

January 2021**In This Issue:**

- **New EU Pesticide Strategies**
- **New Pesticide and MRL System in Place**
- **Efforts Underway to Seek Additional Hop MRLs**
- **Waiting for Chinese Import MRL System**
- **Japan Proposed MRL for Cyflufenamid**
- **Taiwan Again Begins to Establish MRLs**
- **Efforts Lead to Additional Australian Hop MRLs**

MAXIMUM RESIDUE LEVELS (MRLs)**EU Green Deal and Farm to Fork Strategy**

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

Recently announced strategies published by the European Commission indicate that further changes to EU pesticide policy should be expected.

In 2019, the European Union launched the **European Green Deal**, whose objective is to make the EU economy sustainable. The goal 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** was released in May 2020 and is part of the European Green Deal. 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 fertilisation, 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. It also hopes 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 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.

It is yet unclear how this strategy will be implemented or what are the impacts 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 within the European Union.

USHIPPC efforts to address EU MRL concerns

In order to address any potential concern in the EU, BCI is closely monitoring EU pesticide reviews, MRL reviews, and is engaging with registrants, the U.S. government, the German and European hop industries, and other stakeholders as appropriate. 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

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

USHIPPC efforts to address EU MRL concerns *(continued)*

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 European Commission or Rapporteur Member States reviewing a chemical.

Impact of Cut Off Criteria on Hops

BCI continues to monitor 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 of interest to the hop industry that have not been renewed in the European Union and as a result may have MRLs withdrawn in 2021/2022.

- **Beta-cyfluthrin** (Baythroid)
- **Bifenthrin** (Brigade)
- **Ethopropos** (Mocap EC)
- **Etoxazole** (Zeal)
- **Fenazaquin** (Magister)
- **Imidacloprid** (Admire/Confidor/Provado)
- **Mancozeb** (Manzate)
- **Malathion** (Fyfanon)
- **Quinoxifen** (Fortress/Quintec)
- **Pymetrozine** (Fulfill) – MRL restriction already proposed
- **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 are possible. For substances that have expired or were not renewed for other reasons, such as environmental concerns, it is not clear whether MRLs will remain or whether application for import tolerances would be successful. Previously, it appeared that maintaining MRLs was possible when a substance was withdrawn for issues of environmental concern. But recent actions by the European Parliament and EU 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 European Food Safety Authority (EFSA) in December 2020 concluded its Article 12 MRL Review (which unlike the EU pesticide review is based on risk, not just hazard criteria) and recommended a hop MRL at 3 ppm, which is harmonized with the U.S. tolerance. This tolerance has not yet been notified to the World Trade Organization (WTO) nor approved by the SCoPAFF. BCI is closely monitoring future reviews of this proposal at the European Commission and European Parliament that may impact this important MRL.

Specific EU MRL Changes

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

- **Bupirimate** (Nimrod): 0.05 ppm EU MRL established. It will go into effect on May 17, 2021. No U.S. MRL; current EU MRL (10 ppm).
- **Carfentrazone-ethyl** (Aim): 0.1 ppm EU MRL established. It will go into effect on May 17, 2021. U.S. MRL (0.1 ppm); current EU MRL (0.02 ppm). – A win!
- **Clethodim** (Select Max/Shadow): proposed EU MRL at 0.1 ppm. U.S. MRL (0.5 ppm); current EU MRL (0.1 ppm).
- **Dazomet**: proposed EU MRL at 0.05 ppm. No U.S. MRL; current EU MRL (0.02 ppm).

Specific EU MRL Changes *(continued)*

- **Hexythiazox** (Onager Optek/Ordovol): proposed EU MRL at 3 ppm, harmonized with current Codex MRL. U.S. MRL (20 ppm); current EU MRL (20 ppm).
- **Metam sodium**: proposed EU MRL at 0.05 ppm. No U.S. MRL; current EU MRL (0.02 ppm).
- **Sethoxydim**: proposed EU MRL at 0.05 ppm. No U.S. MRL; current EU MRL (0.1 ppm).
- **Ametoctradin** (Zampro): proposed EU MRL at 90 ppm. U.S. MRL (100 ppm); current EU MRL (100 ppm).
- **Fenazaquin** (Megister): proposed EU MRL at 0.05 ppm. U.S. and Codex MRLs (30 ppm); current EU MRL (0.01 ppm).
- **Aminopyralid**: proposed EU MRL at 0.05 ppm. No U.S. MRL; current EU MRL (0.02 ppm).
- **Benzyladenine**: proposed EU MRL at 0.05 ppm. No U.S. MRL; current EU MRL (0.01 ppm, default).
- **Quinoxifen** (Quintec/Fortress): proposed EU MRL at 3 ppm, harmonized with the U.S. MRL; current EU MRL (2 ppm).

Update on International Hop MRL Coordination

USHIPPC continues to work with the German hop industry (the German Hop Industry Association (DHWV) and the German Hop Grower Association (VDH)) on international MRLs both within the European Union and around the world. USHIPPC has provided the German industry assistance with their MRL needs and priorities in the United States, while the Germans continue to engage with their government and with European elected officials and regulators in Brussels. Together, the group addresses international hop MRL issues in markets such as Korea, China, Taiwan, and Australia. COVID-19 has prevented in-person meetings of the Steering Committee for this group since last year's USHIPPC meeting in Portland, but an in-person meeting is a high priority once COVID restrictions are lifted and travel is again allowed.

EU Commodity Expert Working Group (CEG)

The EU Commodity Expert Working Group (CEG), which includes representatives of all European hop grower regions and the United States, was scheduled to meet in Brussels in March. The meeting was cancelled, and a virtual meeting was held on November 4th. On the occasion, the new Minor Uses Coordination Facility (MUCF) coordinator, Barbara Edler, was introduced.

Regarding the future of MUCF, funding is guaranteed only for 2021, while 2022 has been tentatively approved. Future funding will be possible only on an annual basis and no longer with a five-year budget. Current activities are focusing on an update of the EUMUDA database. Next meeting of all CEGs is planned for April 2021, after the Easter holidays. Under consideration of the current situation with the COVID-19 pandemic, a face-to-face spring meeting in Brussels seems unlikely and another online conference can be expected.

Even if the CEG meetings are cancelled due to lack of funding, the Hop group has committed to continue to meet at least annually at a meeting that most of the members are likely to attend. The coordination and information sharing between the group is valuable.

UK's Pesticide and MRL Regulation post Brexit

The UK has left the European Union and the transition period came to an end on December 31, 2020. As of January 1, 2021, in **Great Britain** (England, Scotland and Wales) **a new independent pesticide regulatory regime will operate**. Any new decisions taken under the EU regime after January 1, 2021, will not apply in Great Britain. This includes active substance and maximum residue level (MRL) decisions and any new EU plant protection product (PPP) legislation. Northern Ireland will continue to follow EU regulations.

Great Britain has incorporated the European pesticide review regulation (the (EC) 1107/2009 that is hazard-based) into its own national law so the process moving forward is the same as the EU. However, for the **pesticide review and registrations** in Great Britain:

UK's Pesticide and MRL Regulation post Brexit *(continued)*

- All substances currently approved for use in the EU will remain valid until GB carries out its own review.
- GB's pesticide review program is being developed. Meanwhile, all substances approval that are due to expire before December 2023, will be automatically extended for three years to allow time to plan and implement the GB review program.
- From now on, the EU changes to pesticide approvals will not be applicable to Great Britain.

Great Britain has also incorporated the EU MRL regulation (the (EC) 396/2005 that is risk-based) into its own national law so the process moving forward is the same as the EU. However, for the **MRL reviews** in Great Britain:

- From January 1, 2021, Great Britain will set MRLs based on its own assessments but all existing MRLs will remain valid until they are amended. It is expected that MRLs in Great Britain and in the EU may start to diverge over time, so businesses producing food for export or trading in food produce should consider the requirements in their target market.
- Changes that happen after January 1, 2021 in the EU, will not be incorporated by GB. That is, currently proposed MRLs in the EU will not be implemented in GB. That means that important MRLs that are currently proposed for change in the EU, such as the 3 ppm quinoxifen MRL, will not be implemented by Great Britain.
- A MRL review program should be established within three years. Therefore, no MRL reviews are expected in the near future, unless they are required - for example, new import tolerance applications or if there are new Codex MRLs to be considered.
- This regulation also establishes the import tolerance system in Great Britain, which means that starting in January, interested stakeholders can apply for import tolerances in GB using similar EU process and data requirements.

BCI will continue to closely monitor this new system and any changes that may occur as Great Britain continues to work through the policy development process. A further discussion of the Great Britain MRL system and its implications will occur at the USHIPPC meeting on January 14.

Korean 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, seven hop MRLs have been established, three proposed and six import tolerance applications have been submitted.

USHIPPC also received a Washington State Block grant to seek permanent hop MRLs in Korea. In consultation with the industry, USHIPPC 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:

1. **Bifenazate** (Acramite): MRL established
2. **Bifenthrin** (Brigade): MRL proposed
3. **Carfentrazone-ethyl** (Aim)
4. **Clethodim** (SelectMax/Shadow): application submitted

Korean MRLs *(continued)*

5. **Clofentezine** (Apollo): application submitted
6. **Fenazaquin** (Magister): MRL established
7. **Fenpyroximate** (FujiMite): application submitted
8. **Folpet** (Folpan)
9. **Glufosinate-ammonium** (Rely)
10. **Hexythiazox** (Onager): application submitted
11. **Indaziflam** (Alion)
12. **Norflurazon** (Solicam)
13. **Paraquat dichloride** (Gramoxone)
14. **Pymetrozine** (Fulfill/Plenum)
15. **Pyraflufen-ethyl** (Venue/Quickdown)
16. **Pyridaben** (Nexter)
17. **Tebuconazole** (Folicur): MRL proposed

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 and their status in the Korean review process can be found in the Korean MRL Ladder Chart attached to this Issues Review.

Chinese MRLs

China has been establishing new MRLs in accordance with their 2020 goal of 10,000 MRLs, but there are still many missing MRLs for U.S. commodities. Many of the MRLs established are harmonized with Codex tolerances however, China does not simply defer to Codex MRLs. Currently there are 31 established and 34 proposed MRLs that apply to hops in China.

In October 2020, China proposed two 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).
- **Naled** (Dibrom): MRL proposed at 0.01 ppm. U.S. MRL (0.5 ppm), EU MRL (0.01 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 has participated in several calls in 2020 on the status of the proposed Chinese import tolerance system. Certain experts have seen drafts of the proposed law. Concerns expressed include 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 its import tolerance system sometime in 2021. 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 complete this through working with registrants in Tokyo and expressing their needs in order to allow for hop MRLs to be established in Japan. USHIPPC and German hop industry also approach Japanese chemical registrants for assistance with MRL needs and submissions to Korea.

Japan MRLs *(continued)*

Since June, Japan has revoked one MRL on hops:

- **Diquat dibromide**: MRL revocation will be in effect on September 14, 2021. Default 0.01 ppm will apply. U.S. MRL (0.2 ppm), EU MRL (0.01 ppm).

Since June, Japan has proposed one MRL on hops:

- **Cyflufenamid** (Torino): Japanese MRL proposed at 5 ppm. U.S. MRL (5 ppm), EU MRL (0.05 ppm).

Japan also proposed the revocation of the Fenpropathrin MRL. If implemented, the default MRL of 0.01 ppm will apply. There is no U.S. MRL established; EU MRL (0.02 ppm).

Taiwan MRLs

The Taiwanese MRL system continues to have significant delays, with only one hop MRL established in 2020. Taiwan established a MRL for **metrafenone** (Vivando) at 50 ppm. The U.S. MRL is 70 ppm and the EU MRL is 80 ppm.

Taiwan does test for pesticide residues. Several U.S. commodities have faced rejections previous years 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 application can go through the normal Taiwan review process and no longer needs the 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 67 hop MRLs established.

In 2019, USHIPPC requested MRL harmonization for multiple active ingredients. Australia accepted the requests and harmonized MRLs for **acequinocyl** (Kanemite), **fenazaquin** (Magister), **flonicamid** (BeLeaf), **fluopicolide** (Presidio), **hexythiazox** (Onager/ Ordovol), and **metalaxyl** (Ridomil). These MRLs are in effect as of August 2020.

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.

Since June Canada has established two MRLs on hops:

- **Acequinocyl** (Kanemite): Canadian MRL established at 6 ppm. U.S. MRL (15 ppm), EU MRL (0.1 ppm).
- **Cyflufenamid**: Canadian MRL established at 5 ppm. U.S. MRL (5 ppm), EU MRL (0.05 ppm).

Codex MRLs

Due to the pandemic, the Codex Committee on Pesticide Residues (CCPR) schedule to take place in China in early April was cancelled. For this reason, no Codex MRLs were proposed for hops in 2020. However, there are several hop active ingredients that are working their way through the Codex system.

Codex MRLs *(continued)*

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 was 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 was scheduled to be reviewed by JMPR in 2020 for New Use. Hops is listed with four 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 (Extraordinary meeting), having been moved from 2020 to 2021. Data to support the hop MRL was submitted to JMPR in September 2020. Hops is listed with five residue trials in the Schedules and Priority Lists. U.S. MRL of 7 ppm was established in October 2020.
- **Famoxadone** (Tanos): This compound was not previously scheduled to be reviewed by JMPR. When the U.S. Delegation was seeking nominations in 2019, 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 four 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, listed with six residue trials. U.S. MRL of 5 ppm was established in July 2020.
- **Folpet**: Compound moved from Table to 2A under 25-year rule, with year scheduled as 2024. Existing CXLs plus additional global uses/MRLs proposed. Periodic re-evaluation with additional supporting residues trials data for new commodities and updated data where available. An update on the number of studies can be provided in due course. Current U.S. tolerance is 120 ppm.

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.

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 ten-minute presentation, she and her panel remained for an additional two hours of questions and answers from 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 German hop industry officials on how EU MRLs are affecting their ability to grow hops in the EU.

The first report of the investigation was published in July 2020, highlighting MRL policies throughout the world as well as international case studies of how MRLs can impact international trade. The second volume will be

USITC Investigation *(continued)*

released in February 2021 and will include case studies that describe the costs and effects of MRL compliance and noncompliance for U.S. producers and a quantitative analysis on the global impact of MRLs. The first issue of the report can be found at: <https://www.usitc.gov/publications/332/pub5071.pdf>

TARIFFS**China Trade and Tariffs**

Relations between the U.S. and China continue to be characterized by a high degree of volatility as the COVID-19 pandemic upends global trade and adds to existing tensions between the world's largest economies. Despite a period of relative optimism in early 2020, marked by the signing of the U.S.-China Phase One trade deal, China continues to impose retaliatory tariffs on a range of U.S. products in response to the U.S. Section 232 steel and aluminum tariffs and the U.S. Section 301 technology tariffs targeting Chinese technology practices and IP infringement. These tariffs and the retaliatory response from China were not addressed in the Phase One trade deal.

While hops were not targeted in China's response to U.S. Section 232 tariffs, they were impacted by China's response to the U.S. Section 301 tariffs. An overview of the China tariff situation for U.S. hops is shown in the table below.

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 the Phase One trade deal failed to address retaliatory tariffs imposed by the U.S. and China, the agreement did include commitments from the Chinese Government to increase purchases of U.S. goods and services by an additional \$200 billion, above 2017 levels. 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.

In an effort to facilitate these purchases, in March 2020, the Chinese Government also opened a new domestic process through which importers and buyers in China could apply for a waiver of the retaliatory Section 301 tariffs applied to U.S. products. If successful, these waivers would apply to a limited amount of product, apportioned monthly, and be valid for one year. For hops, any tariff waiver secured would reduce China's import tariff back down to the standard, Most Favored Nation (MFN) level.

China's tariff waiver process has now been in place for almost a year. Feedback from industry groups indicate that Chinese importers have been successful in securing 301 tariff waivers for US products during 2020. However, these waivers will need to be renewed after a year. 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 ongoing tensions between the U.S. and China, which are likely to persist. The Biden Administration has indicated that it does not plan to withdraw the Trump Administration tariffs on China immediately, but instead will review its China policy before any potential changes are made.

Japan Trade Agreement

The U.S.-Japan Trade Agreement has now been in place for a year. Although a limited deal, agricultural was covered and the agreement included important Japanese tariff concessions for U.S. products, including hops.

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 positive development for the industry and means that the U.S. is back on an equal tariff footing with competitors in Canada and the European Union. Like the U.S., hop exports from Canada and the EU also enter Japan tariff-free as result of respective free trade agreements.

Although the trade deal with Japan was intended to be the starting point for a broader, comprehensive U.S.-Japan free trade agreement, negotiations were disrupted due to COVID-19 and the change in administration. Japan's preferred position is for the U.S. to rejoin the Trans-Pacific Partnership agreement.

U.S.-EU Trade and Tariffs

Relations between the U.S. and the European Union declined markedly during the four-year term of President Trump. Despite the stated aim of the Trump Administration in 2018 to initiate trade talks with the EU, in practice this engagement remained on ice as both sides failed to agree on the scope of any negotiations, particularly the inclusion of agriculture, and successive trade disputes increased levels of acrimony and further undermined any attempt to kick-start negotiations.

The U.S. continues to apply Section 232 steel and aluminum tariffs on imports of product from a range of markets, including the EU. As a result, retaliatory EU tariffs imposed in response to this U.S. action remain in place. More recently, a long-running dispute between the U.S. and the EU over subsidies to rival aircraft manufacturers has resulted in further tariffs on imports from both sides. Hops were not targeted in either dispute.

Looking ahead, President-elect Biden and European officials have both expressed a desire to restore positive relations and work collectively on a range of issues, including trade. In this context, both sides may seek a resolution to remove the retaliatory tariffs imposed over the past four years. However, in light of fundamental differences on agricultural policies, it appears unlikely that any progress on a U.S.-EU trade agreement will be achieved in the short-to-medium term.

U.S.-UK Trade Talks and Brexit

The U.S. and the United Kingdom continue to engage in negotiations on a trade agreement. These talks were initiated in May 2020 and are now at an advanced phase. 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 a high priority for U.S. negotiators. However, this issue is understood to be one of the main sticking blocks in the negotiations, fueled in part by critical claims in the UK media about the safety of U.S. agricultural imports.

Negotiations will continue under a new Biden Administration and with the UK now a fully independent trading nation following the UK's full withdraw from the EU on January 1, 2021. This Brexit process was eased somewhat by the successful conclusion of negotiations between the UK and the EU on a post-Brexit trade free trade agreement. An agreement between the two markets was reached on Christmas Eve and implemented a week later on January 1.

While the UK-EU agreement maintains tariff and quota free access between the two markets, customs and regulatory barriers will be introduced as per the UK's new 'third-country' status with the EU. The agreement maintains tariff free access for most agricultural goods exported between the two markets, but is light on

U.S.-UK Trade Talks and Brexit *(continued)*

regulatory cooperation in the agricultural sphere with limited measures that largely mirror those mandated under the World Trade Organization.

Brexit also means that the new UK Favored Nation tariff schedule is in effect and applicable to all third countries without a free trade agreement with the UK. Under this new UK tariff system, the UK reduced its MFN tariff on hop cones and pellets from 5.8% to 4.0%. The UK also eliminated the prior 3.2% tariff on imports of hop extract. The current and prior UK tariff situation for U.S. hops is summarized in the table below.

Table 2: Current and Prior UK Tariffs on Hops

HS Code	Description	Former UK Tariff on imports (under EU CET) - ended 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%

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. These talks will continue under the Biden Administration.

India Medicinal Use Restriction

The U.S. hop industry will continue efforts in 2021 to seek the removal of a restrictive requirement in India that hop imports must be for medicinal purposes only. This restriction appears in India's national plant quarantine regulations but no justification for its presence has been provided by Indian officials. 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 industry has been working with officials from USDA's Animal and Plant Health Inspection Service (APHIS) and the U.S. Embassy in New Delhi to request Indian officials remove this requirement. Feedback from the Indian Government has been receptive but thus far, no firm commitments or timeframes have been provided by Indian officials.

In conjunction with engagement with APHIS, industry is also considering further efforts in India to build a domestic coalition of support, including importers and breweries, that can be leveraged to petition the Indian Government to remove the medicinal use restriction. These efforts will aim to convey to the Indian Government the domestic economic benefits derived from lifting the medicinal use restriction. Depending on the status of COVID-19, these efforts will be advanced through travel to India.

The industry is currently engaged with USDA to confirm if existing grant funding will support efforts to remove the medicinal use restriction in India.