Speakers

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Agenda

• Worldwide Overview
• European Union
• India
• China
• West Coast Ports
• MRL’s
• What’s in Store for 2016
• Q&A
Worldwide Overview
Export or Domestic: involves Addressing Many Issues.....

- FSMA
- Prop 65
- Environmental and Production Issues
- WATER

- Import controls
- Pesticide MRLs
- Trade Agreements
- Hazard vs Risk Based Approach

- Food Safety Legislation
- Labeling and packaging
- Tariff/Non-Tariff Barriers
- Non-Transparent Regulatory System

Legend:
- Established markets: U.S., Canada, UK, France, Germany, Japan
- Emerging markets: China, India, South Korea, Russia
- Exploratory markets: Brazil, Mexico, Middle East, Indonesia
And it keeps getting more complex……

- Some issues just won’t go away….
- Engagement, relationships are fundamentally essential
- Getting the facts – *all* the facts….
- Balancing urgency
- Priorities are always changing
And it keeps getting more complex……

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<td>• Endocrine Disrupters</td>
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<td>• EU PEC Program</td>
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<td>• Bosnia PEC (Transition from VASP)</td>
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<td>• China Afl Legislation</td>
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<td>• EU Pesticide Regulation</td>
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<td>• EU Tariff Code for Blanched Almonds</td>
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<td>• India GST</td>
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<td>• India Growers</td>
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<td><strong>Priority Rating 1</strong></td>
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<td>• EU FORMAL AND Phosphoric Acid</td>
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<td><strong>Priority Rating 3</strong></td>
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<td>• Australia MRL Reduction on Tepabronazole</td>
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<td>• Rapal Alarms</td>
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<td>• BAC/SDAC</td>
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<td>• Germany Port Issues</td>
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<td>• Korea MRL List</td>
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<td>• Mexico Food Tax</td>
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<td>• US GMP</td>
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<td>• China Food Safety Law</td>
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**Engagement (Medium – High)**

Priority 1: Priority 1 issues are issues in which the most time is devoted to. These issues, if not managed immediately can create trade barrier to almonds.

Priority 2: Priority 2 issues are issues which a high amount of time are devoted to. These issues have the potential of becoming priority 1 issues but are being managed to prevent escalation.

Priority 3: Priority 3 issues are issues which need to be managed but have not completely bloomed into high priority issues. Issues can be managed over a longer period of time.

Priority 4: Priority 4 issues are issues which the least amount of time is given. Many of these issues have been resolved and the ABC is monitoring in order to prevent additional escalation.
European Union
How did the Fosetyl Issue Come Up?

• EU changed the designation of phosphite from both a fertilizer and pesticide, to only a pesticide, in late 2013

• A Maximum Residue Limit (MRL) for phosphite-containing products was not established
  – Any residues were included under the MRL for fosetyl-Al (which is not approved for use in the U.S. on bearing tree nuts!

• EU set a temporary MRL of 75 ppm for tree nuts and several other crops in 2014

• It took a lot of time and effort to find a solution…..

The temporary MRL for tree nuts only was extended to March 1, 2019
Leveraging Multiple Approaches……

Establishing an Appropriate MRL for Fosetyl-Al

Research
- Field Trials
- Monitoring Data (CA, 3rd Country)
- Analytical Methods

Stakeholder outreach
- EU Commission
- MS authorities
- National assns/companies

Political engagement
- 3rd Countries
- US government
- Congressional Inquiries

Provide basis for Dossier submission in Summer 2016

Build consensus support for the extension -- making this a European priority

Create understanding of priority and relative importance at a govt-to-govt level, focused on trade implications

In response to industry engagement
Phosphonate (Fosetyl-Al) Process

EU changes definition: phosphonate under fosetyl-Al regardless of source

- 2mg/kg

- Effective until Dec 31, 2015

- 75 mg/kg

Generate science-based information

Rational & purpose for use
true plant health effects

Monitoring data
domestic/import data

Analytical Methods
multiplier in MRL definition?

Field trials
develop residue data for MRL setting

Research Completed

Vote to adopt Regulation extending tMRL to March 2019

- June-September 2015

California tree nuts outline research status; Action Plan developed; stakeholder engagement stepped up

- September 2015

EU Standing Committee extends 75 mg/kg tMRL for tree nuts beyond December 2015

- November 2015

Finalize research and analyses; submit Dossier for Tree Nut Group

- Summer 2016

Effective until Dec 31, 2015

Research Completed

June-September 2015

California tree nuts outline research status; Action Plan developed; stakeholder engagement stepped up

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- Summer 2016
EU Import Authorities have Several Options for Controls

Pre-Export Checks
- No Certificate Required
  - Controls at discretion of MS authorities
- If PEC Certificate
  - Controls specified by EU at < 1%

U. S. Peanuts
U. S. Almonds

No Regime
- No Certificate Required
  - Controls at discretion of MS authorities

669/2009 Emerging Risk
- No Certificate Required
  - Increased controls; rate specified by EU
- If certificate from USDA lab: Not Recognized by EU, so same as above

U. S. Pistachios

Special Measures
- Govt-issued Health Certificate Required
  - Increased controls; rate specified by EU
- If No Certificate: Entry denied
Why Pre-Export Checks Matters…. 

- Sampling and analysis remain the same as with VASP
- Certificates issued on or AFTER container leaves
- Handler has SPI signoff on certificate
- Container arrives at EU port; controls at <1%

Without PEC cert, container will not be rejected, but may be subject to additional controls
Pre-Export Checks

Top 5 PEC Challenges

1. Missing the 7 day deadline for USDA to sign
2. Entering the wrong Lot ID
3. Entering incorrect container number
4. Entering/changing wrong packaging information
5. No consignee int’l contact information
Commercial Reality: Changes to Consignee, Person Responsible

- The customer is not always known when consignment ships
- Handler selling through a trader may not have the customer contact information
- Integrity of the certificate **does not change** if the customer changes
Possible Solution – Updating Pertinent Commercial Data

• A uniform update of pertinent details
• Letter **issued by shipper (handler, trader, broker)**
• Downloaded from ABC website – outside PEC system
• Would retain customer confidentiality for shippers
• Provides accurate importer information that authorities require
• Next Steps:
  – Review with European Commission authorities
What’s the regulatory picture for Food?

- Government focus on corruption, bureaucracy
- Economic growth priority: **Make in India**
- Rollout of food safety laws: questions over interpretation, implementation
- More FSSAI regulations coming:
  - Nutrition labeling, claims, product approvals
  - Product standards outdated
- Food safety confidence is key
  - Consumers don’t trust information
  - Innovation, food development paralyzed by procedures
- CEO transferred…. New FSSAI Chairman has assumed both roles
Status of Labeling: Still Clear as Mud…..

• Bulk, wholesale, retail…..

• Labeling requirements still under review/consideration
  – Intended use versus pack size

• Right now, key elements on each carton/sack
  – Name of food
  – Manufacturer/packer name and address
  – Pack date
  – Importer name and address
  – Importer FSSAI license and logo (effective Dec 31, 2015)

• No more veg logo?
China
China Regulatory Environment

- New Food Safety Act – regulate industries, protect consumers
- Responding to problems at the root of public discontent – especially food safety
- Advertising Law revised for the first time in 20 years – again in response to consumer complaints
- Decentralization – potential for interpretation differences
- AQSIQ looking to streamline operations
  - Build an effective, fair and transparent customs clearance environment
  - Decentralizing inspection control to local CIQs
  - Approach to supervision and control reminiscent of EU

National Integrated Customs Clearance Prospect

Opportunity for a “green channel” approach??
China Shifting Mindset to “Governance”

- Requirements not unlike FSMA
- Focus on legal sources of products, traceability, invoicing systems
- Retailer and distributors also responsible for ensuring accuracy of documents, traceability
- Authorities recognize regulations need to be feasible and practical
- Food exporter filing system updated for traceability purposes
- Filing ≠ registration/licensing – which is not required for nuts
West Coast Ports
Port Slowdown Background

• International Longshoreman and Warehouse Union (ILWU), and Pacific Maritime Association (PMA)
  – ILWU: represents approximately 42,000 members
  – PMA: represents 72 shipping lines and terminal operator companies.
• 30 Ports located in the California, Oregon and Washington
• New 5 year contract could not be reached causing months of negotiations. Port Slowdowns (not strike) started to occur in November 2014 when a contract could not be reached.
  – ILWU and PMA previous contract expired on 1 July 2014
  – Negotiations began around May 2014
    • Port operations continued though no contract was in place
  – Tentative contract agreement was reached on 20 February 2015
  – Contract was finalized on 22 May 2015
  – The contract is retroactive from 1 July 2014
  – New contract expires 30 June 2019
### December 2013/2014

#### December 2013

- **Houston, TX (Port)**: 82%
- **Long Beach, CA (Port)**: 6%
- **Los Angeles, CA (Port)**: 1%
- **New York, NY (Port)**: 0%
- **Oakland, CA (Port)**: 1%
- **All Others**: 8%

#### December 2014

- **Houston, TX (Port)**: 85%
- **Long Beach, CA (Port)**: 0%
- **Los Angeles, CA (Port)**: 0%
- **New York, NY (Port)**: 6%
- **Oakland, CA (Port)**: 1%
- **All Others**: 8%

### Year over Year

<table>
<thead>
<tr>
<th>December (2014/2013)</th>
<th>Kilos</th>
<th>Percentage (Incrs/Dcrs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Shipments</td>
<td>(7,982,781)</td>
<td>-13.6%</td>
</tr>
<tr>
<td>Oakland, CA (Port)</td>
<td>(5,435,015)</td>
<td>-11.2%</td>
</tr>
<tr>
<td>Houston, TX (Port)</td>
<td>(85,603)</td>
<td>-21.4%</td>
</tr>
<tr>
<td>Long Beach, CA (Port)</td>
<td>(860,120)</td>
<td>-18.4%</td>
</tr>
<tr>
<td>Los Angeles, CA (Port)</td>
<td>(580,737)</td>
<td>-15.3%</td>
</tr>
<tr>
<td>New York, NY (Port)</td>
<td>(346,827)</td>
<td>-100.0%</td>
</tr>
<tr>
<td>All Other</td>
<td>(674,479)</td>
<td>-75.6%</td>
</tr>
</tbody>
</table>
March 2014/2015

March 2014

- Houston, TX (Port): 9%
- Long Beach, CA (Port): 1%
- Los Angeles, CA (Port): 6%
- New York, NY (Port): 2%
- Oakland, CA (Port): 2%
- All Others: 80%

March 2015

- Houston, TX (Port): 11%
- Long Beach, CA (Port): 9%
- Los Angeles, CA (Port): 5%
- New York, NY (Port): 3%
- Oakland, CA (Port): 63%
- All Others: 3%

### Total Shipments

<table>
<thead>
<tr>
<th>March (2015/2014) Year over Year</th>
<th>Kilos</th>
<th>Percentage (Incr/Decr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Shipments</td>
<td>12,403,611</td>
<td>23.6%</td>
</tr>
<tr>
<td>Oakland, CA (Port)</td>
<td>(226,055)</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Houston, TX (Port)</td>
<td>6,046,817</td>
<td>679.8%</td>
</tr>
<tr>
<td>Long Beach, CA (Port)</td>
<td>1,198,262</td>
<td>24.2%</td>
</tr>
<tr>
<td>Los Angeles, CA (Port)</td>
<td>3,025,746</td>
<td>96.4%</td>
</tr>
<tr>
<td>New York, NY (Port)</td>
<td>1,513,385</td>
<td>382.7%</td>
</tr>
<tr>
<td>All Other</td>
<td>845,456</td>
<td>144.1%</td>
</tr>
</tbody>
</table>

March 2015 was the height of tensions and negotiations.
## Proposed Legislation

### Senate
- Port Transportation Act (S. 1298/Thune, SD)
- The Protecting Orderly and Responsible Transit of Shipments Act of 2015 (PORTS Act) (S. 1519, Gardner)
- **PLUS Act**: The Preventing Labor Union Slowdowns Act of 2015 (S. 1630, Risch, ID)
- The Comprehensive Transportation and Consumer Protection Act of 2015 (S. 1732/Thune, SD)

### House of Representatives
- Fixing America’s Surface Transportation Act (H. R. 22)
- The Protecting Orderly and Responsible Transit of Shipments Act of 2015 (PORTS Act) (HR 3433)
- **ECONOMICS Act**: The Ensuring Continued Operations and No Other Major Incidents, Closures, or Slowdowns (H.R. 3932/Newhouse, WA; Schrader, OR)

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**Surface Transportation Bill Released December 1, 2015**
Looking to the Future

- Current ILWU/PMA contract **expires 30 June 2019**
- ABC is committed to researching the facts
  - ABC West Coast Port Slowdown Survey set to shippers
  - Shipping Data
  - BOL Data
  - Ensuring the facts are made public
- Prepare for the next round early
  - Have a backup port ready for shipments in early 2019
  - Participate in an upcoming AgTC workshop:
    - Fresno, Double Tree by Hilton, Fresno Convention Center, February 24, 2016
    - Sacramento, The Dante Club, February 25, 2016
Maximum Residue Limits (MRL’s)
MRL Basics:

• Maximum Residue Levels (Limits)
• Detected residues should meet import country’s MRL
• Residues should not be detected if country has not established an MRL
• MRL are not a food safety standard
• MRLs ARE NOT HARMONIZED
### Examples of Bump in the Night MRLs:

<table>
<thead>
<tr>
<th>Active Ingredient</th>
<th>Trade Name</th>
<th>Usage on CA Almonds</th>
<th>Survey Results 2006-2013</th>
<th>U.S. MRL</th>
<th>Markets with Restrictive MRLs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chlorpyrifos</td>
<td>Lorsban</td>
<td>240,687 acres (2013)</td>
<td>0.01-0.16</td>
<td>0.2</td>
<td>Australia (0.05); EU (0.05); Hong Kong (0.05)</td>
</tr>
<tr>
<td>Dichlorvos</td>
<td>---</td>
<td>44,000 lbs. (2012)</td>
<td>0.01-0.32</td>
<td>0.5 postharvest</td>
<td>No MRLs in India, Taiwan, Canada (0.1 default), EU (0.01); Japan (0.2)</td>
</tr>
<tr>
<td>Glyphosate</td>
<td>Roundup/Touchdown</td>
<td>1,522,890 acres (2013)</td>
<td>0.02-0.15</td>
<td>1</td>
<td>Canada (0.1); EU (0.1)</td>
</tr>
<tr>
<td>Iprodione</td>
<td>Rovral</td>
<td>296,412 acres (2013)</td>
<td>0.01-0.17</td>
<td>0.3</td>
<td>EU (0.2); India (0.2); Taiwan (0.2)</td>
</tr>
<tr>
<td>Methoxyfenozide</td>
<td>Intrepid</td>
<td>448,808 acres (2013)</td>
<td>0.01-0.03</td>
<td>0.1</td>
<td>EU (0.02)</td>
</tr>
<tr>
<td>Paraquat dichloride</td>
<td>Cyclone/Herbiquat</td>
<td>341,636 acres (2013)</td>
<td>0.02-0.04</td>
<td>0.05</td>
<td>EU (0.02)</td>
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How to Minimize MRLs Issues When Exporting

1. KNOW THE MRLs

- GlobalMRL.com
- All International MRLs
- Updated Daily
How to Minimize MRLs Issues When Exporting

2. Early Consideration and Pre-testing

• Consider potential MRL issues before season and before crop is treated
• Consider lab testing prior to export, although this adds to expense
How to Minimize MRLs Issues When Exporting

3. Communication with Customers

• Speak to customers about MRLs prior to export
• Have a company MRL plan to address customer questions
• Be aware of private sector standards
How to Minimize MRLs Issues When Exporting

4. Seek Needed MRLs Proactively

• Work with ABC to seek needed MRLs in key markets
And the Issues are Coming Faster…..

- **Taiwan** MRL regulation small list; no deferrals; no default
- **Canada** new MRL protocols; future elimination of default 0.1 default MRL
- **EU** community-wide MRL standards established
- **Hong Kong** national regulation
  GCC major new MRL regulation (Bahrain; Kuwait; Oman; Qatar; Saudi Arabia; UAE)

- **Japan** new MRL regulation; no deferrals (default = 0.01 ppm)
- **China** begins efforts to set 7000 new MRLs by 2017
  Customs Union new MRL regulation (Russia; Belarus; Kazakhstan)
- **South Korea** new MRL regulations

Other markets with new MRL regulations pending: **Mexico; Morocco; Peru, Dominican Republic**
What’s in Store for 2016
What’s in Store for 2016

• Roll out of FSMA – FDA “on the farm”
• Pesticides will continue to be a BIG concern
• Sustainability and documentation of practices
• Import controls and certification
• Opportunity for demonstrating equivalence of practices
• Need for partnerships – alliances with industry stakeholders and government authorities
• Need to be flexible and responsive – we’re here to help you!