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A REPORT FOR
THE CALIFORNIA
CHERRY BOARD

SPECIFIC ISSUES OF INTEREST TO THE CCB:

Update on Japan's Cherry Market

- Japanese cherry production is projected to decline slightly to 19,000 metric tons (MT) in marketing year (MY) 2017/18, a four percent decrease. Domestic production has remained relatively stagnant in recent years, and the decline this year is due to minor frost damage in Japan's largest cherry production region.
- Almost all fresh cherry farms in Japan are family owned and rely on family members as the source of labor. Japan's crop area for cherry production continues to gradually decline due to the shortage of stable labor, an aging population, and the younger generation's disinterest in taking over family farms.
- The U.S. is Japan's primary supplier of cherries, accounting for 98 percent of the 4,562 MT of cherries imported in MY 2016/17. Despite this dominant market share, U.S. cherry export volumes to Japan have decreased considerably in recent years. Relatively static cherry consumption in Japan and increased demand for alternative options—such as imported kiwifruit and grapes—are key factors contributing to the decline. However, the favorable weather conditions which have led to increased production and lower prices of U.S. cherries in MY2017/18, have resulted in increased Japanese imports of U.S. cherries. It is estimated that the volume of cherries exported to Japan will increase by 9 percent to 5,000 MT in MY 2017/18.
- Additional information about Japan's cherry production, consumption, and trade is available in the following U.S. Department of Agriculture (USDA) Foreign Agricultural Service (FAS) GAIN [report](#).

GENERAL ISSUES OF INTEREST TO THE CCB:

France to Vote Against Glyphosate License Renewal

- The European Commission (EC) called for a vote regarding the authorization of glyphosate on June 29, 2017, and at the time, the European Union (EU) Member States could not reach a majority. Consequently, the EC adopted an extension of the approval of glyphosate for a limited period.
- EU Member states now plan to vote on extending the license on October 4 and, according to media sources, France will vote against the EC's proposal to renew the license. France and Germany have previously abstained on the glyphosate license votes.
- The most recent extension is limited to six months after the receipt of the European Chemicals Agency [assessment](#) of the potential carcinogenicity of glyphosate, and expires on December 15, 2017.

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France to Vote Against Glyphosate License Renewal

- The EC similarly issued a temporarily extended the authorization of glyphosate in June 2016, despite a 2015 European Food Safety Authority (EFSA) [assessment](#) that determined the substance is unlikely to pose a carcinogenic threat to humans (*BCI Monitor* 7-1-16). Conflicting opinions by other organizations have contributed to a dispute regarding the re-authorization of glyphosate.
- Glyphosate is the most frequently used herbicide in the world and within the EU, and its loss would cause a large disruption in the agriculture industry. More information regarding the glyphosate extension and approval process can be found [here](#).

Update on the U.S.-Korea Free Trade Agreement

- The Trump administration is reportedly considering initiating the withdrawal process from the U.S.-Korea Free Trade Agreement (KORUS) this week. The withdrawal idea has drawn much opposition from lawmakers and business groups alike.
- According to media sources, during the first-ever special session of the KORUS joint committee on August 22, the U.S. requested that Korea immediately drop all its remaining agriculture tariffs while allowing phaseouts for U.S. agriculture tariffs to be extended by five to 10 years. The two sides did not reach an agreement, but South Korea proposed a joint study into the trade deficit as a precursor to any changes (*BCI Monitor* 8-22-17).
- The Trump administration has placed a heavy emphasis on bilateral trade balances, and has used the increased trade deficit with Korea as a reason to reopen the agreement. However, South Korea accounts for only 2.5 percent of the 2017 U.S. deficit in trade in goods and services. In 2016, the U.S. ran a bilateral deficit on goods and services with Korea of \$17.6 billion—with a \$27.7 billion deficit on goods trade and a \$10.1 billion surplus on services trade, according to the Peterson Institute for International Economics. In contrast, the 2016 U.S. deficit with China was \$309 billion, with the European Union \$93 billion, with Mexico \$63 billion, and with Japan \$57 billion.

Second Round of North American Free Trade Agreement Negotiations Comes to a Close

- The second round of talks to renegotiate the North American Free Trade Agreement (NAFTA) concludes on Tuesday, September 5. During this round, negotiations held off on discussing the more sensitive topics, and instead opted for giving feedback on texts and proposals introduced in the first round.
- The U.S. made it clear that it will continue to push for the automotive rule of origin to contain a higher regional value content requirement, as well as a national content requirement. According to media sources, the Trump administration hopes to use the NAFTA rule of origin provisions as a model for future free trade agreements where they can be replicated.
- The Canadian government is pushing for stronger regulatory cooperation provisions that would include requirements for a regulatory cooperation council that is led at the political level, meets regularly, and establishes agendas for future outcomes. Additionally, Canada would like to include in NAFTA a new chapter on environmental provisions, similar to that included in the Canada-European Union Free Trade Agreement (CETA).
- During the second round of negotiations, there were no large breakthroughs in any policy areas. In the third round of negotiations – set to take place September 23-27 in Ottawa, Canada – Mexico, Canada, and the U.S. are expected to begin negotiating the more difficult policy issues.

China Releases White Paper on Food Import Situation

- In July, China's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) released the "2016 White Paper on the Safety and Quality of Imported Foods". The White Paper reports statistics on China's growing food imports, the main causes for food shipment rejections, and the oversight process for imported foods.
- China has diversified the origin of its food imports as well as the categories and varieties of the goods. In 2016, China imported goods from 187 regions, with the European Union (EU), Association of South East Asian Nations (ASEAN), and the U.S. accounting for over 50 percent of the total import value.
- In 2016, China continued to face a slower annual growth rate for imported food with the average over the past five years being 2.6 percent. China has a national savings rate 26 percentage points higher than the global average and correspondingly low consumption, which contribute to the slowing import food growth rate. However, the International Monetary Fund in a recent [report](#) revised China's general growth outlook up in comparison to last year. Growth between 2017 and 2021 for the world's second largest economy is now expected to average 6.4 percent, compared to 6 percent last year.
- A U.S. Department of Agriculture (USDA) Foreign Agriculture Service (FAS) GAIN [report](#) has a full translation of the 2016 White Paper.