BCI MONITOR

BRYANT CHRISTIE INC.

MAY 9, 2017

INSIDE THIS ISSUE

A REPORT FOR THE CALIFORNIA CHERRY BOARD

GENERAL ISSUES OF INTEREST TO THE CCB:

Peru Gearing Up for Cherry Production

- Various cherry varieties will be tested in areas of Peru's mountainous region over the next four years. According to media sources, the Peruvian agriculture industry has shown a great deal of interest in the last few years and as part of a national program, Sierra Exportadora has been hoping to introduce cherries to Peruvian growers on a wider basis since 2016.
- While much of Peru is too hot for cherry production, the country's mountainous regions such as Cajamasca, Cusco, and Junin are considered quite suitable for production. The Mini Royal and Royal Dawn varieties will be the focus of the testing process; however, other varieties such as Bing and Brooks, which require more cold hours, will also be tested. In 2015, Peru's SENASA concluded a pest risk analysis, and approved regulations paving the way for the introduction of more commercial rootstocks to stimulate Peruvian production. That year, companies in Peru imported cherry plants for the first time.
- Peru holds multiple advantages in cherry production. The Peruvian cherry harvest would run counter seasonal to the Northern Hemisphere, whose season spans from May to August. Additionally, the season runs from November to February for Chile – the dominant producer in the Southern Hemisphere – while Peru would be able to begin harvesting in September.
- Peru's cherry producers will be able to follow in the path of Chilean cherries, which have established export channels. Peruvian producers hope to begin with exports to Europe, followed by the United States, and then eventually to China, which has the highest demand for cherries. Peru has a small yet robust agriculture sector, and is on pace to be one of the fastest growing Latin American economies in 2017, with real GDP forecast to increase by four percent.

Guatemalan Customs Detaining Agricultural Products

- The Guatemalan Customs (SAT) have been detaining agricultural product shipments at ports of entry for periods of up to 25 days to perform revaluation investigations. Under current SAT regulations, a company placed under price revaluation investigation has ten days to present additional information in support of the original invoice price. The investigation results in lengthy port delays and thousands of dollars in demurrage charges for importers. If the SAT revaluation is accepted, the SAT reference prices are pushed up, reinforcing later revaluations for the product.
- Recently, Mechanic Deboned Chicken has been the latest U.S. target for SAT revaluation investigations. Chilean apple shipments have also reportedly been subjected to revaluation investigations. Additionally, in 2015, U.S. apples, grapes, and poultry leg quarters were subjected to SAT revaluation investigations.

(*Continues on next page*)

Bryant Christie Inc. – Seattle
500 Union Street, Suite 701
Seattle, WA 98101
Phone: (206) 292-6340 Fax: (206) 292-6341

Bryant Christie Inc. – Sacramento
2005 "I" Street, Suite 200
Sacramento, CA 95811
Phone: (916) 492-7062 Fax: (916) 492-7061

Guatemalan Customs Detaining Agricultural Products

- According to a U.S. Department of Agriculture Foreign Agriculture Service (FAS) Gain report, the methodology and process used by SAT is not consistent, transparent, or based on realistic pricing standards, and appears to be a method of increasing tax revenues. It is a concern that the SAT could expand its revaluation practices to other products if they are allowed to continue. FAS Guatemala plans to continue working with the SAT to train its customs officers, and to fix this situation.

Ecuador Suspends Twelve Bilateral Investment Treaties

- At the most recent plenary session of the National Assembly of Ecuador, legislators decided to request the denunciation of twelve Bilateral Investment Treaties (BITs), including one with the United States.
- It was argued that BITs have not benefited Ecuador as foreign direct investment into the country has been barely above one percent, and that they contradict Article 422 of the Constitution by ceding sovereign jurisdiction to international arbitration bodies.
- The BITs include an umbrella clause through which the Ecuadorian state must comply with any other investment commitments it may have made with foreign investors. However, there is no clause that requires a foreign investor to choose domestic remedies or international arbitration, without resorting to a third option. This has allowed investors to replicate demands in different forums simultaneously, leading Ecuador to face 26 arbitrations between 2003 and 2013.
- According to the president of the International Relations Commission, María Augusta Calle, there are hopes to renegotiate the treaties, but on more equal terms. The BIT's do have a survival clause, which lets the agreements be in effect for 5 to 12 more years, depending on each case. If the agreements do run without renegotiations, investment into Ecuador will be more uncertain as investors will not necessarily be covered by a legal framework.

Update on European Union – Mexico Trade Negotiations

- The European Union (EU) and Mexico have committed to concluding trade negotiations before years' end, according to a press release from the European Commission (EC). The EU and Mexico currently have in place a trade deal that was signed almost 20 years ago, but are hoping to sign a new free trade agreement. The objective of the ongoing negotiations is to adapt the existing agreement to today's global trade.
- The two concluded a third round of trade negotiations in April which focused on sustainable development, transparency, the trade in goods, and competition. For the EU, improving previous health and phytosanitary provisions is a key priority. However, significant obstacles remain for the agreement, including the EU's defensive interests in goods, and desire to not damage the interests of domestic agricultural producers by granting concessions to Mexico. European Commissioner for Trade Cecilia Malstrom visited Mexico on May 8-9 to cement the trade relationship and drive the talks forward.
- The EU is Mexico's third largest trading partner, after the United States and China, and the EU-Mexico trade in goods is valued at 14.1 billion Euros. The next round of talks will take place June 26-30, 2017 in Mexico.

Russia and Turkey Agree to Partial Withdrawal of Trade Restrictions

- Russian President Vladimir Putin and Turkish President Recep Tayyip Erdogan met on May 3, and agreed to lift most of the reciprocal trade restrictions to resume trade flows between the two nations. Russia has been gradually lifting sanctions, but as a result of this last round of meetings, the import ban will be removed for all fresh fruits and vegetables from Turkey, except for tomatoes.
- The restrictions came into force on January 1, 2016 after the Russian government published a resolution banning the imports of many Turkish agricultural products as a retaliatory measure for Turkey shooting down a Russian warplane along the Turkish-Syrian border (*BCI Monitor* 12-8-15). Before the sanctions, two-way trade between the two nations was substantial, surpassing $30 billion USD in 2014. While the sanctions were in place, it is estimated that the trade exchange between the two countries declined to around $27 billion USD per year.
- Further conversations between Russian and Turkish delegates are planned for June 2017 and will focus on phytosanitary regulations.