



U.S. CRANBERRY MARKETING COMMITTEE

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David Weiner
Deputy Assistant USTR for Europe
Office of the US Trade Representative
Executive Office of the President
600 17th Street NW
Washington, DC 20508

Dear Mr. Weiner

In response to the April 1, 2013 USTR *Federal Register* notice, the Cranberry Marketing Committee (CMC) is writing to provide US cranberry industry comments on the recently proposed Trans-Atlantic Trade and Investment Partnership (TTIP) negotiations. No negotiations could be more important to US cranberry growers and handlers.

The CMC represents 100% of the US cranberry handlers residing within the Federal Cranberry Marketing Order Districts. Presently, this includes 38 handlers located in the States of Connecticut, Massachusetts, Michigan, Minnesota, New Jersey, Rhode Island, Oregon, Washington, Wisconsin and Long Island in the State of New York. These are approximately 1,200 US growers covered under the Cranberry Marketing Order.

The European Union is currently the single largest export market for the US cranberry industry. After introducing marketing programs in Europe in 1999, sales to Europe have grown from less than \$24 million to over \$212 million today. The majority of these exports are cranberry juice products and sweetened dried cranberries, although other cranberry products are exported to the EU. With close to 30% of annual U.S. cranberry production exported, and with the EU being the largest single export market, cranberry industry handlers and growers are following the TTIP developments closely.

The US cranberry industry looks forward to working with USTR and USDA on the TTIP negotiations. Please find below the facts the cranberry industry are facing in its largest export market.

Tariffs:

The landscape for cranberry imports into the European Union is about to change significantly. EU tariffs established for sweetened dried cranberries and cranberry concentrate exceed those in other export markets. These tariffs are in the process of being eliminated for our competitors. Currently, Chilean cranberries enter the EU duty-free through their FTA. At the same time, the EU and Canada are nearing conclusion of their FTA. The US cranberry industry assumes that the EU will eliminate their cranberry tariffs on Canadian product, which may have a significant impact on US exports to the market. With lower EU tariffs applied to competitor product, foreign suppliers could potentially be able to ship their product at a less expensive price, and the US could potentially lose significant market share in our in our largest export market.



Please find below details of the relevant cranberry tariff lines. As the EU does not grow cranberries, and because they have already eliminated the tariffs on Chilean product, we do not expect cranberry tariff negotiations to be controversial.

HS 2008.93 Sweetened Dried Cranberries (SDCs): Currently, the EU applies a **17.6%** tariff to US SDCs. SDCs are one of the fastest growing cranberry export products. They are used in baking, salads, and consumed on their own. The current EU tariff hinders exports.

In 2010, the EU food and drink processing industry was able to successfully suspend this duty through the EU regulatory duty-suspension process. The duty was reinstated in 2012 for all SDCs that were not used as inputs for other products. The European Commission argued the tariff reduction was not appropriately applied. During the period when the duty was eliminated, exports increased significantly.

Specific EU tariff lines applied to SDCs are HS2008.93.91 and HS 2008.93.93.

HS 2009.81 Cranberry concentrate (juice): Cranberry juices remain a significant portion of export. Again, the EU food and drink processing industry was able to successfully suspend the **16.8%** cranberry concentrate tariff in 2010 for five years under the EU duty-suspension program. Because concentrate must be reconstituted in the EU, it was considered an input and the duty-suspension was allowed to remain. This was welcome news to the industry and exports have increased as a result. The duty-suspension only lasts for five years, however, and therefore must be renewed. The current cranberry concentrate duty-suspension ends in 2014. Specific tariffs applied to concentrate include: 2009.81.11, 2009.81.19, 2009.81.31, 2009.81.51, 2009.81.59, 2009.81.95, and 2009.81.99.

HS 0810.40.50: Fresh Cranberries: Although the vast majority of cranberry exports are processed products, the EU does have a **3.2%** tariff set for fresh cranberry imports.

Pesticide MRLs:

In the mid-2000's, the European Union established a community-wide pesticide maximum residue list (MRL). Through this process, numerous cranberry MRLs were established during the transition period. A community-wide EU list is also much easier for handlers to consider than individual member state MRLs. Still, given the importance of the EU market for US cranberry exports, there are two outstanding MRL issues facing the cranberry industry.

First, the cranberry industry faces significant challenges in the levels at which the EU is establishing MRLs. Very often the MRLs are set at unacceptably low levels which prevent usage in the US of approved crop protection products due to fears of residue violations. For example the US cranberry carbaryl tolerance is 3 ppm, while the EU's is set at 0.05 ppm. Such a discrepancy prevents usage of a critical compound to the industry. This most often has happened when the EU has withdrawn an older compound for use within the EU, and then reduced all of the existing MRLs to the limits of detections. Even if the products are no longer allowed to be used in the EU, harmonization of EU MRLs with international standards through the EU's acceptance of established Codex standards and by cooperating with EPA on joint review projects would help to address these significant discrepancies.



Second, the cranberry industry knows firsthand the challenge of seeking EU import tolerances in the EU to address the restrictive MRLs. EU data requirements are frequently more onerous than US data available, which requires expensive additional research. The US cranberry industry is currently pursuing two MRLs in the EU: carbaryl and quinclorac. In both cases, studies are needed to meet EU requirements. These studies have cost over \$100,000 each. The industry has relied on TASC grants to fund this research. This is not sustainable.

US commodity groups cannot afford to spend over \$100,000 for each import tolerance they need in the EU. Most industries do not have the resources, and TASC funds, as welcome as they are, are limited.

Industries want to meet EU standards and avoid trade disruptions due to residue violations, but if the cost of seeking tolerances is overly burdensome, they either will risk violations or be forced to not use approved and needed compounds in the US.

The cranberry industry is pleased that the EU is adopting Codex MRLs when they have not raised an objection to those MRLs. The result of this policy has been the establishment of several cranberry MRLs in the EU in a quick and efficient manner.

Thank you for your consideration of the US cranberry industry comments. Please let us know if we can provide any further clarification on the issues the US cranberry industry are facing in the European Union.

Sincerely,



Scott Soares

