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***A Report for the
U.S. Hop Industry
Plant Protection
Committee***

MAXIMUM RESIDUE LEVELS (MRLs)

EU Green Deal and Farm to Fork Strategy

As USHIPPC members know, the EU pesticide policy based on a hazard-based methodology has greatly impacted the approval of crop protection substances in the European Union, and consequently, its corresponding MRLs.

Recent strategies published by the European Commission indicate that further changes to EU pesticide policy can be expected.

In 2019, the European Union launched the **European Green Deal**, whose objective is to make the EU economy sustainable. The objective is to turn climate and environmental challenges into opportunities across all policy areas and make Europe the first climate-neutral continent by 2050.

The **Farm to Fork Strategy**, released in May 2020, is part of the European Green Deal, where its main goal is to make food systems more sustainable. The strategy highlights that “there is an urgent need to reduce dependency on pesticides and antimicrobials, reduce excess fertilization, increase organic farming, improve animal welfare, and reverse biodiversity loss.”

Among other things, the Farm to Fork Strategy aims to reduce the overall use and risk of chemical pesticides by 50% and the use of more hazardous pesticides by 50% by 2030. It aims to reduce the use of fertilizers by at least 20% and overall sales of antimicrobials for farmed animals in aquaculture by 50% by 2030. The objective is to reach at least 25% of the EU’s agricultural land under organic farming by 2030.

In addition to applying these policies within the EU, the Farm to Fork Strategy also specifically states its objective of promoting such policies in international forums and third countries as well as to enforce it through the EU’s trade agreements. Essentially, the EU wants to export its pesticide and MRL policies beyond its borders to trading partners.

Regulatory and legislative actions to implement these objectives are expected to start by the fourth quarter of 2020.

One item under serious discussion is adjusting the EU’s separate MRL evaluations, which are currently based on risk, over to a hazard-based approach, similar to the EU’s policies on pesticide re-registrations. To date, knowing independent MRL reviews in the EU are based on risk has maintained many EU MRLs. An adjustment to a hazard-based policy for these MRL reviews will likely result in further MRL reductions, even if a chemical is not going through a re-approval process.

EU Green Deal *(continued)*

It is yet unclear how this strategy will be implemented or what the impacts are for exporters to the EU. In practical terms, however, it is expected that these EU policies will further restrict the availability of plant protection products and associated MRLs in the EU.

USHIPPC Efforts to Address EU MRL Concerns

In order to address any potential concern in the EU, BCI is closely monitoring the pesticide review, the MRL review, and engaging with registrants, the U.S. government, the German and European hop industries, and other stakeholders as appropriate. On behalf of USHIPPC, in 2019 BCI attended and spoke at multiple conferences in the U.S. and in the EU and participated in the EU MRL Coalition, a group of U.S. stakeholders that are seeking coordinated efforts to counter EU pesticide/MRL policies.

Impact of Cut Off Criteria on Hops

BCI is monitoring the pesticide review process in the EU. A complete analysis for the active ingredients of interest to the hop industry can be found attached to this *Issues Review*. Below please find specific active ingredients that have not been renewed in the European Union and may have MRLs withdrawn in 2020-2021.

- **Beta-cyfluthrin** (Baythroid)
- **Bifenthrin** (Brigade)
- **Ethopropos** (Mocap EC)
- **Fenazaquin** (Magister)
- **Imidacloprid** (Admire/Confidor/Provado)
- **Malathion** (Fyfanon)
- **Quinoxifen** (Fortress/Quintec)
- **Pymetrozine** (Fulfill)
- **Thiamethoxam** (Actara/Platinum)

As mentioned above, the EU does not have clear guidelines on whether MRLs for substances that are no longer approved for use in the EU will remain in place. It is expected that for substances that were not renewed due to health concerns, the corresponding MRLs will be withdrawn and no import tolerances will be possible. For substances that have expired or were not renewed for other reasons, it is not clear whether MRLs will remain or whether application for import tolerances would be successful. Previously, it appeared that maintaining MRLs when a substance was withdrawn for an issue like an environmental issue was possible. But recent actions by the European Parliament and publications such as those listed above, have called that option into question and MRLs may be withdrawn when a substance is revoked due to a reason other than health related concerns.

The future of the EU MRL for **quinoxifen** (Fortress/Quintec) is of particular concern for the industry. Quinoxifen was not renewed in the EU in 2018 due to environmental concerns. The registrant, Corteva, expects the MRL will be maintained. However, new directives to consider environmental concerns for all MRLs, including import tolerances, may lead to the elimination of the current EU MRL. BCI has been in contact with the registrant and is closely monitoring changes that may impact this important MRL.

Once BCI identifies that an active ingredient is facing challenges to its renewal, BCI reaches out to the registrant for further information and to stress the importance of keeping hop MRLs in the EU. In addition, BCI provides advance notice to growers of possible changes so the industry is well informed and prepared to make the necessary production adjustments. When possible, BCI weighs in officially through comments on behalf of the industry to the U.S. government and directly to the EU.

Specific EU MRL Changes

The European Union has made several MRL changes impacting hops since January. They include:

- **Acequinocyl** (Kanemite): EU MRL proposed at 20 ppm. U.S. MRL (15 ppm), current EU MRL (15 ppm).
- **Ametoctradin** (Zampro): EU MRL proposed at 90 ppm. U.S. MRL (100 ppm), current EU MRL (100 ppm).
- **Bupirimate**: EU MRL proposed at 0.05 ppm. No U.S. MRL, current EU MRL (10 ppm).
- **Carfentrazone-ethyl** (Aim): EU MRL proposed at 0.1 ppm (LOD). U.S. MRL (0.1 ppm), current EU MRL (0.02 ppm).
- **Flonicamid** (BeLeaf): EU MRL proposed at 20 ppm. U.S. MRL (20 ppm), current EU MRL (3 ppm).
- **Fenazaquin** (Magister): EU MRL proposed at 0.05 ppm. U.S. MRL (30 ppm), current EU MRL (0.01 ppm).
- **Fluopyram** (Luna): EU MRL proposed at 60 ppm. U.S. MRL (60 ppm), current EU MRL (50 ppm).
- **Proquinazid** (Taliues): EU MRL proposed as default at 0.01 ppm. No U.S. MRL, current EU MRL (0.05 ppm).
- **Spinetoram** (Delegate): EU MRL proposed as default at 0.01 ppm. U.S. MRL (22 ppm), current EU MRL (0.1 ppm).
- **Tau-fluvalinate**: EU MRL pending at 0.05 ppm, will be effective on January 6, 2021. No U.S. MRL, current EU MRL (10 ppm).
- **Myclobutanil** (Rally): EU MRL pending at 6 ppm, will be effective on January 2, 2021. U.S. MRL (10 ppm), current EU MRL (5 ppm).

Update on International Hop MRL Coordination

For over a year, USHIPPC has formally coordinated with the German hop industry (the German Hop Industry Association (DHWV) and the German Hop Grower Association (VDH)). This collaboration has allowed hop MRLs to become a high-profile issue in key export markets. By speaking on behalf of both the U.S. and European hop industries, representing over 80% of world hop production, government officials are more likely to respond to requests. This collaboration proved beneficial in meetings with the Korean Brewer's Association, with Japanese and Korean registrants, and with officials in Brussels on EU MRLs. The group also coordinated in a panel at the hop convention in Monterey, California last year and participation at the Global Hop Summit.

EU Commodity Expert Working Group (CEG)

The EU Commodity Expert Working Group (CEG) was scheduled to meet in Brussels in March. The meeting was cancelled due to the global health crisis and has not yet been rescheduled. This group is also experiencing funding issues and staff turnover. It is unclear whether the CEG will continue.

The HOP CEG anticipated the funding challenge during its most recent meeting in Dublin, Ireland in November 2019. The group agreed on the continued value in meeting to discuss pesticide registrations and MRLs and determined that the participants would continue to meet even if the CEG did not continue. To assist with travel costs, the meeting would occur at hop meetings where many of the participants will already be participating. A fall meeting in Germany was expected; however, COVID-19 may prevent such a meeting from occurring in 2020.

Korea MRLs

The Korean government implemented its long anticipated new MRL system on January 1, 2019. When no MRL has been established, the default tolerance of 0.01 ppm applies. In January 2019 there were also 40 temporary hop MRLs established to facilitate trade, that are set to expire on December 31, 2021.

Since then, thirteen hop MRLs have been established and three import tolerance applications have been submitted.

Korea MRLs *(continued)*

USHIPPC also received a Washington State Block Grant to seek permanent hop MRLs in Korea over the next two years. In consultation with the industry, USHIPPC has determined MRL priorities to be sought in Korea and hired Caroline Harris at Exponent UK for this work, with BCI managing the effort. Funds are being used to support the highest priorities for the hop industry that do not have commitments for submissions from registrants. Below are the substances indicated as priority:

- **Bifenazate** (Acramite): already submitted
- **Bifenthrin** (Brigade)
- **Carfentrazone-ethyl** (Aim)
- **Clethodim** (SelectMax/Shadow)
- **Clofentezine** (Apollo)
- **Fenazaquin** (Magister): already submitted
- **Fenpyroximate** (FujiMite)
- **Folpet** (Folpan)
- **Glufosinate-ammonium** (Rely)
- **Indaziflam** (Alion)
- **Norflurazon** (Solicam)
- **Paraquat dichloride** (Gramoxone)
- **Pymetrozine** (Fulfill/Plenum)
- **Pyraflufen-ethyl** (Venue/Quickdown)
- **Pyridaben** (Nexter)
- **Tebuconazole** (Folicur): already submitted

BCI will continue to work with registrants to encourage the submissions of hop MRL data packages for all temporary and missing MRLs. Due to the global health crisis, Matt Lantz and Reinhold Kugel cancelled the meetings in Korea previously scheduled to take place in March. However, communications with registrants in Korea and Japan continued in order to pursue additional hop MRLs in Korea.

Details of all this information can be found in the Korean MRL Ladder Chart attached to this *Issues Review*.

China MRLs

All U.S. commodities are missing many Chinese MRLs. China has slowly been establishing new MRLs, usually harmonized with the Codex tolerance. China does not, however, simply defer to Codex MRLs. Currently there are 31 established and 32 proposed MRLs that apply to hops in China. Last year, China established ten new hop MRLs that became effective on February 15, 2020. They are listed below.

- **Azoxystrobin** (Abound): MRL established at 30 ppm. U.S. MRL (20 ppm), EU MRL (30 ppm).
- **Boscalid** (Pristine/Bellis): MRL established at 60 ppm. U.S. MRL (35 ppm), EU MRL (80 ppm).
- **Chlorantraniliprole** (Coragen): MRL established at 40 ppm, harmonized with U.S. and EU MRLs.
- **Clothianidin**: MRL established at 0.07 ppm. No U.S. MRL, EU MRL (0.07 ppm).
- **Imidacloprid** (Provado/Admire): MRL established at 10 ppm. U.S. MRL (6 ppm), EU MRL (10 ppm).
- **Mandipropamid** (Revus): MRL established at 90 ppm. U.S. MRL (50 ppm), EU MRL (90 ppm).
- **Pyraclostrobin** (Pristine/Bellis): MRL established at 15 ppm. U.S. MRL (23 ppm), EU MRL (15 ppm).
- **Spirodiclofen** (Envidor): MRL established at 40 ppm. U.S. MRL (30 ppm), EU MRL (40 ppm).
- **Thiamethoxam** (Platinum): MRL established at 0.09 ppm. U.S. MRL (0.1 ppm), EU MRL (0.09 ppm).
- **Triflumizole** (Procure): MRL established at 30 ppm. U.S. MRL (50 ppm), EU MRL (0.1 ppm).

China MRLs *(continued)*

In May 2020, China proposed four new MRLs on hops, they are listed below:

- **Acequinocyl** (Kanemite): MRL proposed at 0.01 ppm. U.S. MRL (15 ppm), EU MRL (15 ppm).
- **Dicofol**: MRL proposed at 0.01 ppm. No U.S. MRL, EU MRL (50 ppm).
- **Naled** (Dibrom): MRL proposed at 0.01 ppm. U.S. MRL (0.5 ppm), EU MRL (0.01 ppm).
- **Paraquat Dichloride** (Gramoxone): MRL proposed at 0.02 ppm. U.S. MRL (0.5 ppm), EU MRL (0.05 ppm).

Even with the new MRLs, there are many Chinese MRLs missing for every commodity, including hops. This will only change when China establishes a system for seeking import tolerances. Currently, all MRLs in China go through a full registration process including field trials in China. With an import tolerance process, the MRL can simply be established if needed.

BCI participated in several calls in May and June on the status of the proposed Chinese import tolerance system. Concerns included ensuring that the system is navigable and that import MRLs can be established at levels higher than current Chinese national MRLs. It is hoped that China will announce such a system in the coming year. Once announced there will be a serious effort to seek numerous additional hop MRLs in China.

Japan MRLs

MRL issues in Japan at this point are largely about ensuring that MRLs are established for needed products. USHIPPC and the German hop industry completes this by working with registrants in Tokyo and expressing their needs in order to allow for the hop MRL to be established in Japan. USHIPPC and the German hop industry also approach Japanese chemical registrants for assistance with MRL needs and submissions to Korea.

Since January, Japan has established two important MRLs on hops:

- **Ametoctradin** (Zampro): MRL established at 100 ppm. U.S. MRL (100 ppm), EU MRL (100 ppm).
- **Flonicamid** (BeLeaf): MRL established at 20 ppm. U.S. MRL (20 ppm), EU MRL (3 ppm).

Japan also proposed the revocation of the **Diquat Dibromide** (Reglone) MRL. If implemented, the default MRL of 0.01 ppm will apply. U.S. MRL (0.2 ppm), EU MRL (0.01 ppm).

Taiwan MRLs

Since January, Taiwan has established a new MRL on **metrafenone** (Vivando). The MRL is established at 50 ppm. U.S. MRL (70 ppm), EU MRL (80 ppm). The Taiwan MRL system continues to have significant delays.

Taiwan does test for pesticide residues. Several U.S. commodities faced rejections in 2018 and 2019 as a result of this testing. It is unclear whether hops are tested, as there has never been an issue with hop shipments to the market.

Once the MRL system in Taiwan is rectified, additional hop MRLs will be sought. This is a priority for the U.S. and German hop industries. BCI understands that hop MRL applications can go through the normal Taiwan review process and do not need a special system that was required previously due to its relationship with alcohol. Future applications are similar to all other commodities, which is a positive development.

Australia MRLs

USHIPPC has had huge success in obtaining hop MRLs in Australia through its block grant from the Washington State Department of Agriculture (WSDA). In 2013, there were only 12 hop MRLs established in Australia. Now there are 60 hop MRLs established and seven new ones proposed.

Australia MRLs *(continued)*

In 2019, USHIPPC requested MRL harmonization for multiple active ingredients. Australia accepted the requests and proposed harmonized MRLs for **acequinocyl** (Kanemite), **fenazaquin** (Magister), **flonicamid** (BeLeaf), **fluopicolide** (Presidio), **hexythiazox** (Onager/ Ordovol), and **metalaxyl** (Ridomil). These MRLs were formally proposed in December 2019 and should be established in 2020. BCI will inform the industry when these MRLs are in place officially.

In June 2020, USHIPPC submitted a MRL harmonization request for the active ingredient **2,4-D** and awaits the review by the Australian authority.

USHIPPC will continue to seek MRL harmonization through Australian's MRL harmonization system.

Canada MRLs

Canada's 0.1 ppm general default policy remains in place, which assists with potential trade issues. For new MRLs, Canada continues to seek a residue trial in its southern Ontario growing region. This is burdensome, but the requirement has not been eliminated, despite several requests.

Codex MRLs

Due to the pandemic, the Codex Committee on Pesticide Residues (CCPR) scheduled to take place in China in early April was cancelled. For this reason, no Codex MRLs were proposed for hops this year. However, there are several hop active ingredients that are working their way through the Codex system.

- **Flupyradifurone** (Sivanto): In 2019 JMPR recommended a flupyradifurone MRL for hops at 10 ppm. As the CCPR meeting was cancelled, the proposed MRL has not yet been established and is expected in 2021.

Pesticides to be review by JMPR (2020-2022):

- **Flutianil**: Compound is scheduled to be reviewed by JMPR in 2020 as a New Compound. While hops is a listed commodity, residue trials for hops have not yet been listed in the Schedules and Priority Lists. The U.S. MRL is 2 ppm.
- **Flutriafol** (Topguard/Fortix/Rhyme): Compound is scheduled to be reviewed by JMPR in 2020 for New Use. Hops is listed with 4 residue trials in the Schedules and Priority Lists. The U.S. MRL is 20 ppm.
- **Clofentezine** (Apollo): Compound is scheduled to be reviewed by JMPR in 2021 for New Use, having been moved from 2020. U.S. approval is expected in Q3 2020. Hops is listed with 5 residue trials in the Schedules and Priority Lists. There is currently no U.S. MRL, however, a U.S. MRL was proposed at 6 ppm in August 2019.
- **Famoxadone** (Tanos): This compound was not previously scheduled to be reviewed by JMPR. When the U.S. delegation was seeking nominations this past October, BCI worked with Corteva to add famoxadone to the JMPR schedule for 2021. As a result, the compound is scheduled to be reviewed by JMPR in 2021 for New Use. Hops is listed with 3 residue trials in the Schedules and Priority Lists. The U.S. MRL is 80 ppm.
- **Oxathiapiprolin**: Compound is scheduled to be reviewed by JMPR in 2022 for New Use. While hops is a listed commodity, residue trials for hops have not yet been listed in the Schedules and Priority Lists. There is currently no U.S. MRL, however, a U.S. MRL was proposed at 5 ppm in August 2019.

USITC Investigation

In September 2019, the United States International Trade Commission (USITC) launched an investigation on the Global Economic Impact of Missing and Low Pesticide MRLs. As part of the investigation, USITC held a public hearing and requested written submissions from U.S. stakeholders impacted by MRL policies throughout the world.

USITC Investigation *(continued)*

Alinne Oliveira from BCI spoke on behalf of the USHIPPC at the public hearing. She was one of six industries that spoke at the hearing. After her 10-minute presentation, she and her panel remained for an additional two hours for a Q&A session with the Commissioners. The hop industry perspective was greatly appreciated.

On December 12, the U.S. hop industry submitted significant written comments in support of the public testimony. The comments described how the industry addresses MRLs and its greatest concerns about MRL policies around the world. EU MRL policies featured prominent in the role.

In June, USHIPPC submitted comments to Phase II of the USITC MRL investigation. Among other things, the industry provided information on the cost and extent of managing international MRL issues, the costs of maintaining a residue monitoring program, the costs of crop segregation, and the potential cost to industry should a MRL violation occur.

In July, the ITC interviewed Ann George and Matt Lantz on the Phase II hops submission, and also interviewed German hop industry officials on how EU MRLs are affecting their ability to grow hops in the EU.

The first report of the investigation is expected by the end of July and the second volume, which will focus on U.S. grower case studies, is expected by February 2021.

TARIFFS**U.S.-Japan Trade Agreement**

On January 1, 2020, the U.S.-Japan Trade Agreement entered into force. While the agreement was limited, agriculture was covered within the scope of negotiations and the final deal included important tariff concessions for U.S. hop exports. Under the terms of the agreement, Japan immediately eliminated its 4.3% tariff for hop cones and pellets and 3.0% tariff on lupulin. This is a very welcome development for the industry.

As a result of these concessions, U.S. hops exported to Japan are now on an equal tariff footing with competitors in Canada and the European Union. Hop exports from both markets can already enter Japan tariff-free as result of respective free trade agreements. Japan is an important and growing market for the U.S. hop industry, with exports valued at approximately \$8 million in 2019. Tariff-free access will support continued growth in U.S. hop exports to Japan and help the U.S. remain competitive in this important market.

A second phase of trade talks between the U.S. and Japan was expected to begin in the Spring of 2020. However, it is unlikely this will occur this year because of the COVID-19 virus and November's U.S. presidential election. Japan's preferred position is for the U.S. to rejoin the Trans-Pacific Partnership agreement.

China Trade Dispute

The U.S. relationship with China continues to be subject to a high degree of volatility. In January, the U.S.-China Phase One deal entered into force, aimed at easing rising tensions and the imposition of further tariffs on imports. Under the terms of the Phase One agreement, China agreed to increase purchases of U.S. goods and services by an additional \$200 billion. This commitment included additional purchases of U.S. agricultural products totaling \$32 billion. Hops were among the U.S. products covered by these Chinese purchase agreements.

While both the U.S. and China agreed to halt the imposition of further retaliatory tariffs, the Phase One deal did not include commitments from China to eliminate retaliatory tariffs imposed on U.S. imports. These Chinese retaliatory tariffs include those implemented in response to the U.S. Section 232 steel and aluminum tariffs, which impacted Chinese imports among others, and the U.S. Section 301 technology tariffs that targeted Chinese technology practices and IP infringement. Hops were not targeted in China's response to U.S. Section 232 tariffs but were impacted by China's response to the U.S. Section 301 tariffs. A breakdown of the current China tariff situation for U.S. hops is shown on the next page.

China Trade Dispute *(continued)***Table 1: China Tariffs on U.S. Hops**

| HS Code | Description | China MFN Rate | China Section 301 Retaliatory Tariffs | Total China Tariff on U.S. Hops |
|---------|--|----------------|---------------------------------------|---------------------------------|
| 1210.10 | Hops, neither ground nor powdered nor in the form of pellets | 20% | 5% | 25% |
| 1210.20 | Ground, powdered or in the form of pellets; lupulin | 10% | 10% | 20% |
| 1302.13 | Hop Extract | 10% | 12.5% | 22.5% |

Although China did not eliminate retaliatory tariffs imposed on U.S. products as part of the Phase One trade deal, in March 2020, China opened a domestic-only process through which Chinese importers can submit an application to waive the retaliatory tariffs imposed in response to the U.S. Section 301 action.

This tariff waiver process involves Chinese enterprises submitting an online application to the Chinese government outlining the HS code of the product in question, a “purchase plan amount,” and the impact of the retaliatory tariff. If an application is successful, Chinese importers/buyers will receive a company-specific exclusion number within three days that can be used on customs declaration documents. Approved tariff exclusions are valid for one year from the date of approval but are tied to a specific amount of imported product, apportioned per month. Imports that exceed the stipulated monthly amount will not benefit from the tariff exclusion.

The development represents an important opportunity for hop importers to seek a waiver from the additional retaliatory 301 tariffs that China imposed on hop imports. These tariffs cover the additional 5% tariff on hops (HS 1210.10), the additional 10% tariff on hop pellets (HS 1210.20), and the additional 12.5% tariff on hop extract (HS 1302.13), shown in the table above. A successful application would reduce the Chinese tariff on hop imports back down to the standard, Most Favored Nation (MFN) level.

Industry members who have not participated in the tariff waiver process are encouraged to do so through importers in China. The final submission must come from a Chinese enterprise. While the tariff waiver process remains open, its longer term status is unclear given the volatile nature of the U.S.-China trade relationship. This relationship has soured in recent months following the outbreak of the COVID-19 virus and the deteriorating situation in Hong Kong.

President Trump has previously signaled his desire to begin talks on a Phase Two trade deal with China. However, this looks highly unlikely given the strained relationship between the two countries. The U.S. election is likely to further hinder prospects for further negotiations this year.

U.S.-EU Trade Talks

Although the Trump administration has previously highlighted trade talks with the EU as an important priority, poor relations between the U.S. and the EU continue to hamper the initiation of formal negotiations. In addition to disagreement over the scope of any bilateral trade negotiations, notably with respect to the inclusion of agriculture, both sides remain engaged in a series of trade disputes that have resulted in retaliatory tariff action.

The U.S. continues to apply Section 232 steel and aluminum tariffs on imports of product from a range of markets, including the EU. In turn, the retaliatory EU tariffs imposed in response to this U.S. action remain in place. These tariffs do not target U.S. hops.

U.S.-EU Trade Talks *(continued)*

Additionally, in October 2019, the U.S. imposed further tariffs on EU products following a successful case at the World Trade Organization (WTO) against EU subsidies provided to the aircraft manufacturer Airbus. The EU is pursuing a similar case at the WTO against alleged U.S. subsidies to Boeing, which is expected to result in EU tariffs on U.S. products later this year. The EU has already published a list of U.S. products it intends to target with tariffs following approval from the WTO. This list again does not include U.S. hops.

The Trump administration is also exploring further action against the EU in response to EU proposals for a digital tax, which the administration sees as overwhelmingly targeting U.S. technology companies, and against EU trade practices in the agriculture sector. Action on either issue has the potential to result in further U.S. tariffs of up to 100% on a range of EU imports.

Given the poor bilateral relations, it appears highly unlikely that any discussions on a U.S.-EU trade agreement will take place this year. There is also substantive disagreement between the U.S. and the EU on agricultural policies, particularly with respect to sanitary and phytosanitary measures, especially MRLs, that would likely undermine comprehensive trade negotiations.

U.S.-UK Trade Talks

On January 31, 2020, the United Kingdom (UK) ended its membership in the European Union. Although the UK remains tied to EU regulations during a 'Brexit' transition period through the end of the year, it can now implement its own independent trade policy. In May 2020, the U.S. and the UK announced the initiation of formal talks on a free trade agreement.

To speed up the talks, the U.S. and UK have agreed to address all aspects of a potential trade deal concurrently. The talks include agriculture which is expected to be one of the most challenging aspects of the talks. In the lead up to discussions, the U.S. hop industry submitted comments to the administration requesting that the U.S. seek the elimination of all UK tariffs on U.S. hop exports as part of any final agreement, and the inclusion of strong, science-based sanitary and phytosanitary (SPS) measures.

The hope is that the UK's withdrawal from the EU will provide an opportunity for the UK to move away from the EU's current regulatory regime, particularly with respect to pesticide MRLs, and align more closely with the United States. This is understood to be a high priority for U.S. negotiators. However, where the UK will land on this issue remains unclear. Much depends on the relationship that UK negotiates with the EU, its largest trading partner. Environmental groups in the UK and EU are also heavily engaged in this issue and continue to lobby the UK Government against any perceived "lowering" of UK food and environmental standards, despite the science on the matter.

Officials in the U.S. and the UK have both expressed a desire to conclude trade talks as soon as possible. Despite the expeditious schedule for negotiations, it is unlikely that an agreement will be reached prior to November's U.S. election. Talks will be closely monitored over the coming months.

New UK General Tariffs

Away from the UK's trade negotiation with the U.S., earlier this year the UK also outlined details for its future tariff system post-Brexit, called the UK Global Tariff (UKGT). The UKGT replaces the EU's common external tariff (CET) system and acts as the new UK Most Favored Nation tariff schedule, applicable to all third countries without a free trade agreement with the UK. It will be implemented following the end of the UK's transition period with the European Union on January 1, 2021.

Under this new UK tariff system, the UK will reduce the UK MFN tariff on hop cones and pellets from 5.8% to 4.0%. The current UK/EU tariff of 3.2% on imports of hop extract will be eliminated. The UK tariff situation for U.S. hops is summarized in the table on the following page.

While both tariff developments are welcome news, it is hoped that the U.S.-UK trade talks will provide an avenue to secure the elimination of all UK tariffs on U.S. hops.

New UK General Tariffs *(continued)***Table 2: Current and Future UK Tariffs on Hops**

| HS Code | Description | Current UK Tariff on imports (under EU CET) until December 31, 2020 | New UK Tariffs (UKGT) on imports from January 1, 2021 |
|----------|---|---|---|
| 12101000 | Hop cones, fresh or dried (excl. ground, powdered or in the form of pellets) | 5.8% | 4.0% |
| 12102010 | Hop cones, ground, powdered or in the form of pellets, with higher lupulin content; lupulin | 5.8% | 4.0% |
| 12102090 | Hop cones, ground powdered or in the form of pellets (excl. with higher lupulin content) | 5.8% | 4.0% |
| 13021300 | Extracts of hops | 3.2% | 0.0% |

India Medicinal Claim Update

The U.S. hop industry continues to undertake work to remove a restrictive requirement in India that imported hops be used for medicinal purposes only. This requirement appears in India's plant quarantine order but without any apparent phytosanitary justification. India's application of this requirement is also non-transparent as it appears EU hops do not face a similar restriction when entering India.

The U.S. hop industry continues to engage USDA's Animal and Plant Health Inspection Service (APHIS) to seek amendments to India's quarantine order to remove this restrictive requirement on U.S. hop exports to India. In March 2019, Bryant Christie Inc. met with the U.S. Embassy in Delhi to discuss this issue and to reiterate the importance of its removal as soon as possible. Discussions has also taken place between USDA-APHIS and India's Ministry of Agriculture (MOA) aimed at securing the removal of the requirement. Feedback from APHIS indicated that Indian officials are receptive to the U.S. request to remove the medical use requirement. However, no firm commitments or timeframes have been provided.

Over the past year, efforts to engage the Indian government further on this issue have been hampered by the initiation of trade agreement negotiations between the U.S. and India. These negotiations have resulted in a temporary freeze in India of any ministerial engagement or discussions on regulatory changes pertaining to agricultural imports/trade. Efforts have also been hampered more recently by the COVID-19 virus, which has impacted Indian and U.S. government operations.

Trade talks between the U.S. and India continue to take place and some form of an announcement is possible before November's U.S. elections. Once restrictions are lifted, industry will request that this issue be raised once again in bilateral discussions between APHIS and their Indian counterparts.

In the meantime, efforts will be made to engage local importers in India on this issue and assess the degree of domestic support that can be leveraging to get the medicinal use requirements lifted. BCI staff will also travel to India when the virus situation improves to meet with Embassy officials and local industry representatives to discuss how to advance and resolve this issue.

COVID-19 Situation

The impact of the COVID-19 situation on trade continues to be closely monitored. In February 2020, BCI worked with USDA's Foreign Agricultural Service to address a restrictive certification request in Qatar that required imports of food products be certified as free of the coronavirus. Relevant scientific information was shared with the Qatari government, including the latest U.S. FDA information on the virus that shows that food is not a transmittable source of the virus. These efforts were successful in pushing Qatar to drop the certification request.

COVID-19 Situation *(continued)*

More recently, China has begun testing imported food for coronavirus following an increase in COVID-19 cases in the country and, in July, a reported instance of positive coronavirus samples found on imported containers of frozen shrimp from Ecuador. While it appears that the increased testing is primarily affecting meat and poultry, the situation remains ambiguous and there are reports of some fresh produce being impacted.

In mid-June, the Chinese government also wrote to 42 countries, including the U.S., urging them to guarantee food safety by following the guidelines of the United Nations Food and Agriculture Organization (FAO) and the World Health Organization (WHO). This resulted in requests from Chinese importers for a letter that references the FAO and WHO guidelines and attests to the safety of the consignment.

Although China is taking these actions, the U.S. Food and Drug Administration and Centers for Disease Control and Prevention state that there is no evidence that COVID-19 can be transferred on food. Industry concerns have been raised with senior officials in the administration and the import situation in China continues to be closely observed.

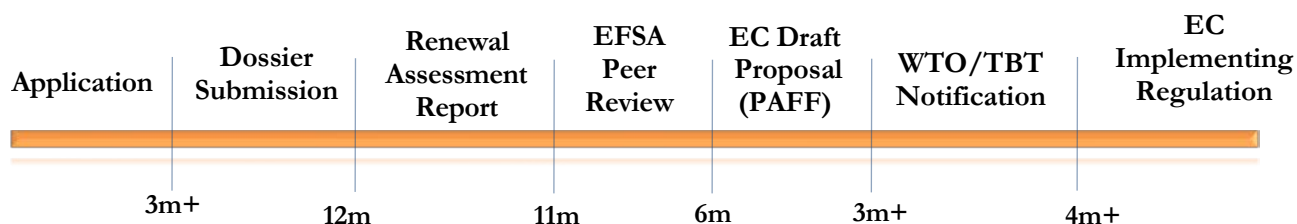


BRYANT CHRISTIE INC.
GLOBAL SOLUTIONS

EU PESTICIDE REVIEW

July 15, 2020

The information presented in this document provides the **EU and U.S. Hop Industries** a summary of the active ingredients of interest to the industry that are undergoing evaluation for reapproval through the EU Pesticide Review Process. The active ingredients are listed under the corresponding stage they are in. The average timeline for each stage is outlined below.



Upcoming reviews: Compounds with scheduled application deadline for 2020 and 2021.

Some compounds with scheduled application submission for 2020, had their approval extended for one or more years in order to allow enough time for dossier submission and the review process.

- **Acequinocyl:** August 31, 2021
- **Ametoctradin:** July 30, 2020
- **Chlorantraniliprole:** April 30, 2021
- **Fluopyram:** January 31, 2021
- **Mandipropamid:** July 20, 2020
- **Maltodextrin:** September 30, 2020
- **Pendimethalin:** August 31, 2021
- **Spinetoram:** June 30, 2021
- **Spirotetramat:** April 30, 2021

Application for Renewal: Chemical companies must support the review of their substance. If they do not, the active ingredient will automatically expire in the EU on a set date. For the substances below registrants have not submitted the application for renewal of approval and **approval have expired or will expire**. Corresponding MRLs may be restricted to the limit of determination (LOD).

- **Fenpropimorph (Corbel):** April 30, 2019
- **Glufosinate-ammonium (Rely):** July 31, 2018 (Registrant will support MRL if needed)
- **Methomyl (Lannate, Nudrin):** August 31, 2019
- **Myclobutanil (Rally, Systhane):** May 31, 2021
- **Spirodiclofen (Envidor):** July 31, 2020 (Bayer will stop production in 2020)
- **Triadimenol (Bayfidan):** August 31, 2019

- **Triflumizole** (Procure): June 30, 2020 (According to registrant, MRLs may be withdrawn)

PAFF Meeting: Based on the European Food Safety Authority (EFSA) conclusions, the European Commission has proposed the substances in this section for **non-renewal** or **restricted renewal**. They are now **under consideration** by the Standing Committee on Plants, Animals, Food and Feed (PAFF). Some draft proposals are notified to the World Trade Organization (WTO) prior to the Committee's final vote. In these cases, substances are listed in this and the next section.

- **Flumioxazin** (Vorox F, Chateau, Tuscany): toxic for reproduction, potential ED. Exception under Art. 4.7 being discussed.

WTO Notification: The substances in this section have been notified to the **WTO as proposed for non-renewal** or **restricted renewal**. Substances may be notified to the WTO prior to the PAFF vote. After the comment period and final vote by the PAFF Committee, the Commission will analyze the comments received and publish the Implementing Regulation. Notification date is outlined in parentheses ().

- **Bromoxynil** (Buctril) No US MRL; EU MRL (0.05 ppm): proposed non-renewal based on suggested classification as toxic for reproduction category 1B. (17/04/2020)
- **Mancozeb** (Karamate) No US MRL; EU MRL (25 ppm): proposed non-renewal based on classification as toxic for reproduction category 1B. (17/04/2020)
- **Dithianon** (Aktuan, Delan WG) - US MRL (100 ppm); EU MRL (100 ppm): restricted use on non-edible crops, inconclusive consumer exposure assessment. (April 11, 2018) – Not used in the US
- **Etoxazole** (Zeal) - US MRL (7 ppm); EU MRL (15 ppm): non-renewal based on persistent, bioaccumulative and toxic characteristics. (July 5, 2018) – In the July 2020 PAFF meeting, Etoxazole is being proposed for renewal for use on ornamental plants in permanent greenhouses only. High priority in the US; Sumitomo indicated that renewal may be possible in the EU with some restricted use. PAFF has not yet voted on this proposal.

EC Implementing Regulation: The Commission has published the final decision on **non-renewal** or **restricted renewal in the EU** for the substances in this section. EU MRLs may be subject to reevaluation and change as a result. Publication date is outlined in parentheses ().

- **Beta-cyfluthrin** (Baythroid) - US MRL (20 ppm); EU MRL (20 ppm): non-renewal based on unacceptable risk to workers, high risk to residents, to non-target arthropods and to aquatic organisms (June 30, 2020).
- **Metalaxyl-M** (Ridomil Gold) - US MRL (20 ppm); EU MRL (15 ppm): restricted renewal limits seeds treated with Metalaxyl-M to only be grown in greenhouses.
- **Bifenthrin** (Brigade, Capture, Discipline 2E) - US MRL (10 ppm); EU MRL (20 ppm): restricted to

greenhouse use based on potential bioaccumulation and biomagnification in the aquatic environment. (Feb 26, 2018)

- **Fenazaquin** (Magister) - US MRL (30 ppm); EU MRL (0.01 ppm): restricted to greenhouse and ornamental use only. (May 7, 2018) – high priority in the US – Gowan is generating data to support import tolerance in the EU.
- **Imidacloprid** (Admire, Confidor, Provado) - US MRL (6 ppm); EU MRL (10 ppm): restricted to permanent greenhouse use due to high risk to bees. (May 29, 2018)
- **Thiamethoxam** (Actara, Platinum) - US MRL (0.1 ppm); EU MRL (0.09 ppm): restricted to permanent greenhouse use due to high risk to bees. (May 29, 2018)
- ~~**Malathion** (Fyfanon) – US MRL (1 ppm); EU MRL (0.02 ppm): restricted to permanent greenhouses use due to high risk to birds. (October 9, 2018) – Not used by US industry.~~
- **Pymetrozine** (Fulfill, Plenum 50 WG) - US MRL (6 ppm); EU MRL (15 ppm): non-renewal based on endocrine disrupting properties, potential toxic groundwater exposure, and potential risk to aquatic organisms. (October 9, 2018)
- ~~**Diquat** (Reglone) – US MRL (0.2 ppm); EU MRL (0.01 ppm): non-renewal due to high risk to bystanders and birds. (October 12, 2018) Not registered in the US~~
- **Quinoxifen** (Fortress 250, Quintec) - US MRL (3 ppm); EU MRL (2 ppm): non-renewal based on persistent, bioaccumulative and toxic; very persistent and very bioaccumulative; and persistent organic pollutant properties. (December 7, 2018) – Corteva expects MRL will be maintained.
- **Copper Compounds** (Funguram, Cuproxil) - US MRL (Exempt); EU MRL (1000 ppm): 5-year renewal as a candidate for substitution† due to persistent, bioaccumulative and toxic properties. Only a total application of maximum 28 kg of copper per hectare over a period of 7 years are authorized. (Dec 14, 2018)
- **Ethoprophos** (Mocap EC) - US MRL (0.02 ppm); EU MRL (0.02 ppm): non-renewal based on concerns that could not be finalized (high acute risk to birds, endocrine disrupting potential, others). (March 1, 2019) – Low usage in the US. Not salmon safe.
- ~~**Chlorothalonil** – EU MRL (60 ppm): non-renewal based on concerns of groundwater pollution, persistent biotoxicity and carcinogenic properties. (April 30, 2019) Not registered in the US~~

EU MRL Review: Article 12 (EC) 396/2005: **MRL reviews** scheduled to start in **2020**.

- **Cyflumetofen** (Nealta) – June 15, 2020 – currently, no US or EU label.
- **Spirodiclofen** (Envidor) – August 15, 2020 – product will expire in the EU in 2020. Registrant did not support review.
- **Beta-cyfluthrin** (Baythroid) - September 15, 2020 – recently not renewed for approval.



BRYANT CHRISTIE INC.
GLOBAL SOLUTIONS

Korea Hop MRL Status

July 15, 2020

This document includes only the updates from 2019

Korean Hop MRLs Established or Proposed (13)

1. 2,4-D (2,4-D Task Force)- **High**
2. Abamectin (Syngenta) – **High** (MRL proposed)
3. Clopyralid (Dow) - **Very High**
4. Cyazofamid (FMC) – **Very High**
5. Cyflufenamid - **Very High**
6. Dimethenamid/Dimethenamid-P (BASF) – **Very High**
7. Famoxadone (DuPont) – **Very High**
8. Flonicamid (ISK)– **Very High**
9. Fosetyl-AI (Bayer)- **High**
10. Metrafenone (BASF) – **Very High** (MRL proposed)
11. Milbemectin (Belchim)- **High**
12. Myclobutanil (Dow)- **High**
13. Pendimethalin (BASF) – **Very High**

Data Packages already submitted for Review (3)

1. Bifenazate (Arysta) – **High** - Submitted 1Q 2020
2. Fenazaquin (Gowan) -**Very High** - Submitted 1Q 2020
3. Tebuconazole – **High** - Submitted 2Q 202

Data Packages that Registrants Have Committed to Submit to Korea (11)

1. Ethoprop (AMVAC) – **High** – Committed Submission
2. Etoxazole (Valent) – **Very High** – Committed Submission
3. Flumioxazin (Valent) –**Very High** – Committed Submission
4. Fluopicolide (Bayer) – **Very High** – Committed Submission
5. Flutriafol (Arysta) – **Very High** – Committed Submission
6. Hexythiazox (Gowan) – **Very High** – Committed Submission
7. Oxathiapiprolin (Syngenta) – Committed Submission
8. Quinoxifen (Dow) – **Very High** – Committed Submission
9. Spinetoram (Dow) – **Int.** – Committed Submission
10. Spinosad (Dow) – **Int.** – Committed Submission
11. Triflumizole (UPL) - **Very High** – Committed Submission

Data Packages to be supported by WA State Block Grant (12)

1. Bifenthrin (FMC) – High
2. Carfentrazone-ethyl – Very High
3. Clethodim (Valent) – Very High
4. Clofentezine – Very High
5. Fenpyroximate – Very High
6. Folpet (ADAMA) – High
7. Glufosinate-ammonium – High
8. Indaziflam (Bayer) – Very High
9. Norflurazon (Syngenta) – High
10. Pymetrozine (ADAMA) – Very High
11. Pyraflufen-ethyl (Nichino) – High
12. Pyridaben (Gowan) – High

Korean Hop MRL Needs with Priority Status ‘High’ or ‘Very High’ (9)

1. Bupirimate – High
2. Captan – High
3. Cyantraniliprole – Very High – 2020 US label approved
4. Fluazifop-P-Butyl – High
5. MCPA – High
6. Pydiflumetofen – High
7. Sulfoxaflor – High
8. Tau-Fluvalinate – High
9. Tebufenpyrad – High

Korean Hop MRL Needs with Priority Status ‘Low’ or ‘Intermediate’ (6)

1. Chlorothalonil – Low
2. Dicofol – Low
3. Diquat dibromide (Multiple) – Low
4. Metaldehyde (AMVAC) – Int.
5. Proquinazid – Low
6. Mancozeb – Low

Korean Hop MRLs that Registrant Does Not Intend to Submit (11)

1. Acetamiprid – High – There is no residue data available for acetamiprid on hops to apply for an import tolerance in Korea.
2. Beta-cyfluthrin (Bayer) – Low – Bayer does not intend to submit, not supporting compound globally.
3. Cyfluthrin (Bayer) – Low – Bayer does not intend to submit, not supporting compound globally.
4. Dithianon (BASF) – Low – no plans to submit
5. Endothal (Multiple) – Low – MFDS: MRL not possible
6. Glyphosate (Monsanto) – Very High – per Bayer, not data to support MRL
7. Lambda cyhalothrin (Syngenta) – Low – Per EU Hop: Syngenta does not plan to submit
8. Malathion (Arysta) – Low – no plans to submit
9. Naled (AMVAC) – Low – no plans to submit
10. Paraquat dichloride (Arysta) – Low – MFDS not accepting applications. Syngenta does not support submission
11. Phorate (AMVAC) – Low – No longer registered use in the US

Underlined active ingredients are part of Korea’s residue test list. Please note that this list is subject to change at the discretion of the Korean government.