultaneous Buy and Sell (SBS) System and irregularly timed tenders by the Livestock Products Marketing Organization (LPMO). Beef importers had to be licensed which effectively restricted U.S. beef imports to ten so-called “super-groups” under the SBS system. Korea’s retail marketing regulations required imported beef to be separated from domestic product at the retail level and only a select and limited number of beef stores were allowed to sell imported beef. Korea had 45,000 shops selling only domestic beef and 5,000 shops that sold only imported beef. These practices were clearly discriminatory.

Korea’s GATT commitments required Korea to import minimum volumes of foreign beef annually. The U.S. and Korea negotiated two bilateral “Record of Understanding on Market Access for Beef” agreements in 1990 and 1995 with specified quota commitments and an agreement to liberalize beef trade by January 1, 2001. The agreements, however, did not address tariff reductions past 2004 or the discriminatory retail practices. The U.S. and Australia filed a WTO complaint against Korea’s discriminatory retail marketing practices, super-group system limiting who could legally import beef, mark-up practices and excessive domestic subsidies. In January 2001, a final WTO ruling in favor of the U.S. and Australia allowed smaller Korean retailers to sell both domestic and imported beef. In January 2001, Korea eliminated all quotas and the complicated import system. In September, Korea complied with the WTO Dispute Panel and allowed butcher shops to sell both domestic and foreign beef, eliminating the dual retail system.

Korea announced on December 10, 2007, that the number of beef cut names allowed on retail packaging will be increased from 29 to 39 cuts and the number of pork cut names will be increased from 17 to 22 cuts. Prior to this announcement, although there was an established regulation limiting the allowable cut names, it was not enforced and often common for historical names that consumers easily understood were used. Regulating the method of classification by cut resulted in discrimination against imported U.S. beef. This proposal had nothing to do with food safety and only served to limit imports.

On March 5, 2009, the MAFF announced a revision for the Method for the Classification of Meat by Cut, Grade and Kind. The revision ensures that matters related with classification of domestic and imported meat will be stipulated in the country of origin. It also added a provision for marking in situations where multiple primal cut names exist making it possible to conduct such sales.

Issue: BSE Ban

In December 2003, Korea imposed a ban on most products derived from cattle, sheep and goats, following the discovery of a cow with BSE in Washington State that was imported from Canada. On January 13, 2006, Korea and the United States agreed on an initial import protocol allowing the U.S. to export boneless beef from cattle less than 30 months of age under a Beef Export Verification Program. But in early June 2007, Korea temporarily suspended the issuance of import certificates after two shipments of U.S. beef were found to contain beef ribs. U.S. industry continued to work with Korea for the opening of the market to bone-in beef, variety meats and offal which historically accounted for approximately 50% of U.S. beef exports to Korea. In May 2007, the World Organization for Animal Health (OIE) concluded that American beef poses a "controlled risk." The OIE says deboned beef from cattle under 30 months of age is safe, and with appropriate precautions, beef from older animals and bone-in meat is safe as well.

In April 2008 the U.S. and Korea came up with an agreement that reflected the OIE ruling. However, due to strong protests by Korean consumers, both governments held additional negotiations to address the main concerns of Korean consumers. Based on these negotiations, Korea published the final import health requirement in its government gazette on June 26, 2008, allowing for U.S. beef imports to resume on the publication date. The final health requirement allows for Korea to import beef from cattle under 30 months, utilizing the Quality System Assessment Program.

ORGANIC PRODUCTS

Issue: Organic Trade Agreement on Processed Products

Since 2009 negotiations between the U.S. and Korea have been ongoing due to the Korean Ministry of Food, Agriculture, Forestry and Foods' (MIFAFF) implementation of a complex series of regulations governing organic products, labeling, and enforcement in Korea. In May 2012, the Korean legislation passed a new Organic Act which included processed products that would also be shut out of Korea unless they were certified to the Korean standard by January 1, 2014.

However, in December 2013 thirteen U.S. Senators sent a letter to the Korean ambassador, Ahn Ho-young, to express concerns about the Organic Act stating that certification would not be possible by December 31, 2013, thus effectively cutting U.S. organic products out of Korea's market. The Senators requested an extension on the current grace period until an organic equivalency agreement between the two countries is enacted (suggesting an agreement that both nations would recognize each other's organic certification standards). The result has been a six-month educational period to allow businesses to adapt to the new regulations, meaning the new law was not fully implemented until July 1, 2014.

As of July 1, 2014, the U.S. and Korea have reached an organic trade agreement allowing for organic processed products certified in either country to be labeled as organic in either country. The arrangement covers organic condiments, cereal, baby food, frozen meals, milk, and other processed products.

POTATOES

Issue: Tariffs and Quotas

Since its establishment, KORUS has eliminated duties on U.S. French fries exported to Korea, created a new annual reduced quota for dehy flakes, reduced dehy blended product tariffs, and established a U.S. only quota for fresh potatoes. As the KORUS is implemented in the years ahead, additional tariff reductions will occur.

MEXICO



ALL PRODUCTS

Issue: Retaliation Import Tariffs due to Trucking Dispute

On October 21, 2011, all tariffs related to the trucking dispute were reduced to zero effective immediately. On this date, the first Mexican trailer crossed freely into the U.S. with authorization from the National Highway Traffic Safety Administration. The trucking company was Transportes Olympix, which had applied to the cross-border transport program and received its certification in October 2010.

The trucking dispute began in March of 2009 after the announcement that the U.S.-Mexico Cross Border Trucking Demonstration Project was no longer in effect. The U.S. Congress had banned funds to the Department of Transportation (DOT) which had previously been used to maintain this program and as a result, the DOT ceased to operate the program. Mexico created additional import tariffs on 34 U.S. agricultural products in retaliation. In August of 2010, a revised set of tariffs was published which included tariffs for 20 additional agricultural products, as well as increased tariffs for many of the original 24 products. This increase in tariffs had a considerable impact on Idaho's economy and agricultural products. For example, processed potatoes from the U.S. had a 5% tariff (reduced from an initial 20%) whereas Canada, the major competitor in the market, had zero NAFTA tariff. Other affected Idaho products included onions with a 10% tariff, wine at 20%, dry peas at 20%, and fresh table grapes at 20%.

BEEF

Issue: Anti-Dumping Duties

Beef had been subject to antidumping duties by Mexico since 1999, even though a NAFTA dispute settlement panel ruled in 2004 that Mexico improperly imposed the antidumping duties.

In 1998, Mexican cattlemen requested an anti-dumping investigation, alleging that U.S. livestock and beef products were sold below cost of production. In 1999, the Mexican Department of Commerce (SECOFI) imposed dumping duties on U.S. beef and beef variety meat imports. The final decision announced in 2000 resulted in assorted anti-dumping duties that varied by product and ranged between zero and \$0.80/Kg. Product graded USDA Prime or certified by USDA as "Angus Beef" was exempt.

In 2003, the U.S. requested and received two WTO consultations on Mexico's antidumping measures on U.S. beef as well as five provisions of Mexico's Foreign Trade Act and its Federal Code of Civil Procedure.

In April 2006, Secretary of Economy (SECON) decided to continue antidumping duties on imports of U.S. beef and beef by-products from certain U.S. exporters and producers for another five years, after completing a sunset review investigation. In addition, Mexico's modification of the beef dumping duties in 2004 in response to the findings of a NAFTA Chapter 19 panel, which determined that SECON did not sufficiently demonstrate that U.S. beef imports had damaged Mexico's beef industry. Mexican policies in this area reduced the number of U.S. suppliers and altered product trading patterns.

The issue was finally resolved on August 10, 2010. The Mexican Government published a notice to eliminate the imported duties imposed on beef exports after the only Mexican producer association withdrew its support for continuing the duties.

Issue: Bovine spongiform encephalopathy (BSE)

Mexico's Secretariat of Agriculture (SAGARPA) banned imports of bovine products in December 2003 following the bovine spongiform encephalopathy (BSE) detection in Washington State. In March 2004, SAGARPA resumed boneless beef imports, and in February 2006, bone-in beef imports resumed from cattle less than 30 months of age. As of May 2014 Mexico lifted the 30 month cattle age limit on beef imports as well as removed the last of the BSE related restrictions.

CANOLA

Issue: Phytosanitary Restrictions Lifted

Previously Mexico accepted U.S. rapeseed seed, canola oil and canola meal, but not U.S. canola. However, Mexico did accept Canadian canola. Under NOM 28, Mexico now accepts entry of commercial U.S. canola. The term "canola" is actually a trade name for rapeseed owned by the Canola Council of Canada. The Council has granted the U.S. the rights to use the name canola at no charge.

Industry has commonly distinguished rapeseed and canola by erucic acid content:

- Rapeseed – high erucic acid, industrial use
- Canola – low erucic acid (less than 2%), used for human consumption

Both are botanically equivalent and subject to the same pests and diseases. Mexico sought a risk analysis to modify NOM 28 but grandfathered Canada.

CATTLE

Issue: BSE and Live Cattle Restrictions

Mexico lifted the ban on U.S. beef breeding cattle in May 2008. However a protocol for slaughter cattle of any age was not established until March 2010. The U.S. has a breeding cattle protocol in place with Mexico and can export any type of breeding cattle, dairy or beef, of any age. A summary of the breeding cattle protocol can be found at

http://www.aphis.usda.gov/regulations/vs/iregs/animals/animal_mexico.shtml

DAIRY

Issue: Milk Powder - Tariff Rate Quotas Dissolved

Most U.S. dairy products shipped to Mexico duty-free as a result of NAFTA tariff phase-outs, the lone exception being skim milk powder. NAFTA established a tariff rate quota for milk powder that increased 3% per year through January 1, 2008. The quota system was fully phased out January 1, 2008.

FRUIT

Issue: Anti-Dumping Duties for Apples

Apple trade between the U.S. and Mexico has had numerous issues. Starting in 1997, Mexico initiated an antidumping case against Northwest apples. In 1998, Northwest Fruit Exporters (NFE) entered into an agreement with the Mexican Department of Commerce (SECOFI/SE) that suspended the investigation into the alleged dumping of U.S. fresh Red and Golden Delicious apples. This resulted in higher minimum reference prices for the Mexican market.

After a repeal of the reference prices, a final duty of 46.58% was placed on U.S. apple imports. Some NFE Apple shippers petitioned the Ministry of Economy to prove that they were not part of the apple dumping in Mexico. There were only eight shippers in the PNW that received the reduction (the tariff rate varied from zero to 47.05%). On September 23, 2005, the Ministry of Economy established a new "all others rate" at 44.67%.

The high tariffs reduced U.S. exports by 25%, providing other international competitors who are not subject to the tariff an accessible market. The U.S. could ship varieties other than U.S. Red and Golden Delicious, but the Mexico market was dominated by these two varieties. On March 2, 2010, Mexico's Secretariat of Economy (SECON) published a notice in the Mexican Diario Oficial lifting the compensatory duties imposed on U.S. Red and Golden Delicious apples effective March 3, 2010.

The most recent case of anti-dumping allegations began in August 2014, when a Mexico industry group from the state of Chihuahua, UNIFRUT, petitioned an investigation against U.S. apple producers for allegedly selling U.S. apples to Mexico at less than their fair value during the 2013-2014 season. In December 2014 the Mexican government announced they would pursue an anti-dumping investigation against the U.S. As part of the investigation, the Mexican Ministry of Economy asked around 40 U.S. shippers to respond to a questionnaire on production costs and sales prices.

The Mexican government reached a preliminary determination on the case and on January 6, 2016 published the preliminary duties. Duties went into effect beginning January 7, 2016 on U.S. apples as high as 20% for some companies and averaging 7.55%.

The Mexican government reached a final decision on the anti-dumping case on June 7, 2016, ruling that "although imports of apples from the United States were made with dumping margins of up to 20.73 percent in the investigated period, and such imports represented 91 percent of total imports, such practice did not result in adverse effects to the domestic industry." Therefore there is no credible claim to the anti-dumping regulations, causing Mexico to revoke the antidumping duties on U.S. apples.

Issue: Apples - Costly On-Site Inspection Procedures Eliminated

Although no listed quarantine pest had been detected at the border, the protocol required apple exports to be supervised by an official of the Mexico Export Inspection Office (MEIO). After many years, the Yakima, Washington MEIO was closed, with oversight functions turned over to the USDA-APHIS.

MEAT

Issue: Inspection Points

In 2000, Mexico's Agriculture, Livestock, Rural Development, Fisheries and Food Ministry (SAGARPA) implemented laws changing all "verification points" for inspection of meat products to be "in Mexican territory." The most important provision was the moving of import verification points from the U.S. side of the border to the Mexican side of the border. In 2012, multiple seminars were held which gave additional training to those who inspect U.S. meat in Mexico.

POTATOES

Issue: Potato Cyst Nematode

In April 2006, PCN was found in a soil sample collected from a potato processing facility in Idaho. This was the first time the PCN had been found in the United States. The nematode does not pose a threat to human health but can reduce the yield of potatoes and other crops. ISDA and APHIS officials continue to believe the PCN infestation in eastern Idaho is isolated because of the more than 38,000 samples taken in 2006, all have been negative for PCN except for those from seven fields in close proximity. The 2006 samples were from investigations involving 224 production fields, 459 seed potato fields, and 58 facilities. Surveillance continues.

On August 28, 2006, APHIS issued a Federal Domestic Quarantine Order to prevent the spread of PCN through regulatory authority provided by Section 412(a) of the Plant Protection Act of June 20, 2000, as amended and the State of Idaho issued a parallel State Rule in support of the Federal Order. These regulations established restrictions on the interstate movement of certain regulated articles from Idaho

and designated a regulated area identical to the Idaho Department of Agriculture quarantine, established April 27, 2006, restricting the intrastate movement of regulated articles. On April 2, 2007, Mexico agreed to a shipping protocol for Idaho fresh potatoes resuming trade. Idaho fresh potatoes must follow the protocols and additional requirements. The additional requirements for fresh potatoes are:

- The potatoes must be shipped from production fields outside the PCN-regulated area;
- Beginning with the 2007 growing season, all Idaho potato fields must be tested before planting and certified free of PCN; and
- Post-harvest soil samples from Idaho packing sheds must periodically be tested to ensure they are free of PCN.

SUGAR

Issue: Excessive Imports of Mexican sugar

In January 2008, with the full implementation of NAFTA, all sugar tariffs between the U.S. and Mexico were eliminated. Sugar trade will continue to be impacted by the various sugar policies implemented in both countries.

Previously there was a WTO case against Mexico regarding high fructose corn syrup. Mexico imposed a 20% sales tax on soft drinks and other beverages that use any sweetener other than cane sugar. The beverage taxes sharply curtailed U.S. high fructose corn syrup (HFCS) producers' access to Mexico's market for soft drinks and other beverages. This affected sugar use and sugar production in the U.S. In 2004, the U.S. filed a WTO case against Mexico over these taxes. On October 7, 2005, the WTO ruled in favor of the United States in its challenge of Mexico's discriminatory beverage tax. The Mexican tax remained in place, but many bottlers were able to use HFCS without being subject to additional taxes due to court injunctions allowing HFCS use in soft drinks without paying the tax. The U.S. was allowed to export 250,000 MT of HFCS to Mexico. Mexico was allowed to ship 250,000 MT of cane sugar annually to the U.S. up until January 1, 2008, when the quota was eliminated.

However, in March of 2014 the U.S. sugar industry filed antidumping and countervailing duty petitions against the Mexican sugar industry with the U.S. International Trade Commission (ITC) and the U.S. Department of Commerce (USDOC). The ITC made a preliminary finding on May 9, 2014, stating that U.S.-domestic sugar producers are materially threatened by low cost imports of subsidized Mexican sugar into U.S. Markets. The commission's vote was 5-0, meaning that "there is reasonable indication that the U.S. industry is materially injured by reason of imports of sugar from Mexico that are allegedly subsidized and sold in the U.S. at less than fair value." The preliminary finding frees the USDOC to continue its investigation into alleged sugar dumping by Mexico, and determine possible duties on the sugar and possible anti-dumping enforcement by the Customs Department. In October 2014, the United States and Mexico came to an agreement to avoid antidumping (AD) and countervailing duties (CVD) on U.S. sugar imports from Mexico. On December 19, 2014, both sides signed these two suspension agreement, but two U.S. sugar companies petitioned the suspension. In a final ruling in September 2015, the U.S. Department of Commerce upheld its earlier finding that sugar from Mexico has been subsidized and dumped into the U.S. market, making some adjustments to the suspended AD and CVD rates.

In 2013, in response to complain on unfair trade practices, the U.S. Commerce Department imposed punitive duties as high as 80% on the Mexican sugar industry. At the end of 2014, Mexico accepted limits on the volume and price of sugar that it could export to the U.S. in order to avoid the imposed duties.

On June 6, 2017, the U.S. Secretary of Commerce and the Mexican Secretary of Economy announced a new agreement in principal to suspend antidumping and countervailing duties against Mexican sugar imports into the United States. The U.S. sugar industry did not support the specifics of this agreement so on July 3, 2017, the U.S. Secretary of Commerce signed final amendments to the

Mexican Sugar Suspension Agreements that was much more widely accepted by the industry. This agreement is similar to the agreement in 2014, except that it lowers the percentage of refined sugar that Mexico can send to the United States from 53% to 30%, and it lowers the purity at which Mexican sugar can be sold as refined sugar as well. In turn, it gives Mexico the option to supply 100% of any excess U.S. demand for sugar yearly.

PANAMA



POTATOES

Issue: Fresh – Phytosanitary Ban

In July 2015, Panama re-opened the market for U.S. potatoes from Idaho and California. The market was originally closed over concerns of potato purple top virus.

PERU



POTATOES

Issue: Tariffs

On April 12, 2006, the U.S. and Peru signed the U.S.-Peru FTA, which was implemented on February 1, 2009. The U.S.-Peru FTA eliminated the 20% tariff on fresh potatoes, 20% tariff on French fries and 12% tariff on flakes and granules.

PHILIPPINES



POTATOES

Issues: Table Stock Potatoes – Phytosanitary Restrictions

Although some U.S. chipping potatoes are allowed, table stock potatoes were prohibited. For over two years, the U.S. potato industry sought market access for U.S. table stock. The Philippines has conducted a PRA on U.S. table stock potatoes and visited the U.S. potato industry in July 2012. Market access negotiations occurred in March 2013 on this issue. On July 12, 2013, the government revised its import requirements to allow for the entry of U.S. fresh table stock potatoes.

SOUTH AFRICA



FRUIT

Issue: Apples – Phytosanitary Barriers

PNW apples first gained market access to South Africa in 2009, but only for apple fruit originating from orchards that were declared pest free for *Rhagoletis pomonella* (apple maggot). During the 2010-2011 season, numerous containers of apples exported to South Africa were detained for reported quarantine pest finds. Notifications from South Africa of alleged interceptions were generally lacking in sufficient detail and were often issued many weeks after the interception. This severely limited the U.S. industry in any efforts to research the issue and to correct a problem, should one exist. Additionally, South Africa failed to respond to a USDA request to amend the market access agreement with a cold treatment protocol. Such a protocol would permit the export of apples originating from areas regulated for apple maggot. A protocol was finally established for the exportation of Pacific Northwest apples to South Africa and became effective November 8, 2011.

TAIWAN (ROC)



BEEF

Issue: Ban on Beef with Traces of Ractopamine

Taiwan's Council of Agriculture put a ban on beta-agonists including salbutamol, terbutaline, clenbuterol, and ractopamine in October 2011. Taiwan did not have a MRL standard for ractopamine; therefore they adopted a zero tolerance policy for the beta-agonist. These measures created significant barriers to U.S. exports of meat and meat products. The ractopamine issue did not affect Idaho's pork exports to Taiwan because exporting companies have ractopamine-free pork.

Ractopamine, a veterinary drug that is used to boost growth and promote leanness in pigs, cattle, and (to a limited extent) turkeys, was approved for use by the FDA for pork in 1999 and beef in 2003. The MRLs allowed by the FDA for beef and pork are 30 parts per billion (ppb) and 50 ppb respectively. Despite the allowance of the use of ractopamine in multiple countries (i.e. U.S., Brazil, and Canada), the beta-agonist was banned by many countries (including the EU, China, and Taiwan) for human and animal health reasons.

At its 26th session in 2003, the Codex was asked to adopt MRLs for ractopamine. The proposal to adopt a standard for ractopamine was based upon scientific advice from the Joint FAO/WHO Expert Committee on Food Additives (JECFA) and the recommendation of the Codex on Residues of Veterinary Drugs in Foods (CCRVDF). In 2004, JECFA concluded that ractopamine was safe and established an Acceptable Daily Intake (ADI) and acceptable MRLs for cattle and pig tissues (muscle, liver, kidney and fat). The MRLs determined safe by JECFA are 10 ppb in beef and pork cuts. After years of scientific and political stalemate, Codex voted 69-67 in favor for the adoption of MRLs for ractopamine on July 5, 2012.

On July 25, 2012, Taiwan's Legislative Yuan (LY) voted 63-46 in favor of creating three separate amendments that cleared the way for Taiwan to establish MRLs for ractopamine in beef. Since September 11, 2012, regulations set a MRL for ractopamine at 10ppb in beef.

LAMB

Issue: Scrapie

The market for U.S. lamb reopened in 2016. The U.S. sent an official letter in August 2011 requesting that Taiwan reopen the market to lamb, but discussions were tabled as higher priority issues, such as ractopamine in beef, took the stage in September of 2012.

Initially banned in conjunction with beef over the finding of BSE in a dairy cow in December 2003, the market remained closed for nearly 13 years due to requirements that the sheep originate from farms that have been scrapie-free for at least seven years under Taiwan's "Quarantine Requirements for the Importations of Animals or Animal Products". Taiwan's "scrapie free" definition follows the OIE standard (World Animal Health Organization - Office of International Epizootics). Transmissible spongiform encephalopathy (TSE), or scrapie, affects the nervous system of sheep and goats, but is not transmissible to humans. Scrapie is not considered a zoonotic disease; therefore, edible products exported from scrapie-infected countries, regions or zones should not be restricted.

In early 2013, the Government of Taiwan developed a questionnaire as part of the market access review for U.S. lamb and sent it to USDA for their completion. USDA responded and submitted the questionnaire to Taiwan officials in July 2013. The issue was again discussed during the December 2013 Sanitary and Phytosanitary meetings and again in April 2014 during the Trade Investment Framework Agreement bilateral meeting. The American Institute of Taiwan and USDA facilitated a site visit by Taiwan authorities to the U.S. to review lamb processing methods.

POTATOES

Issue: Fresh - Phytosanitary Restrictions

Exports of U.S. fresh potatoes are limited to Idaho, Oregon, Washington, Alaska, Montana, California, and Colorado. For seed potatoes, only potatoes from California can be exported.

Taiwan requires that fresh potatoes be field inspected for late blight. This is unique among international potato trade protocols and increases the cost of doing business with Taiwan. Late blight (*Phytophthora infestans*) is a serious potato pathogen. This pathogen exists in the U.S. When market access was first granted for U.S. fresh potatoes to Taiwan in the late 1990s, Taiwan expressed concern over this pest and required that U.S. potato fields with product destined for Taiwan be pre-inspected during the growing season to ensure late blight did not exist. This pre-inspection costs time and money and requires that product be segregated for Taiwan. Often growers have all of their fields inspected to avoid the segregation issue. At times, due to increased demand in Taiwan, pre-inspected product has run out, thus limiting U.S. exports to Taiwan. There is no storage or on-site shipment inspection allowed.

POULTRY/ANIMAL FEED

Issue: Avian Influenza Restrictions

A routine bacterial respiratory disease testing in an Idaho game bird flock in August 2008 revealed concurrent infection with Low Pathogenic Avian Influenza (H5N8, LPNAI) virus. A farm was put under quarantine with a 3 km surveillance zone where all poultry and game birds were tested. Results were all negative for AI. The quarantined flock was totally depopulated and the premises was cleaned and disinfected.

Taiwan restricts poultry products from areas where High Path Avian Influenza (HPNAI) have been detected. Regulations clearly specify restrictions for HPNAI, but does not mention LPNAI, the disease found in Idaho. In spite of the distinction, certain Idaho animal feeds were restricted effective September 8, 2008. The issue was brought to the attention of APHIS, which responded that it doesn't matter if the detection is HPNAI or LPNAI, all manufacturers where animal feeds are produced must comply with

Taiwan's quarantine requirements. During the Governor's trade mission to Asia in October 2008, Governor Otter discussed this issue with officials in Taiwan.

Effective June 11, 2009, the Bureau of Animal and Plant Health Inspection and Quarantine (BAPHIQ) lifted restrictions on poultry and poultry products except poultry meat for human consumption originating from countries (zones) where HPAI is not known to exist but LPAI may be. That means animal feed containing poultry ingredients manufactured in the states where LPAI is detected are allowed to ship to Taiwan without any additional heat treatment conditions. Poultry meat for human consumption including carcasses, meat, internal organs, and products manufactured by using aforementioned materials was still suspended from LPAI positive areas until May 16, 2011.

THAILAND



PEAS, LENTILS, & CHICKPEAS

Issue: Tariff Reductions

Thailand placed 30% tariffs on pulses, specifically dry peas, chickpeas, and lentils. Thailand lowered tariffs for peas to 5% on an experimental basis in 2006 and extended through August 2007. On September 12, 2007, applied tariff rates for peas, chickpeas, certain beans and lentils were reduced from 30% to 5% on an ongoing basis.

VIETNAM



POTATOES

Issue: Fresh – Market Access

In June 2010, the Vietnam market was opened to U.S. fresh potatoes, including chip and table-stock. This access is based on an agreement reached between the USDA-APHIS and Vietnam's Ministry of Agriculture and Rural Development (MARD).

CALIFORNIA, U.S.A



ALFALFA HAY

Issue: Cereal Leaf Beetle (CLB)

Alfalfa is not a host to Cereal Leaf Beetle although grasses found in hay are hosts. California required that grass hay be fumigated and alfalfa hay must be grass free. In 2003, compressed baled alfalfa hay was given an exception to the fumigation rule (not rolled hay or rounds). No certification needed to accompany the shipment and it would be inspected at the California border, but any shipment with live beetles or larvae would be rejected. Alfalfa has always been exempted from the quarantine unless it is contaminated with grass (it is difficult to not have some grass). Alfalfa could then have grass so long as it was compressed (fumigation is not required). In August 2013 CCB was detected in fields in California for the first time. Effective April 1, 2014, California repealed the quarantine restrictions on cereal leaf beetle all together.

GLOSSARY OF TRADE TERMS

APHIS (Animal and Plant Health Inspection Service): a branch of the USDA regulates plants, domestic animals, and plant and animal products coming into the U.S.

AQSIQ (General Administration of Quality Supervision, Inspection and Quarantine): ministerial administrative organ directly under the State Council of the People's Republic of China in charge of national quality, metrology, entry-exit commodity inspection, entry-exit health quarantine, entry-exit animal and plant quarantine, import-export food safety, certification and accreditation, standardization, as well as administrative law-enforcement.

ASTA (American Seed Trade Association): one of the oldest trade organizations in the United States. Its membership consists of over 700 companies involved in seed production and distribution, plant breeding, and related industries in North America. As an authority on plant germplasm, ASTA advocates science and policy issues of industry-wide importance.

Bound Tariffs Rates, Tariff “binding”: tariff rates resulting from GATT/WTO negotiations or accessions, incorporated as part of a country's concessions schedule. Bound rates are enforceable under Article II of GATT. If a WTO member raises a tariff above the bound rate, the affected countries have the right to retaliate against an equivalent value of the offending country's exports or receive compensation, usually in the form of reduced tariffs on other products they export to the offending country.

CIF (Cost, Insurance and Freight): a trade term requiring the seller to arrange for the carriage of goods by sea to a port of destination, and provide the buyer with the documents necessary to obtain the goods from the carrier.

CFIA (Canadian Food Inspection Agency): regulatory administration that inspects the health of exported-imported foods going/coming from Canada

Codex Alimentarius: the Codex Alimentarius Commission, based in Rome, is a subsidiary of the Food and Agriculture Organization of the United Nations (FAO) and the WHO. The SPS agreement (Sanitary Phytosanitary) designates Codex as the authority for international food safety evaluation and harmonization matters. Codex develops scientific methodologies, concepts and standards to be used worldwide for food additives, microbiological contaminants, and veterinary drug and pesticide residues.

Countervailing Duty: a special duty imposed on imports to offset the benefits of subsidies to producers or exporters in the exporting country.

Decoupled: payments to farmers that are not linked to current production decisions. When payments are decoupled, farmers make production decisions based on expected market returns.

Duty: tax imposed by a government on goods imported or exported.

Export Subsidies: special incentives, such as cash payments, extended by governments to encourage increased foreign sales; often used when a nation's domestic price for a good is artificially raised above world market prices.

FAO (Food and Agriculture Organization of the United Nations): an intergovernmental organization with 194 Member Nations, two associate members and one member organization, the EU. Their three main goals are: the eradication of hunger, food insecurity and malnutrition; the elimination of poverty and the driving forward of economic and social progress for all; and the sustainable management and

utilization of natural resources, including land, water, air, climate and genetic resources for the benefit of present and future generations.

FOB: a standard shipping term that stands for “free on board,” meaning without charge to the purchaser for delivery on board or into a carrier at a specified point or location.

GATT (General Agreement on Tariffs and Trade): GATT was founded in 1948. Eight rounds of trade negotiations were completed under GATT. GATT was replaced by the World Trade Organization (WTO) on January 1, 1995.

Generalized System of Preferences (GSP): a temporary, non-reciprocal grant of tariff preferences by developed countries to developing countries to encourage the expansion of manufactured and semi-manufactured exports from developing countries by making goods more competitive in developed country markets.

GMO (Genetically modified organism): this is an organism made up of genes from different organisms to produce a final organism that has the desired characteristics (such as disease resistance). This differs from traditional plant breeding in that genes can be moved from one plant to another with greater precision.

Harmonization: international efforts to increase the uniformity of regulations and procedures in cooperating countries.

Harmonized code: an international nomenclature developed by the World Customs Organization and recognized by over 170 countries. The system classifies goods into general categories using six-digit codes, allowing all participating countries to classify traded goods on a common basis. Beyond the six-digit level, countries are free to introduce national distinctions for tariffs and many other purposes.

IMF (International Monetary Fund): the International Monetary Fund is an organization of 188 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.

Internal Support: The Uruguay Round agreement on internal support recognized for the first time that policies of overproduction of specific commodities by individual countries played a major role in distorting world agricultural trade. It defined those policies that seriously distorted trade and those with minimal trade distorting effects using the traffic-signal colors of amber and green. Amber box policies (symbolizing "caution") are subject to reduced government support; while green boxes (symbolizing "go") entail no reduction requirements or restrictions. Another temporary exemption category called blue box was created to accommodate the EU and bring negotiations to a conclusion.

- **Amber box** policies include price supports, marketing loans, payments based on acreage or number of livestock, input subsidies and certain subsidized loan programs.
- **Green box** policies focus on governmental programs intended to support agriculture and include many of the operations of state and federal departments of agriculture or state university research. Such policies include: research, pest and disease control, extension services, inspection, marketing and promotion, crop insurance, natural disaster relief, conservation programs, and public stockholding.
- **Blue box** policies are redefined amber box policies that are related to production-limiting programs, such as payments based on fixed area and fixed yield, fixed number of livestock, or no more than 85% of the base level of production.

Incoterms: standard terms established by the International Chamber of Commerce which are used to define the specific responsibilities of buyers and sellers in international sales contracts. The terms are revised every 5-10 years. The most recent version of the terms went into effect in 2015.

ISO (International Organization for Standards): the ISO is a worldwide federation of national standards bodies from over 160 countries. Its mission is to promote the development of standardization and related world activities, specifically to facilitate the international exchange of goods and services, and to develop cooperation in intellectual, scientific, technological, and economic activities.

Joint FAO/WHO Expert Committee on Food Additives (JECFA): a body of experts that provides scientific advice to Codex on food additives, contaminants, and residues of veterinary drugs.

MAFF (Ministry of Agriculture, Forestry and Fisheries): a cabinet ministry in the government of Japan responsible for setting quality standards for food products, supervising commodity markets and food sales, and undertaking land reclamation and land improvement projects.

MIFAFF (Ministry for Food, Agriculture, Forestry and Fisheries): Korean ministry that aims to upgrade agriculture from primary production-based industry into advanced industry which encompasses processing and marketing in order to compete in the global arena.

Most Favored Nation (MFN): an agreement between two countries to extend the same trading privileges to each other that they extend to any other country. Under a MFN agreement, for example, a country will extend to another country the lowest tariff rates it applies to any third country. A country is under no obligation to extend MFN treatment to another country, unless both are members of the WTO, or unless MFN is specified in an agreement between them.

MRL (Maximum Residue Level): a maximum residue level is the maximum amount of residue legally permitted on food. Once residues are demonstrated to be safe for consumers, MRLs are set by independent scientists, based on rigorous evaluation of each pesticide legally authorized. They act as an indicator of the correct use of pesticides, and ensure compliance with legal requirements for low residues on unprocessed food. MRLs are trading standards used to ensure that imported and exported food is safe to eat. In practice, they allow the free movement of goods within the EU and from the rest of the world.

NMPF (National Milk Producers Federation): the NMPF develops and carries out policies that advance the well-being of dairy producers and the cooperatives they own. NMPF provides a forum through which dairy farmers and their cooperatives formulate policy on national issues that affect milk production and marketing.

Norma Oficial Mexicana (NOM): the NOM is published in the Diario Oficial with the final ruling, just as the U.S. publishes rulings in the Federal Register.

Normal Trade Relations (NTR): the term applied to Most Favored Nation (MFN) status for trading partners of the U.S. The U.S. extends NTR/MFN treatment to all of its trading partners. Some countries, such as Cuba and North Korea, are denied NTR treatment.

Non-Tariff Trade Barriers: government measures other than tariffs that restrict trade flows. Examples of non-tariff barriers include quarantine restrictions, import licensing, variable levies, import quotas, and technical barriers to trade.

Organization for Economic Cooperation and Development (OECD): an international organization made up of European countries, Japan, Korea, Israel, Australia, New Zealand, Canada, Mexico, and the United States that allows these governments to discuss, develop, and perfect economic and social policy. They compare experiences, seek answers to common problems, and work to co-ordinate domestic and international policies.

PNW (Pacific Northwest): region of the United States that encompasses six states (Oregon, Washington, Idaho, Montana, Wyoming and Alaska).

PRA (Pest Risk Assessment): is a process of investigation, evaluation of information and decision making with respect to a certain pest that starts once it is known or determined that this pest is a quarantine pest. Subsequently an evaluation of the potential of introduction of the pest into the country is done. With identification, determination and evaluation done, the process culminates with decision making to avoid or reduce the probability of entrance or establishment of the pest into the country.

Price Pooling: a price pooling system allows a State Trading Enterprise (STE— see below) greater flexibility in export pricing relative to private grain trading companies. Under the pool system, prices to producers may be averaged across grades and quality differences, time of year, and in some cases, freight charges. The degree to which pools are segmented by grade, quality, marketing period, and location defines how much flexibility the STE has in pricing products for export.

Quota: a specified quantitative limit of a product that can be imported from a specified country.

Reference Price: the minimum import price for certain farm products, normally based on an average of the country's market or producer prices over a given period. Specifically refers to a commodity of a prescribed quality which may be supported by intervention measures.

Risk Management Document (RMD): it includes a summary of the findings of a pest risk assessment and records the pest risk management process for the identified issue.

Sanitary and Phytosanitary Measures (SPS): sanitary and phytosanitary measures are laws, regulations, and procedures adopted by governments to protect animal, plant, or human health. International trading rules embodied in the General Agreement on Tariffs and Trade (GATT) have always recognized the right of each country to adopt and maintain any measure deemed necessary to protect human, animal or plant health. Under the Uruguay Round Agreement on the Application of SPS measures, WTO member countries agreed to base any SPS measures on an assessment of risks posed by the import in question and to use scientific methods in assessing the risk.

State National Harmonization Program for Seed Potatoes (SNHP): harmonization program that is a collaborative effort between the USDA-APHIS, the National Potato Council, the USPB, the National Plant Board and state seed certification agencies. Each participating state agrees to follow baseline standards regarding both quarantine and non-quarantine potato pests, creating a framework in which interstate and international commerce can be facilitated.

State Trading Enterprise (STE): governmental and non-governmental enterprises, including marketing boards, which have been granted exclusivity, special rights or privileges, including statutory or constitutional powers, in which they influence purchases or sales in the level or direction of imports or exports. (Understanding on the Interpretations of Article XVII of GATT 1994)

Subsidy: an economic benefit granted by a government to producers, often to strengthen their competitive advantage. The subsidy may be direct (a cash grant) or indirect (e.g. low-interest export credits guaranteed by a government agency).

Tariff: a tax imposed by a government on imports or exports. A tariff may be imposed to protect domestic industries from imported goods or to generate revenue, and may be either a fixed charge per unit of product imported (specific tariff) or a fixed% of value (ad valorem tariff).

Tariffication: the process of converting nontariff trade barriers to bound tariffs. This was done under the Uruguay Round Agreement on Agriculture in order to improve the transparency of existing agricultural trade barriers and facilitate their proposed reduction.

Tariff-Rate Quota (TRQ): a two-tiered tariff scheme. A lower tariff applies to imported goods in a quantity below the specified quantitative (quota) amount. Any amount that is imported after this initial quota has been filled faces a significantly higher tariff rate.

Transatlantic Trade Investment Partnership (TTIP): a trade agreement that is presently being negotiated between the European Union and the United States. Beginning in 2013, the agreement aims to remove trade barriers in a wide range of economic sectors to make it easier to buy and sell goods and services between the EU and the U.S. On top of cutting tariffs across all sectors, the EU and the US want to tackle barriers behind the customs border – such as differences in technical regulations, standards and approval procedures.

Union for the Protection of New Varieties of Plants (UPOV): the International Union for the Protection of New Varieties of Plants is an intergovernmental organization with headquarters in Geneva, Switzerland. UPOV was established by the International Convention for the Protection of New Varieties of Plants which was signed in Paris in 1961. The Convention entered into force in 1968 and has been revised in 1972, 1978 and 1991. As of July 2014 there are 72 member countries.

USDA-AMS (United States Department of Agriculture's Agricultural Marketing Service): the USDA-AMS administers programs that facilitate the efficient, fair marketing of U.S. agricultural products, including food, fiber, and specialty crops.

USDEC (United States Dairy Export Council): is a non-profit, independent membership organization that represents the global trade interests of U.S. dairy producers, proprietary processors and cooperatives, ingredient suppliers and export traders.

USDOC (United States Department of Commerce): the U.S. Department of Commerce is a federal government agency that has a wide range of responsibilities in the areas of trade, economic development, technology, entrepreneurship and business development, environmental stewardship, and statistical research and analysis.

Value Added Tax (VAT): an indirect tax on consumption that is levied at each discrete point in the chain of production and distribution, from the raw material stage to final consumption. Each processor or merchant pays a tax proportional to the amount by which he increases the value of the goods he purchases for resale after making his own contribution.

World Customs Organization (WCO): established in 1952, the WCO is a worldwide, intergovernmental organization designed to increase the effectiveness and efficiency of the customs systems worldwide.

World Trade Organization (WTO): established on January 1, 1995, as a result of the Uruguay Round, the WTO replaces GATT as the legal and institutional foundation of the multilateral trading system of member countries. Located in Geneva, Switzerland, it provides the principal contractual obligations determining how governments frame and implement domestic trade legislation and regulations.