



# ABC GLOBAL UPDATE

February 2020

## USDA Issues Third Tranche of 2019 MFP Payments

U.S. Secretary of Agriculture Sonny Perdue announced the third and final tranche of the **2019** Market Facilitation Program (MFP) payments aimed at assisting farmers suffering from damage due to unjustified trade retaliation by foreign nations.

Growers had to have submitted their applications prior to the December deadline for the 2019 program. Payments were to be made in three tranches; this final payment will go out by the end of the first week of February.

MFP payments for eligible specialty crops (almonds, cranberries, cultivated ginseng, fresh grapes, fresh sweet cherries, hazelnuts, macadamia nuts, pecans, pistachios, and walnuts) were based on 2019 acres of fruit or nut bearing plants. The payment rate for almonds remains at a total of \$146 per acre.

Growers who have questions about their payments should contact the FSA office where their application was submitted. General questions on the MFP can be found on the website, at [www.farmers.gov/mfp](http://www.farmers.gov/mfp) or by contacting your local FSA office, which can be found at [www.farmers.gov](http://www.farmers.gov).

## China Announces Partial Tariff Reductions Under Phase One

Effective February 14, the China Tariff Commission has notified that the additional retaliatory tariffs

which were imposed on September 1 would be reduced by half. This is in follow-up to the U.S.-China Phase One trade agreement.

- For almonds, this means that **inshell and kernel almonds will be subject to 55% tariffs** rather than 60%. The tariffs for prepackaged almonds remain the same.

As a reminder, China imposed a series of retaliatory tariffs on almonds, starting in April 2018. The increases were applied as follows: 10% (original rate) + 15% (April 2018) + 25% (July 2018) + 10% (September 2019, which has now been reduced to 5%).

While this is a positive move, the actual rate is not going to drive a significant commercial change. ABC is continuing to work with partners in China, encouraging them to support the economic benefits to Chinese processors if the tariff rates on almonds were to be further reduced.

## Coronavirus: Ongoing Program Impact

The fast-moving coronavirus is impacting a number of plans, including implementation of the China Phase One agreement. It was anticipated that USDA/APHIS would be in Beijing this week to begin planning for a Chinese delegation visit to California in conjunction with a market access request for pelletized/cubed almond hulls. At this point, no travel is taking place, and Chinese officials are largely not available

due to an extended Lunar New Year break.

ABC is continuing to work with USDA/APHIS on the visit; it is hoped that plans for the delegation will move forward in spring. Please contact Geoff Bogart at [gbogart@almondboard.com](mailto:gbogart@almondboard.com) with any questions.

Also, if you are noting any delays related to port shipments and clearance, please keep ABC apprised so that information can be relayed to USDA.

## U.S.-India Trade Discussions Continue

U.S. trade negotiators have been in India to continue consultations on a limited U.S.-India agreement in advance of President Trump's visit to Delhi at the end of February.

The U.S. is looking for more access for medical devices and agriculture and a reduction of non-tariff barriers for certain goods. This would likely be in return for restoration of India's Generalized System of Preferences (GSP) benefits. The new market access would equal the amount of GSP benefits restored (up to \$6.4 billion).

Additional meetings are expected in the next two weeks.

## Current Almond Tariffs:

- **41 rps/kg** on inshell (35 rps prior to retaliatory tariffs)
- **120 rps/kg** on kernels (100 rps prior to retaliatory tariffs)

## United Kingdom Leaves the European Union

Brexit has happened – the United Kingdom left the European Union on January 31. The UK is now in a transition period until the end of this year during which it must agree to a trade deal with the EU. Formal trade negotiations are set to begin in March.

However, the departure itself changes very little for the UK (for now) although the UK will lose its representation in EU institutions. It remains part of the single market and aligned with European rules through December, the end of the transition period. In particular, there are no changes to the way the current TRQ (tariff rate quota) for almonds is applied.

The U.S. and UK are continuing working level discussions for a trade agreement. But for the U.S. and UK to secure a closer trade relationship, the UK would have to diverge from the EU rulebook, which would significantly disrupt its free flow of goods with the bloc under the single market. More to come!

## President Signs USMCA

President Trump signed the United States-Mexico-Canada Agreement Implementation Act on January 29. Mexico has already passed the agreement, but the Canadian Parliament still has to consider the trade agreement which could take some time as the opposition Conservative Party has said its members want to examine it in detail.

Prime Minister Trudeau and Foreign Minister Freeland have urged the Canadian Parliament to approve the agreement. It is hoped to be completed by March if not sooner.

## Update on Aflatoxin Rejections in Japan

As of February 3, the Japanese government has reported that it has thus far rejected **three** almond consignments for exceeding aflatoxin tolerances in 2020. But given delays in publication of the rejections by the MHLW, ABC knows of others yet to be announced.

Japan continues to inspect 100% of almond shipments. This is based on Japan's food safety act, which mandates the level of import controls where there have been multiple rejections. In the case of almonds, rejections in 2018 and 2019 represented *less than* 2.7% and 1.7%, respectively, of total imported consignments – more likely due to statistical variability, and not indicative of a "high risk."

ABC senior staff are working with USDA/FAS staff in Tokyo and D.C. to address these concerns directly with Japanese authorities. Also being evaluated is where it may be appropriate to incorporate these issues within upcoming "Phase Two" trade negotiations with Japan.

## EU Import Inspection: Are we Back to < 1%? Let Us Know!

As of 2/7/20, no official rejections have been published on the EU Rapid Alert (RASFF) system, although there may be several yet to be published.

In the fall of 2019, almonds returned to the less than one percent frequency of controls in the EU as laid down in Regulation (EU) 2015/949. This was in recognition of fewer RASFF notifications and demonstrated improved crop quality. ABC has been monitoring Member State implementation of this directive but is concerned that increased inspections are still taking place.

This concern has been raised at the EU Commission level and is anticipated to come up during a conference at the end of March.

ABC asks that handlers/traders contact us if they are experiencing consignments being frequently pulled for inspection upon import. If that is happening, ABC will follow up with authorities and the Commission – this can only be done if we know what you are experiencing.

Please contact Geoff Bogart, [gbogart@almondboard.com](mailto:gbogart@almondboard.com) with any information or if you have questions.

## Taiwan Allergen Regulations Coming into Force

In 2019, Taiwan passed a regulation to expand the list of foods that require mandatory allergen labeling. This regulation will go into effect on July 1, 2020.

The reform adds almonds to the list of potential allergens that must be labeled.

## Upcoming Travel and Events

- ◆ **February 10-14, 2020**  
Julie Adams and Richard Waycott in Delhi, India for the annual India Trade Conference and meetings with government authorities.
- ◆ **February 17-20, 2020**  
Julie Adams, Richard Waycott, and Sudarshan Mazumdar in Dubai, UAE for Gulfoods.
- ◆ **February 20-21, 2020**  
Julie Adams in Washington, DC for the Ag Outlook Forum.

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