



November 26, 2018

The Honorable Robert Lighthizer
U.S. Trade Representative
Executive Office of the President
Washington, D.C. 20508

Subject: Western Growers comments on negotiating objectives for a U.S.-Japan Trade Agreement

Dear Ambassador Lighthizer:

Western Growers submits the following comments in support of the proposed negotiations for a U.S.-Japan free trade agreement. These comments highlight Western Growers concerns to be addressed, as the United States considers such an agreement.

Western Growers Association (WGA) is an agricultural trade association headquartered in Irvine, California. Our members are small, medium and large-sized businesses that produce, pack and ship fresh fruits, vegetables and tree nuts from our home states of California, Arizona, New Mexico and Colorado. Beyond our home states, Western Growers members produce in – and directly contribute to the economies of – more than 30 states and approximately 25 foreign countries. In total, Western Growers members account for roughly half of the annual conventional, as well as organic, fresh produce grown in the United States, providing American consumers with healthy, nutritious food.

Current Market Situation

Japan's economy is second only to China's in the region. As the world's largest food importer, Japan's markets are exceedingly mature and desirable for the fresh produce industry. Despite ongoing and substantial import barriers for the U.S. food and agricultural sector, Japan is our fourth largest agricultural export market overall.

2017 Top Commodity Exports to Japan with Market Value
(thousands of dollars)

Fresh Vegetables	Value	Fresh Fruit	Value	Tree Nuts	Value
Broccoli	19,643	Grapes, Dried	73,608	Almonds, No Shell	186,988
Potatoes	18,465	Oranges	70,780	Walnuts, No Shell	131,440

Asparagus	17,454	Lemons	63,737	Almonds, In Shell	36,888
Pumpkins	10,622	Cherries	46,018	Pistachios, In Shell	12,819
Cauliflower	5,416	Grapes, Fresh	38,677	Nuts Edible, Neso	4,200
Celery	4,433	Grapefruit	24,897	Pistachios, Shelled	1,435
Lettuce, Head	3,991	Strawberries	19,835	Macadamia	1,158
Lettuce, Except Head	2,199	Tangerines /Mandarins	16,554	Brazil	235
Onions & Shallots	2,169	Kiwifruit	8,903	Coconuts, Dessicated	40
Chicory, Except Witloof	1,790	Raspberries /Blackberries	8,762	Cashew, without	8

Data Source: U.S. Census Bureau Trade Data / Product Group: Harmonized

Importantly, with the full implementation of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Japan-EU Economic Partnership Agreement (EPA) fast approaching in 2019, it is imperative that the United States work with Japan to ensure U.S. products are not disproportionately disadvantaged to products from the other agreements' signatories. Fruit and vegetable production from several CPTPP members are particularly threatening with respect to the fresh market highlighted by Mexico.

Even more critically, the ongoing trade disputes with China and other trading partners has damaged the demand for, and movement of, our products in many of our most substantial markets. In fact, in an analysis published in August, the University of California-Davis estimates that the produce industry will lose \$2-3 billion as a result of the current trade disputes the United States is in. As such, securing new or improved openings into Japan will help to redirect some of the impacted products and minimize burgeoning losses for our producers.

Tariff Reductions

Japan currently has active preferential tariff agreements with several other countries that we compete against; CPTPP and the EPA are to be enacted this coming January. As such, securing across-the-board reductions in Japanese tariffs through a bilateral agreement would inevitably improve the competitiveness and pricing of our products overseas, as well as cut the cost of production for exporting U.S. farmers.

Japan Tariff Schedule (20-year outlook)

HTSUS	Commodity	Current Tariff Rate on US Products (%)	New Tariff Rate for CPTPP & EPA Signatories (%)
07.0190	Potatoes	4.3	0
07.0310	Onions	8.5	0 (by year 6)

070951	Mushrooms	4.3	0
07.09	Other vegetables	3	0
07.05	Lettuce	3	0
080212.200	Almonds	2.4	0
080231/080232	Walnuts	10	0
080251/080252	Pistachios	0	0
080410.000	Dates	0	0
080290.300	Pecans	4.5	0
0804.20	Figs	6	0 (by year 6)
0804.40	Avocados	3	0
0805.10	Oranges	16 – 32*	0 (by year 8)
0805.50	Lemons	0	0
08.06	Grapes	7.8 – 17*	0
080711	Watermelons	6	0
080810	Apples	17	0 (by year 11)
080830/080840	Pears/Quinces	4.8	0
080910	Apricots	6	0
080921/080929	Cherries	8.5	0 (by year 6)
080930	Peaches/Nectarines	6	0
080940	Plums	6	0
081010	Strawberries	6	0
081020	Other berries	6	0
081050	Kiwifruit	6.4	0

*Depending on the time of year

Sanitary and Phytosanitary Barriers

In addition to tariff matters, Japan must address certain outstanding phytosanitary issues that place burdensome requirements on U.S. producers and hinder safe and timely product movement between our countries. Even if a commodity faces zero tariff barriers, our industry has come to learn that the utilization of specious SPS claims can effectively block individual shipments or close a market entirely to U.S. products:

- Japan continues to impose prohibitions or restrictions on U.S. apricots, cherries, peaches, plums, peppers, and potatoes. For potatoes specifically, imports are only permitted for chipping, and inspection must be performed on at least one percent per export lot.
- Lettuce grown in California and Arizona are most often subject to fumigation upon arrival in Japan. USDA has cited that approximately 25 percent of fresh lettuce exports are fumigated with methyl bromide. However, it remains questionable whether many of the targeted pests are already established in Japan. As such, the fumigation requirements place undue monetary and administrative challenges on U.S. exports, as well as compromise the products' quality.
- As noted in USTR's 2018 National Trade Estimate Report on Foreign Trade Barriers, Japan classifies fungicides applied post-harvest as food additives. Subsequent

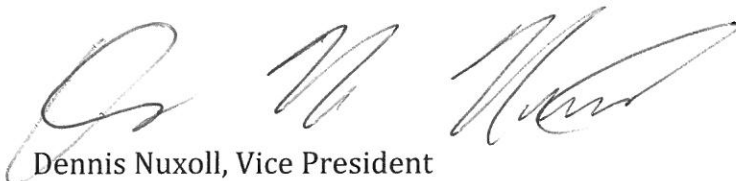
labeling requirements (both during shipping and at the point of sale) place non-domestic products at a competitive disadvantage to domestic products. WGA encourages USTR and its negotiators to continue raising this matter.

- Japan's agricultural authority (MHLW) unfairly applies maximum residue level (MRL) testing on all U.S. exporters if/when a single exporter is found in violation. Specifically, a standalone violation could lead to a test and hold on 100 percent of that exporter's shipments, as well as the imposition of open-ended testing procedures that remain in place until at least 60 subsequent shipments have been determined clean. Beyond that, MHLW increases the *overall* commodity sampling by 30 percent, causing undue burdens on the entire industry and flow of trade.
- Currently, MHLW has established a default limit of 0.01 ppm for the combination of chemicals and commodities that have no official or provisional MRLs. Therefore, if an exporter is found in violation of the default MRP or corresponding approved MRL, the exporter is placed on a complete hold-and-test condition, and the industry is negatively impacted by higher sample testing. The continued existence of complex, bureaucratic structures such as this highlights the important need for the United States and Japan to expedite the approval of pending MRLs, as well as achieve maximum harmonization of MRLs.

Conclusion

In order for the fruit and vegetable industry to benefit from a bilateral trade agreement with Japan, the Administration must ensure that Japan's inequitable nonscientific trade barriers are removed. It is also clear that this matter is urgent because in the wake of the United States' departure from the Trans-Pacific Partnership (now CPTPP), the Administration must secure equal tariff treatment for U.S. products that have been granted to our international competitors. This agreement has the real potential to provide considerable benefits for the specialty crop industry and agriculture as a whole. We look forward to working with the Administration on this exciting opportunity.

Respectfully,



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