

**ISSUES REVIEW****January 2023****In This Issue:**

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**A Report for the  
U.S. Hop Industry  
Plant Protection  
Committee****MAXIMUM RESIDUE LEVELS (MRLs)****Korea MRLs****Iron Residues on Hops**

In the spring of 2022, the Korean government started to monitor for and claimed to find metallic dust on hop shipments to the country that they considered to be iron powder. The Korean standard for iron in food is 10 ppm and findings were above that level. As a result, the Korean government began rejecting hop shipments for violating Korea's food safety code. This became a major issue of 2022. Without addressing it, hop shipments to Korea would be significantly curtailed and possibly halted.

To address this concern, BCI coordinated an industry effort to develop data on naturally occurring levels of iron on hops and to provide details on hop growing, picking, and pelletizing practices. Both US and German industries collaborated in the response to Korea.

Matt Lantz traveled to Korea in May and in September to meet with the Korean Liquor Association (KALIA) and the US Embassy and continued to engage with US, EU, and Korean industries throughout the fall. The hop industries needed to convince KALIA to engage on the issue with their government and then provide information arguing that Korea was detecting naturally occurring iron and their test was not working well for iron detections in hops.

Throughout November and December, KALIA and MFDS met and discussed the issue. A resolution was finally reached at the end of the year, when MFDS informed KALIA and the Korean Brewers that they would not be testing hops for iron particles beginning January 1, 2023.

This resolution was only possible through the strong collaboration between the US and German hop industries and the hard work of the US Embassy's Foreign Agricultural Service personnel who took on this issue on behalf of both industries and helped move both MFDS and KALIA to a solution.

BCI will provide a detailed update during the winter meeting in January 2023. This is a big win for the hop industry with millions of dollars of hop sales saved.

**Korea MRL Efforts**

Beyond the iron issue in Korea, efforts continue to establish new hop MRLs in Korea after the first year since the full implementation of Korea's new MRL system.

As of December 2022, there are **55** established MRLs or where the default is acceptable, including **six** covered by the Block grant. In addition, **four** submissions have been made and are currently under review in Korea; **two** submissions that did not require an import tolerance due to different

**Korea MRLs** *(continued)*

residue definitions in the United States and Korea; and **one** submission (Folpet) was withdrawn due to lack of data.

In May 2022, Matt Lantz traveled to Korea and met with the US Embassy, the Korean Ministry of Food and Drug Safety (MFDS), Korean Brewers Association, and chemical companies (Bayer, Syngenta, Corteva, and BASF) to thank them for their efforts over the past five years in assisting the US hop industry in navigating this major regulatory transition and to address other industry's concerns in the market.

**EU Pesticide and MRL Policies**

The EU has the most restrictive pesticide policies in the world. New policies proposals as a result of the EU's Farm to Fork Strategy seek to further restrict pesticide use, with increased cancelations of pesticide approvals their corresponding EU MRLs likely. Such actions adversely impact many exporters to the EU.

As discussed in previous USHIPPC meetings, **further MRL restrictions are expected** to take place in the coming years as the EU has begun to withdraw MRLs for substances that they have identified **environmental concerns**. Until now, the EU was restricting only MRLs for which its hazard methodology identified **health concerns**. The first MRL restrictions based on environmental concerns, **for clothianidin and thiamethoxam**, were notified to the World Trade Organization (WTO) in July. The restrictions are presented based on the EU's objective to focus on "substances of global environmental concern."

In essence, this is a way for the EU to export their environmental policies. Stretching the interpretation of the EU's responsibility to "global environmental concern" is problematic as it will further restrict EU MRLs and adversely impact exporters to the market. Besides not being consistent with the EU's obligations to the World Trade Organization's Sanitary and Phytosanitary Agreement, this policy is causing great concern around the world.

In June 2022, the European Commission also proposed a new **Sustainable Use of Pesticides Regulation (SUR)**. This regulation seeks to implement the goals established by the Farm to Fork Strategy and will be directly binding in all EU Member States without the need to enact it through national laws and has two reduction targets to be achieved by 2030:

Target 1: 50% Union-wide reduction of both the use and risk of chemical plant protection products; and

Target 2: 50% Union-wide reduction of the use of more hazardous plant protection products.

While the changes proposed are not directly applicable to exporters to the EU, the further restriction of pesticide use in the EU will likely eventually result in additional pesticide MRL reductions. The policy may also be considered in future EU regulations on health and environmental standards that may apply to imported products.

On behalf of the hop industry, BCI will continue to monitor the EU pesticide and MRL review processes and inform the industry of new developments.

**Potential Impact of EU Cut-Off Criteria on Hop Priorities**

BCI has analyzed the status of all pesticides under review for re-approval in the EU. The following pesticides have associated hop MRLs and labels, and have either not been renewed, renewed with restrictions, or were proposed for non-renewal in the European Union and as a result, may have MRLs withdrawn in 2023 and beyond.

Restricted or non-renewals of approval in the EU:

- **Beta-cyfluthrin** (Baythroid) – MRL restriction proposed
- **Bifenazate** (Acramite) – MRL restriction proposed
- **Bifenthrin** (Brigade)

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**Potential Impact of EU Cut-Off Criteria** *(continued)*

- **Cyazofamid** (Ranman)
- **Ethopropos** (Mocap EC)
- **Etoxazole** (Zeal) – MRL restriction proposed
- **Fenazaquin** (Magister) – MRL restriction already implemented
- **Imidacloprid** (Admire/Confidor/Provado)
- **Mancozeb** (Manzate)
- **Malathion** (Fyfanon)
- **Quinoxifen** (Fortress/Quintec)
- **Pymetrozine** (Fulfill) – MRL restriction already implemented
- **Sulfoxaflor** (Transform)
- **Thiamethoxam** (Actara/Platinum) – MRL restriction proposed

As the EU MRL for **quinoxifen** (Fortress/Quintec) remains a high priority for the industry, BCI continues to monitor this substance in the MRL review process. The European Food Safety Authority (EFSA) recommended a hop MRL of 3 ppm in 2020, after concluding the Article 12 MRL review. Utilizing a risk-based review approach, this recommended MRL is harmonized with the US MRL. However, in 2018 quinoxifen's approval in the EU was not renewed due to its classification under the hazard-based cut-off criteria as Persistent, Bioaccumulative and Toxic (PBT) and very Persistent and very Bio-accumulative (vPvB). As the EU seeks to restrict MRLs for substances with environmental concerns, the European Commission has given indication that it will not adopt the MRL as proposed, and it plans to present a draft proposal to withdraw EU quinoxifen MRLs. BCI is tracking this issue closely and will notify the hop industry of any developments with this MRL moving ahead.

BCI will continue to monitor and will notify the industry of any MRL change or opportunities to submit comments.

**Specific EU Hop MRL Updates**

The EU has proposed or established the following hop MRLs in 2022:

Proposed MRLs:

- **Bifenazate** (Acramite): proposed EU MRL (0.02 ppm) is more restrictive than the U.S. MRL (15 ppm)
- **Etoxazole** (Zeal): proposed EU MRL (0.05 ppm) is more restrictive than the U.S. MRL (7 ppm)

Established MRLs:

- **Ametoctradin** (Zampro): 90 ppm EU MRL is more restrictive than the US MRL (100 ppm)
- **Fenazaquin** (Magister): 0.05 ppm EU MRL is more restrictive than the US MRL (30 ppm).
- **Hexythiazox** (Onager Optek/Ordovol): 3 ppm EU MRL is more restrictive than the US MRL (20 ppm)
- **Flupyradifurone** (Sivanto): 10 ppm EU MRL harmonized with the US and Codex MRLs
- **Acequinocyl** (Kanemite): pending 20 ppm EU MRL will be in effect on February 22, 2023; current EU and US MRLs (15 ppm)

**Update on International Hop MRL Coordination**

USHIPPC continues to work with the German hop industry (the German Hop Industry Association (DHWV) and the German Hop Grower Association (VDH)) on international MRLs both within the European Union and around the world. USHIPPC has provided the German industry assistance with their MRL needs and priorities in the United States, while the Germans continue to engage with their government and with European elected officials and regulators in Brussels. Together, the group addresses international hop MRL issues in markets such as Korea, China, India, Taiwan, and Australia. The Steering Committee for this group met virtually this fall to review priorities and action items. The next meeting is scheduled to take place on the margins of the American Hop Convention.

**EU Commodity Expert Working Group (CEG)**

The EU Commodity Expert Working Group on hops met in November 2022 in Belgium to discuss many of the EU pesticide issues described above. European hop growers are facing increasing restriction of crop protection

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**EU Commodity Expert Working Group (CEG) (continued)**

products and have been evaluating the potential impact of further restrictions that are now proposed under the sustainable use of pesticides regulation. These concerns go well beyond MRLs and pose a threat to hop production in the continent. The CEG includes representatives of all European hop grower regions and the United States. The USHIPPC was represented by BCI and Maggie Elliot, Science and Communications Director, Hop Growers of America. Also participating in this meeting were Missy Raver from Yakima Chief and officials from the US Mission to the EU.

Dr. Magda Rak Cizej from Slovenia is serving as the new chair of the CEG-Hop. The next CEG-Hop meeting is scheduled to take place virtually in spring 2023.

**UK's Pesticide and MRL Regulation post Brexit**

The United Kingdom is no longer a Member of the European Union as of January 1, 2021 and is in the process of establishing its own regulatory review systems and standards. Due to the challenges of leaving the Union, new pesticide MRL regulations will only apply to Great Britain (England, Wales, and Scotland). Northern Ireland will continue to follow EU regulations.

Great Britain adopted all established EU MRLs as of December 31, 2020, into its own system and is working to establish its own review system. The MRL review process is expected to begin in 2024, but a review schedule has not yet been developed.

Last Fall, BCI met with the UK's Chemicals Regulation Division (CRD) in York, UK, to discuss the new MRL system in Great Britain. Pesticide and MRL establishment systems in Great Britain are still very much a work in progress. Below is a series of questions and answers regarding the new Great Britain MRL system that will be beneficial to the hop industry.

**How are MRLs going to be reviewed in Great Britain?**

The goal is to review MRLs at the same time as the active ingredient's renewal process. MRL reviews are expected to start in 2024. This means approval of a pesticide and its MRLs will all be reviewed at once. Codex MRLs will be considered in the MRL reviews.

**Will Great Britain seek to restrict MRLs based on environmental concerns?**

No. Environmental concerns are NOT considered in MRL reviews. This is different than current EU MRL policies (and a welcome position for US agriculture).

**What is the expected transition time allowed when there is a MRL change?**

If the proposed change is less restrictive than the current MRL, the new MRL will likely take effect from the time of publication. If the proposed change is more restrictive than the current MRL, the usual transition time is six months. A final decision has not yet been made on whether longer transition times could be granted if no risk to consumer health has been identified.

**What happens if the MRL changes after I treated my crop?**

If the exporter can provide documentation that the crop was legally treated (when the GB MRL was in place), then the product will be allowed to be exported to Great Britain if no consumer health has been identified. This provision should be published in the new regulations going forward. This is an important point as it diverges from the current understanding in the European Union. This is the channels of trade provision and is welcome news.

**Will Great Britain automatically adopt Codex MRLs?**

No. Adoption of Codex MRLs is not automatic. The UK's Chemicals Regulation Division (CRD) will review the MRLs recommended by JMPR and if no concerns are identified, GB will adopt the MRLs once they have been established by Codex.

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**UK's Pesticide and MRL Regulation post Brexit** *(continued)***Can I apply for import tolerances now?**

Yes, CRD is accepting import tolerance applications. Data requirements are similar to those of the European Union.

**How will Pesticide Reviews be carried out in Great Britain?**

Great Britain incorporated the EU pesticide review regulation in its national system, so they will continue to follow a hazard-based approach that is likely to restrict pesticide approvals going forward. This news is less welcome. It is unclear at this time whether GB will seek to change its pesticide review regulation. Pesticide Reviews are expected to begin in 2024.

**Great Britain MRL changes**

In 2022, Great Britain has established **two** hop MRLs:

- **Flupyradifurone** (Sivanto): 10 ppm established MRL is harmonized with US and EU MRLs
- **Pymetrozine** (Fulfill/Plenum): 0.1 ppm GB MRL will be in effect on April 24, 2023. Pending MRL is more restrictive than US MRL (6 ppm); EU MRL (0.1 ppm)

In addition, import tolerance applications for cyflufenamid (Torino) and fenazaquin (Magister) have been submitted and are under review.

BCI will continue to closely monitor this new system and any changes that may occur as Great Britain continues to work through the policy development process

**China MRLs**

In 2022, China proposed **one** hop MRL:

- **Ametoctradin** (Zampro): 30 ppm, harmonized with Codex; US MRL (100 ppm)

In total there are 51 hop MRLs established in China. Generally, China announces large MRL updates every one to two years as part of their MRL review process. While China frequently sets their national MRLs at Codex levels; they do not defer to Codex.

Even with new MRLs, there are many Chinese MRLs missing for all US commodities, including hops. This gap in MRLs is correlated with the absence of China's long-promised Import System for maximum residue levels, which would allow foreign industries to seek import tolerances in China. Currently, all MRLs in China must go through a full registration process including field trials in China.

**Japan MRLs**

Japan's Ministry of Health, Labour and Welfare (MHLW) often collaborates with foreign governments when reviewing and establishing MRLs. This provides a unique opportunity for the US and German hop industries as it allows for stakeholder input early on in the review process. The main concern for Japanese hop MRLs is to secure priority MRLs for the industry and ensuring that they are not established at more restrictive levels. BCI undertakes this effort for USHPPC and the German hop industry by working with USDA-FAS and registrants in Tokyo; expressing the industries' needs in order to allow for hop MRLs to be established in Japan. In 2022, Japan proposed **one** and established **three** new MRLs on hops:

**Proposed MRLs:**

- **Flutriafol** (Topguard/Rhyme): proposed 20 ppm MRL is harmonized with the US MRL

**Established MRLs:**

- **Fenazaquin** (Magister): Established Japanese MRL (30 ppm) is harmonized with the US and Codex MRLs.
- **Oxathiapiprolin** (Orondis Gold/Ultra): Established Japanese MRL (5 ppm) is harmonized with the US MRL.

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**Japan MRLs** *(continued)*

- **Pendimethalin** (Prowl): Established Japanese MRL (0.05 ppm) is harmonized with Codex and slightly more restrictive than the US MRL (0.1 ppm) but this is due to a difference in residue definition. The Japanese residue definition for pendimethalin is parent-only, while the US considers parent and metabolite.

**Taiwan MRLs**

Taiwan has not made any MRL changes on hops since 2020. Their MRL system continues to have significant delays. Nevertheless, BCI continues monitoring pesticide MRL regulations for this market and will notify the industry as soon as MRL changes are announced.

Regarding pesticide testing, Taiwan does have a pesticide residue testing program. Several US commodities have faced rejections in previous years as a result of this testing program. It is unclear whether hops are tested, as there has never been an issue with hop shipments to the market.

Action for pursuing hop MRLs for **ametoctradin** (Zampro) and **fluopicolide** (Presidio) are on hold until the Taiwanese MRL system is amended.

With Bayer's offered to pursue **fluopicolide** in Taiwan for the hop industry, the German industry is waiting to decide if they would like to pursue this MRL until the review of fluopicolide is complete in the EU, as there are concerns it will not be maintained.

**Australian MRLs**

Unlike any other country, Australia provides an opportunity for foreign countries to request MRL harmonization through an import tolerance application process. USHIPPC has made major progress through this system by seeking hop MRLs in Australia with funding from a Block grant from the Washington State Department of Agriculture (WSDA). In 2022, USHIPPC submitted two more MRL harmonization request for **bicyclopypyrone** (BIR, Acuron) and **cyflumetofen** (Nealta). Results for these submissions are expected in Spring 2023. Today, there are **86** Australian hop MRLs established.

**Canada MRLs**

Canada applies a default MRL of 0.1 ppm. The default tolerance applies to any substances not listed in their national MRL system. This default level is higher than most countries' default tolerances and helps prevent potential trade issues caused by restrictive MRLs.

In 2022, Canada has established **two** new hop MRL:

- **Flutriafol** (Topguard/Fortix/Rhyme): 20 ppm established MRL is harmonized with US MRL
- **Oxathiapiprolin** (Orondis): 5 ppm established MRL is harmonized with the US MRL

**Codex MRLs**

The Codex Committee on Pesticide Residues (CCPR) met in early July 2022 to consider the MRL recommendations made by the FAO/WHO Joint Meeting on Pesticides Residues (JMPR) in late 2021. As a result, the following actions are relevant to hops:

- **Clofentezine** (Apollo): 7 ppm MRL has been approved and is likely to be in place by Q1 2023. The new MRL is harmonized with the US MRL and is less restrictive than the EU MRL (0.05 ppm). Unfortunately, the EU introduced a reservation, pending the outcome of the current evaluation in the EU. For this reason, we do not expect the EU to adopt this MRL going forward.
- **Metalaxyl-M** (Ridomil Gold): 10 ppm MRL will remain in place while the registrant develops new data to support this MRL. No changes at this time.

JMPR 2022 met in September and recommended the following MRL for CCPR's consideration in its upcoming meeting in June 2023:

- **Famoxadone** (Tanos): recommended hop MRL at 50 ppm. US MRL of 80 ppm was established in

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**Codex MRLs** *(continued)*

March 2009. The EU MRL is set at 0.05 ppm LOD. Considering this substance is no longer approved for use in the EU, it is possible the EU will introduce a reservation and not adopt the Codex MRL.

Future Reviews: according to JMPR's current schedules and priorities, the following substances are listed for review in the coming years. Please note that these schedules change often so the review may be delayed.

In **2023**, JMPR is scheduled to review a new MRL for oxathiapiprolin on hops:

- **Oxathiapiprolin** (Orondis Gold): review is listed with six residue trials. US MRL of 5 ppm was established in July 2020. EU MRL of 8 ppm was established in November 2021.

In **2024**, the **folpet** (Folpan), **carfentrazone-ethyl** (Aim), **lambda cyhalothrin** (Karate) are scheduled for JMPR review. Currently there are no Codex MRLs established on hops for these substances. If these are priority, BCI will reach out to the registrant to request hop data be submitted to support the establishment of hop MRLs.

In **2025**, JMPR is scheduled to review the following new hop MRLs:

- **Cyantraniliprole** (Exirel): review is listed with six residue trials. Currently, there is no hop MRL established in the US and the EU MRL is at LOD (0.05 ppm).
- **Sulfoxaflor** (Transform): review is listed with four residue trials. Currently, there is no hop MRL established in the US and the EU MRL is at LOD (0.05 ppm).

In addition, **malathion** (Fyfanon), **2,4 D**, **clethodim** (SelectMax) are scheduled for periodic review in 2025, but no Codex MRLs on hops have been established for these substances. If these are priority, BCI will reach out to the registrant to request hop data be submitted to support the establishment of hop MRLs.

Finally, UPL has committed to pursue the **acequinocyl** (Kanemite) MRL on hops. The review has not yet been scheduled but the earliest review would likely take place in 2025.

**TARIFFS & Trade Policy****Non-Tariff Issue: India Medicinal Use Restriction**

For several years, the US hop industry has been working to address an end use restriction in India that requires that imported hop pellets are used for medicinal end use purposes only. This requirement appears in India's plant quarantine regulations and technically, applies to hop imports from all countries.

India is a sizeable growth market and one with growing interest and demand for US hops – a reflection of India's expanding domestic brewing industry. At present, India imports most of its hops from Europe, predominantly from Germany, which shipped approximately \$4.5 million of hops in 2021. In contrast, US hop exports to India stand at around \$1.2 million.

For several years, the industry has sought to remove the medicinal use restriction through the efforts of USDA's Animal and Plant Health Inspection Service (APHIS). This issue has been raised in bilateral discussions with India repeatedly for many years and discussions with Indian officials have occurred. Despite some initial receptive feedback from Indian regulators in the Ministry of Agriculture, limited progress has been made via this formal government-to-government engagement. One headwind has been turbulence the broader US-India trade relationship, which have complicated progress on all bilateral trade issues, including hops.

In 2021, with the support of the industry, the decision was taken to expand efforts on this issue. A key aspect of this activity has been greater engagement with hop industry stakeholders in India, including importers and domestic breweries, to learn more about the medicinal end use requirement, the impacts on trade, and importantly, to sound out the willingness of domestic stakeholders to engage with the Indian Government to seek the removal of the medicinal end use requirement. This domestic support is critical to achieving progress on this issue, particularly given the challenges in the broader bilateral relationship.

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**India Medicinal Use Restriction** *(continued)*

In October 2022, BCI traveled to India to meet with stakeholders on this issue. Meetings were held with a broad spectrum of trade in India, including major importers and trade associations in New Delhi, and members of India's craft brewing industry in Bangalore, a major center of India's domestic craft brewing industry. BCI also met with officials from the US Embassy in New Delhi to discuss the status of US Government engagement on this issue.

The meetings in India were insightful and underscored the benefit of in-country engagement. Importantly, feedback from the meetings in India suggested that the medicinal end use requirement, while on the books, is not widely enforced at present. The larger breweries were not aware of the restriction and able to source hops without issue, albeit primarily from Europe. Some of the craft breweries and trade associations were aware of the medicinal end use requirement but noted that enforcement was not widespread, particularly in recent years. Where enforcement was occurring, it was confirmed that the medicinal end use stipulation can be met with a company attestation from the importing company. Although enforcement of the regulation appears to be minimal, some stakeholders shared concerns about the potential for greater Indian enforcement, and the risk involved in claiming compliance with the medicinal end use requirement, where the attestation was requested, given the actual end use was for brewing purposes.

In follow up discussions with USDA export specialists, it was also determined that the medicinal end use is not something that US certifying officials would need to verify during the export process. As a result, while the medicinal end use requirement remains technically on the books, given the lack of enforcement in India and the availability of export certification, it should be possible for US suppliers to ship hops to India. The next step is to verify this assessment with a shipment.

The clarity on this issue is very welcome and a positive step forward. While it appears trade can technically occur, the industry continues to work toward the removal of the medicinal end use requirement given it remains a trade irritant and a potential risk factor. While the US hop industry will continue to lead and coordinate efforts, the goal is to have Indian stakeholders raise the issue with the Indian Government and seek the removal of the medicinal end use requirement. Work will continue in 2023 toward this objective and BCI will travel to India in 2023 as part of efforts to coordinate the Indian stakeholder engagement.

**China Retaliatory Tariffs Remain**

China continues to impose retaliatory duties on US products, including hops, as part of the long-running US-China tensions. This includes retaliatory Chinese tariffs enacted in response to the US Section 232 tariffs on imports of Chinese steel and aluminum, and the US Section 301 tariffs targeting Chinese infringement of intellectual property and technology transfer. These tariffs were imposed by President Trump but have been maintained by the Biden Administration.

Notably, hops were not impacted by China's response to US Section 232 tariffs, they were impacted by China's response to the US Section 301 tariffs. An overview of the China tariff situation for US hops is shown in the table below.

**Table 1: China Tariff Situation for US Hops**

HS Code	Description	China MFN Rate	China Section 301 Retaliatory Tariffs	Total China Tariff on US Hops
1210.10	Hops, neither ground nor powdered nor in the form of pellets	20%	5%	25%
1210.20	Ground, powdered or in the form of pellets; lupulin	10%	10%	20%
1302.13	Hop Extract	10%	12.5%	22.5%

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**China Retaliatory Tariffs** *(continued)*

While China's retaliatory tariffs continue to be a headwind for U.S. exports, some of the damage is offset by China's domestic 'Section 301' tariff waiver process. This is a process that China established in March 2020 and that allows importers and other end users in China to petition to secure a waiver of the retaliatory Section 301 duties imposed on U.S. products.

The process has allowed suppliers of U.S. hops to work with contacts in China to secure waivers reducing China's import tariff.

**For hops, a successful tariff waiver application would result in the removal of all retaliatory duties on imported U.S. hops, albeit for a limited volume of product.**

This would mean US hops would return to the same tariff levels in China faced by other countries.

The importance of this process is reflected in exports of US hops to China, which have been on a positive trajectory for the last few years. Following an initial decline in 2018/2019 due to the tariffs, US hop exports to China have grown from \$14.5 million in 2019 to approximately \$22 million in 2021.

Entering 2022, there had been concerns that China would end the tariff process given it was loosely tied to two-year purchase commitments China made under the US-China Phase One trade agreement, which expired in February 2022. However, feedback from the US Embassy in Beijing indicates that China is continuing to issue the Section 301 tariff waivers. It is uncertain how long this will remain the case, with much contingent on the broader trajectory of US-China relations.

The Biden Administration is currently reviewing the continuing implementation of the Section 301 tariffs imposed on Chinese industrial goods. The review is part of a mandatory four-year review process required by US law. The review must assess the effectiveness of the tariffs while also considering the impacts on the US economy and consumers. The outcome of this process is not expected for several months.

In a notable and related development, in December 2022, the World Trade Organization released four separate rulings that concluded that the US Section 232 steel and aluminum tariffs violated WTO rules and therefore will not be legal. The rulings are in response to cases brought by China, Turkey, Norway, and Switzerland and come after a four-year period of deliberation. Similar cases are pending for India and Russia.

In response to the ruling, the Biden Administration issued a statement rejecting the WTO findings and outlined the US intention to retain the tariffs on imports of steel and aluminum, including from China. Should the US decide to formally appeal the WTO decision, it would essentially undermine any potential sanctions given the non-functioning status of the WTO appeals body.

Given the Biden Administration's forceful response to the WTO ruling, it looks likely that there will be no change to the US-China tariff situation in the near future.

**Non-Tariff China Issue: China Decree 248 Regulation Creates Challenges for Suppliers**

On January 1, 2022, China enacted a new regulation ('Decree 248') imposing sweeping facility registration and new product labeling requirements for most imported processed food products, including hops. This regulatory change, and the lack of clear, accurate guidance from Chinese authorities, continues to cause confusion and some disruption for suppliers to China.

China's Decree 248 requires overseas food manufacturers and storage facilities to register with Chinese authorities and to label a new registration number on the inner and outer packaging of foods manufactured and exported to China after January 1, 2022. This includes facilities manufacturing hops for shipment to China.

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**China Decree 248 Regulation Challenges** *(continued)*

Since China first announced the regulation in April 2021, Bryant Christie Inc. has worked closely with USDA and the embassy in Beijing to understand the requirements of China Decree 248 and ensure industry members are informed of its impacts. This process has been challenging given China's refusal to engage with the US and other countries on the decree and its requirements.

Prior to China's implementation of Decree 248, BCI was able to confirm that hops were among the list of products required to register directly with Chinese authorities via an online Chinese registration system. This process involves the submission of business and product information to Chinese authorities and can be done a company or through the use of an agent in China. Registration numbers secured must be labeled on the inner and outer product packaging.

Full guidance was shared with the US hop industry ahead of the January 1, 2022, implementation and can be provided again upon request.

BCI has closely monitored the trade situation following China's implementation of the decree on January 1, 2022. So far, BCI has not received reports of direct issues with shipments of US hops to China but continues to advise that shippers are vigilant and ensure full compliance with the requirements of China Decree 248.

Importantly, recent feedback from US officials highlighted a Chinese deadline of **June 30, 2023**, for exporters to input facility information into the online Chinese registration system. Given the comprehensive amount of information required, shippers to China are advised to review their facility registration and ensure required information is submitted into the online system well in advance of this June 30 date. BCI is seeking additional information from the US Embassy in Beijing and will keep the industry informed.

More broadly, in dialogue between BCI and the US Embassy in Beijing, officials noted that they expect Decree 248 to be a long-running consideration for suppliers to the market.

BCI is available to provide guidance on Decree 248 requirements as needed.

**Japan Trade Agreement**

The tariff situation in Japan remains favorable to US hop exports. As a result of the US-Japan Trade Agreement, which was finalized and implemented on January 1, 2020, US hops enter Japan tariff-free.

Importantly, the concessions secured under the US-Japan Trade Agreement mean the US is on an equal tariff footing with competitors in Canada and the European Union. Like the US, hop exports from Canada and the EU also enter Japan tariff-free as result of respective free trade agreements.

The trade agreement with Japan was initially intended to be the first step toward a more substantive free trade agreement; however, phase two talks failed to materialize under the Trump Administration and the Biden Administration has not prioritized a bilateral agreement with Japan. The Biden Administration trade policy agenda has instead focused on a broader trade policy "initiative," the Indo-Pacific Economic Framework (IPEF). This is covered in further detail below.

**Biden Trade Policy Agenda: Indo-Pacific Economic Framework**

In 2022, the Biden Administration announced several major trade initiatives aimed at deepening US trade engagement in the Asia Pacific.

The most significant is the Indo-Pacific Economic Framework (IPEF), which President Biden launched in May 2022. At the time of announcement, the list of members in the IPEF includes Australia, Brunei, India, Indonesia, Fiji, Japan, Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, and Vietnam.

Unlike traditional trade agreements, the Administration has presented the IPEF as a modern tool covering a broad range of areas, including labor, digital trade, the environment, alongside more traditional topics such as

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**Biden Trade Policy Agenda** *(continued)*

trade and agricultural market access. These are structured in a looser format based on optional 'pillars' that signatories can decide to sign onto. While it is welcome news that agriculture will be covered, the Administration has stated that tariff barriers will not be part of the IPEF negotiations at this time.

In March 2022, the Administration launched a public consultation on priorities for the trade pillar of the IPEF. Hop industry comments were submitted in response stressing the importance of science-based standards in any future agreement, particularly in relation to pesticide Maximum Residue Levels. The comments also urged US negotiators to reconsider the omission of tariffs from the scope of IPEF negotiations.

The first round of IPEF negotiations occurred in mid-December in Australia. The US and other members have outlined their desire for "timely results" from IPEF in 2023, so the pace and outcomes of negotiations will be closely monitored.

Notably, the administration's decision to pursue a 'looser' form of trade arrangement may be influenced in part by the expiration of Trade Promotion Authority in July 2021. It is believed that unconventional structure of the IPEF and a similar agreement with Taiwan (outlined below) may avoid the requirement to secure Congressional approval of any outcomes from these negotiations.

**Biden Trade Policy Agenda: US-Taiwan Trade Initiative**

Separate to the IPEF, in June 2022, the Biden Administration announced the launch of US-Taiwan Initiative for 21<sup>st</sup> Century Trade. Similar in scope to IPEF, the Taiwan initiative is intended to cover agriculture, trade facilitation, standards, and regulatory practices, among other areas, but like the IPEF, notably not tariff barriers.

In the Administration's consultation on priorities for the Taiwan trade initiative, hop industry comments highlighted Taiwan's lengthy process to seek and establish MRLs and asked US negotiators to seek commitments from Taiwan to improve this system. The comments also outlined the challenges posed by Taiwan's high tariffs on US hops, which range from 2.5% for hop extract, 7.5% for hop cones and pellets, to 15% for unpelletized hops, and urged the administration to reconsider including tariff barriers in the negotiations.

Like IPEF, it remains to be seen what concrete outcomes will emerge from the talks with Taiwan.

**US-EU Trade and Tariffs**

The trade relationship between the US and the European Union remains on a broadly positive trajectory entering 2023. This follows the resolution in 2021 to a series of Trump-era trade disputes between the US and the EU related to aircraft subsidies and to the US steel and aluminum tariffs.

Despite the improved context, relations between the US and the EU have been troubled by recent legislation in both markets. In the US, the Biden Administration's Inflation Reduction Act has raised alarm in Brussels, which has criticized some of the administration's proposed subsidies for the manufacture of electric vehicles. For its part, the US has been critical of the EU's proposal to impose a "carbon tax" to imports of certain products, including metals and fertilizer.

Despite these issues, it is unlikely that the trans-Atlantic tensions will escalate into a broader trade dispute given the improvement in bilateral relations and greater engagement on trade in recent years.

**UK Hop Tariffs**

On January 1, 2021, the United Kingdom finalized its transition period out of the European Union and now implements an independent trade policy. With some exceptions for Northern Ireland, the UK no longer adheres to EU laws or regulations.

As a result of Brexit, the UK maintains its own schedule of import tariffs. These tariffs are similar to those the UK implemented as a member of the EU with some slight differences. The UK now implements an MFN tariff on hop

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**UK Hop Tariffs** *(continued)*

cones and pellets of 4.0%, compared to 5.8% in the EU. The UK also eliminated the prior 3.2% tariff on imports of hop extract.

The tariff situation for US hops in the EU and the UK is summarized in the table below.

**Table 2: EU & UK Tariffs on Hops**

HS Code	Description	EU Tariff on imports (Formerly also UK Tariff) - ended Decem- ber 31, 2020	New UK Tariffs (UKGT) on imports from January 1, 2021
12101000	Hop cones, fresh or dried (excl. ground, powdered or in the form of pellets)	5.8%	4.0%
12102010	Hop cones, ground, powdered or in the form of pellets, with higher lupulin content; lupulin	5.8%	4.0%
12102090	Hop cones, ground powdered or in the form of pellets (excl. with higher lupulin content)	5.8%	4.0%
13021300	Extracts of hops	3.2%	0.0%

Upon taking office, the Biden Administration inherited trade talks with the UK. These talks were initiated by the Trump Administration in May 2020 and reached an advanced stage. As part of this process, the US hop industry engaged with US negotiators and submitted comments to the Trump Administration stressing the need for the permanent elimination of all UK tariffs on US hops in a free trade agreement with the UK. Comments also sought amendments to the UK's policy toward the review of MRLs.

Despite the advanced nature of the trade talks, and the continued desire of the UK Government to secure a trade deal with the US, the Biden Administration chose not to continue negotiations upon taking office. There is no expectation of renewed US-UK trade talks in the near term.

The prospect of passing any major comprehensive trade agreement is further complicated following the expiration in July 2021 of Trade Promotion Authority, the legislative tool that allows the President to fast-track approval of a trade agreement with a simple up or down vote in Congress. Without TPA in place, the chances for the successful conclusion of US trade agreements, including with the UK, are reduced. Congress will need to reapprove TPA to allow any trade agreement to proceed.

If and when talks resume, a key priority for negotiations will be the UK's Sanitary and Phytosanitary (SPS) policies, particularly with respect to the establishment and setting of MRLs. The hope is that the UK's withdrawal from the EU will provide an opportunity for the UK to move away from the EU's hazard-based regime with respect to pesticide MRLs and align more closely with the United States. However, this issue will be challenging given it is a highly politicized in the UK, fueled in part by critical claims in the UK media about the safety of US agricultural imports.

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