US Hop Industry
Plant Protection Committee

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A subcommittee of:
Washington Hop Commission • Oregon Hop Commission
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William Shpiece
Acting Director
Trade Policy Staff Committee
Office of the US Trade Representative
600 17th St. NW
Washington, DC 20508

Dear Mr. Shpiece:

This document is in response to the US Trade Representative's (USTR's) request for assistance in identifying significant Sanitary and Phytosanitary (SPS) barriers to US exports for inclusion in the 2014 SPS National Trade Estimates Report.

The US Hop Industry Plant Protection Committee (USHIPPC) is pleased to submit the following significant trade barriers to US hop exports (HS 1210.10, HS 1210.20, and HS 1302.13) to the European Union, Japan, Canada, China, and South Korea.

USHIPPC provides oversight and coordination of hop industry plant protection research and pesticide registration efforts. USHIPPC also works to assist the industry with pesticide regulatory issues in foreign markets to facilitate the international hop trade. Sixty percent of US hop production is exported to countries around the world.

Despite an active trade policy program designed to eliminate SPS barriers in foreign markets, a number of significant trade barriers remain, and more are added each year. These trade restrictions adversely affect hop exports.

The following information details the most significant of these SPS barriers to the export of US hops. USHIPPC respectfully requests that the information in this document be included in the final report published by USTR.

Sincerely,

Ann George
Administrator

THE EUROPEAN UNION

I. Speed and Cost of MRL Establishment

Since the establishment of the EU's harmonized pesticide maximum residue level (MRL) system in September 2008, the challenges of obtaining import tolerances in the EU continue to be a problem.

Hop growers frequently cannot use newly developed plant protection products because no EU MRL has been established, or the EU MRL is set at an unacceptably low level. As a result, hop merchants, who buy the hops from growers and export them to brewer customers, issue annual pesticide advisory letters to hop farmers that itemize those products that cannot be used after a certain date, or cannot be used at all. These MRL differences are a major trade barrier.

The EU import tolerance application system is too costly and requires information that is not generated in the US for domestic MRLs. Most grower groups cannot afford to seek EU import tolerances due to these challenges. The hop industry appreciates the option of obtaining EU MRLs through the EU adoption of Codex tolerances, but that system may not cover all needs.

We ask the USTR to advocate the streamlining of the MRL import tolerance establishment system in its continued negotiations with the EU as part of the Trans-Atlantic Trade and Investment Partnership (TTIP).

II. Estimate of Potential Increase in Exports if Barriers Were Removed

The European Union is the US hop industry's largest export market, with $89.4 million worth of hops exported to all 27 member states in 2012. Preventing further revocation of EU hop MRLs would likely lead to a $10 million increase in exports.

JAPAN

I. Speed of MRL Establishment

The US hop industry applauds the Ministry of Health, Labor, and Welfare (MHLW) of Japan for their announcement in May 2013 that they will begin accepting simultaneous applications for pesticide registrations and MRLs. Previously, Japan's policy required a compound to be registered in a foreign market before beginning its review process. Only when a new registration was approved in the United States or elsewhere would MHLW begin its review process, which can take up to two years. Under this system, although a new product was available to growers to use domestically, Japanese MRLs could take two more years to be established. Growers and registrants would then have to determine whether likely residues would exceed the Japanese 0.01 ppm default tolerance during the Japanese review period.

With this new policy, chemical registrants can apply for Japanese MRLs at the same time they are seeking MRLs in the US. Approval of new active ingredient Japanese MRLs should therefore be much quicker and will save months of time. This will result in fewer potential residue violations.

However, Japan still appears to have a resource issue regarding regulatory reviews. The hop industry asks the USTR to encourage Japan through Trans-Pacific Partnership (TPP) and other bilateral talks to devote additional resources to chemical regulatory reviews.

III. Estimate of Potential Increase in Exports if Barrier Were Removed

In 2012, the US shipped $7.7 million worth of hops to Japan. Streamlining the Japanese import tolerance process would likely lead to a $2 million increase.

CANADA

I. New MRL Requirements for Hops in Canada

USHIPPC has learned in the summer of 2012 of a new Canadian requirement to register crop protection products for hops in Canada. Typically, as a minor crop, crop protection registration in the US is completed by Inter-Regional Group 4 and involves four residue field trials in the Pacific Northwest, where the vast majority of US hops are grown.

The Canadian government has announced that for a hop crop protection product to be registered in Canada, one of those trials must be conducted in Region 5, which is the upper Midwest/Great Lakes region. Presumably, this requirement is because what limited hops are grown in Canada would be grown in this region north of the border. Hops are not a major Canadian crop; in fact, there are only a handful of growers.

The challenge emerges because hops are simply not grown in the region in the US, and there are not enough hops grown in Canada to conduct required trials. There is also no precedent for conducting such residue trials on the limited number of hops grown there. Field trials need protocols, expertise, protocols, resources, etc.

Prior to this year, the four hop residue trials conducted in the Pacific Northwest were sufficient for Canada to register the product. This change in policy will hinder future hop registrations and MRLs in Canada, which will lead to a trade barrier and will actually hurt the limited number of hop growers in the country.

The US hop industry has worked cooperatively with EPA, Health Canada, and pesticide registrants to establish hop MRLs in Canada. Our growers and shippers, along with Canadian breweries want to use US hops that meeting Canadian regulatory standards.

This new Region 5 requirement will prevent this from occurring. Canada should adjust its policy and allow trials in the Pacific Northwest to be sufficient for hop crop protection registrations in Canada. This will benefit Canadian hop growers, US growers, and merchants, and Canadian breweries.

III. Estimate of Potential Increase in Exports if Barrier Were Removed

In 2012, the US shipped $9.1 million worth of hops to Canada. Adjusting the field trial policy in Canada would allow additional MRLs to be established in Canada and allow an additional $2 million in exports.

PEOPLE'S REPUBLIC OF CHINA

I. Maximum Residue Levels (MRLs)

China's pesticide MRL list is being updated. China has proposed numerous new MRLs in the last few years, however none of the proposed MRLs applied to hops.

Fortunately, China has not strictly enforced its limited MRLs and has unofficially used Codex as an arbitration standard on pesticide residues. However, should China decide to only apply its own MRLs, US agricultural exports to China, including hops, would be negatively affected.

USHIPPC is aware that China's MRL legislation is likely to be modernized as China continues to update its food safety laws. USHIPPC urges USTR, USDA, and the US EPA to work cooperatively with China during this transition.

We ask that the US government encourage China to harmonize new MRLs with US levels and to defer to Codex MRLs when no Chinese MRL is established. They should also be amenable to working with the US to establish MRLs for crops produced in the US and exported to China.

II. Estimate of Potential Increase in Exports if Barriers Were Removed

In 2012, the US shipped $10.5 million worth of hops to mainland China. Establishing adequate MRLs in China would likely lead to an additional $2 million in hop exports.

SOUTH KOREA

I. Maximum Residue Levels (MRLs)

In 2012, Korea announced it intends to establish a national MRL list in 2016 or 2017. A presentation from the Korean Ministry of Food and Drug Safety (MFDS) at the USDA in April 2013 confirmed that under the new policy, Korea will move away from the Codex deferral system it currently has in place.

Between now and the new system, Korea will be soliciting and reviewing import tolerance applications to establish additional Korean national MRLs. Any compound that does not currently have a national Korean MRL, or for which there is no current registered use in Korea, will need to have an import tolerance established in Korea under this review system.

The hop industry encourages the US government to request a transparent and well-organized transition with adequate time to submit MRL needs to the Korean government.

II. Estimate of Potential Increase in Exports if Barriers Were Removed

In 2012, the US shipped $5.9 million worth of hops to South Korea. Hop exports would be likely to increase by $1 million if South Korea were to implement less trade restrictive testing measures.