



Specialty Crop Block Grant Program USDA, Agricultural Marketing Service

NON-TARIFF BARRIERS TO EXPORT FOR OREGON SPECIALTY CROPS

ABSTRACT

Oregon's presence in the international exports arena is increasing continuously and has shown great potential in foreign markets in recent years. Nevertheless, the lack of substantial representation in these markets is still a significant hindrance. Efforts in programs such as the outbound/inbound missions must be implemented in order to promote knowledge about Oregon's commodities and to enhance bilateral communication between buyers abroad and Oregon's producers. At the same time, continuing research requires sufficient funding in order to identify the effects of non-tariff barriers from each one of the targeted countries in order to support the development and expansion of Oregon's specialty crop exports.

During the past three years, marketing staff from the Oregon Department of Agriculture (ODA) has had the opportunity to travel to countries that were identified as viable target markets for specialty crops overseas. These focus countries consist of China, Japan, Taiwan, Korea and all the countries within the EU. By engaging in conversations with representatives from governmental entities in each one of those countries, ODA staff have been able uncover specific policies, pesticide residue level requirements, sanitary/phytosanitary certifications, and protocols that could represent obstacles for the future trades of specialty crops with these nations. By identifying and documenting these non-tariff barriers the ODA will be better equipped to readily provide the necessary information to inform and educate specialty crop producers before they attempt to enter these foreign markets. Simultaneously, this information will ensure the future development, prosperity and growth of the Oregon's specialty crops farm sector exports in future years.

SPECIALTY CROPS

Specialty crops include product such as fruits, vegetables, tree nuts, dried fruits, horticulture, and nursery crops, including floriculture. In 2009, Oregon specialty crop sales increased by 8.73% in all commodities exported to the focus countries (China, EU, Japan, Taiwan and Korea), giving to Oregon's specialty crop producers \$153,215,611 in sales, representing over 28% of the \$398,289,382 of specialty crop sold worldwide. The continuous increase in exports for specialty crop commodities reassures the fact that foreign markets are getting interested in new commodities other than the common commodities like corn and soybeans.

In order to construct a narrow view for this project, the focus will be on commodities that are pertinent to Oregon's specialty crop industry:

- Blueberries
- Cherries
- Onions
- Pears
- Potatoes

NON-TARIFF BARRIERS ON ENTRANCE

Non-tariff barriers are defined as trade barriers that rely on non-monetary means to discourage trade. These barriers may include export restraints, specific levels of pesticides residue, local content quota requirement, and administrative policies. (Peng 129). Restrictions on imports are concerned with protecting consumers, the environment, or agriculture from harmful diseases and pests that may accompany the imported product. Nonetheless, some countries use these barriers in order to protect and keep competitive products outside their frontiers.

Currently, organizations like the WTO Sanitary and Phytosanitary (SPS) have provisions on technical trade rules that recognize that all countries feel a responsibility to secure their borders against the importation of unsafe products. In that school of thought, many countries feel free to establish their own standards of entrance. (Sumner, Smith, and Rosson 5) Current WTO standards require countries to follow scientific justification for those sanitary, phytosanitary or MRL requirements in order to prevent countries from establishing barriers that are purely designed to obstruct international trade. Unfortunately, the WTO treaty is not subject to any international law that regulates trade practices; therefore, a specific country can develop their own non-tariff barriers and be hindrance of their exports by the countries with which they are doing the trade.

CHINA

The Chinese import market is perhaps one of the most rapidly growing consumer markets for the United States, but when it comes to Oregon’s specialty crop commodities it lags. Simultaneously, China’s recent accession to the WTO treaty on December 11, 2001 made this nation highly accessible and proactive in its progress towards the implementation of WTO’s market liberalization economy structure; however, in the past 4 years, China has established several non-tariff barriers of entrance on agricultural commodities as a way to compete in the global trading business. The following are some of the most relevant non-tariff barriers identified:

- Slow Bureaucratic Process and Communication.
- Certification, Permits, and License Discrepancies from Port to Port.
- Sanitary and Phytosanitary Certificates.
- Individually Quick Frozen (IQF) Fruit Discrepancies.
- Hong Kong.

| General Non-Tariff or Fact | Description |
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| <p>Slow Bureaucratic Process and Communication</p> | <p>The lack of a structured bureaucracy system and the inefficient communications between regional authorities and the Chinese government represent huge obstacles for exporters of Oregon specialty crop commodities. The fact that this nation is run by a communist party and has peculiar political differences among its main ports creates both barriers and opportunities that mainly hinder agricultural commodities entering the country. Many exporters spend a lot of time determining the specific certification programs needed for specialty crops in order to enter China’s marketplace. The track process is at times slow and inconsistent depending of the commodity being exported and may endure thorough inspection by quarantine officials in the port of entrance. Bureaucracy has become a significant non-tariff barrier for many exporters entering the Chinese market. Exporters trying to gain access into this market must be aware of these constraints and find out as much information regarding the specific local requirements of the port of entrance by developing relationships with port authorities.</p> |
| <p>Certification, Permits and Licenses Discrepancies from Port to Port</p> | <p>There are a number of obstacles regarding the approval of Agricultural commodities being imported into Mainland China that vary from port to port. Due to the China’s vast territorial size and its recent accession to the WTO, China is still adapting and working toward the implementation of regulations that will meet the WTO agreement and as a consequence, will ease the trading process in our nation. In the meantime, Chinese officials require from lack of knowledge a myriad of permits that will ensure that only healthy crops cross their frontiers. There are</p> |

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| | <p>specific certifications permits and licenses that are required upon entrance.</p> |
| <p>Quarantine Inspection Permit</p> | <p>One of the most important permit requirements is the QIP's (Quarantine Inspection Permits) which ensures that the commodity being imported is free from pathogens and pests. Importers must obtain a QIP prior to signing contracts with exporters and must prove it has been written into the contract. The issuance of QIP's has become one of the major non-tariff barriers that are adversely affecting the US agricultural market. In regards to specialty crops, Chinese authorities may require QIP's for Oregon specialty crops because they are fearful of any new product. This requirement then may not be a science-based requirement but more of a protective determined by the specific port.</p> <p>There are instances when Chinese importers that are interested in selling a US product don't know about QIP requirements or they consider them irrelevant or expensive considering the total order. Importers proceed to order the product without a QIP certificate and then face the consequences of having the product stuck in port or entirely rejected. QIP's must be submitted to the Chinese government in advance by the customer in China and then an American exporter will comply by providing a sanitary or phytosanitary certificate that gives all the necessary information about the product ensuring the product is safe.</p> |
| <p>Sanitary and Phytosanitary Certificates</p> | <p>The official way to deal with the issue of sanitary and phytosanitary certificates is through the US Trade Representative Office, US Department of Agriculture National Office, and the US Plant Health Inspection Services Aphis. All these agencies are capable of issuing requested phytosanitary and sanitary certificates for commodities that are in the process of being exported. Due to the small volume of Oregon's specialty crops in the overall US trade objectives, there is not real interest by these US agencies to prioritize the issuance of specialty crop certificates so this process usually become slow bureaucratic processes. The reason of this is because these US entities are mainly focused on solving problems or issuing such certificates for other crops of high volume like soybeans, corn and other commodities that are more relevant to national trade objectives.</p> <p>ODA's assistant Director Dalton Hobbs suggested that by employing agricultural university officials within China to act as experts there is a greater chance of getting a certificate that will be respected by Chinese inspection authorities and ultimately gain access across the Chinese border. An agricultural university official can make a case for the specific product and develop a</p> |

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| | <p>scientific basis that could determine the safety of the product being imported. Agricultural University officials' opinion and certifications are highly recognized for their technical expertise by Chinese authorities, so this is a great resource that could be used in order to gain access to a document that specifies the technical needs of inspection authorities without a language barrier.</p> |
| <p>Individually Quick Frozen (IQF) Phytosanitary Discrepancies</p> | <p>IQF shipments to China have had obstacles when attempting to gain access into Chinese ports. The reason for these obstacles has its roots in conflicting regulations among Chinese and US phytosanitary procedures. While Chinese health inspection authorities considers that a phytosanitary certificate is necessary for frozen commodities (IQF) the US holds that IQFs are only intended for processed food items; therefore, they don't require such a certificate. The US doesn't provide phytosanitary certificates for IQFs in part because of the fact that the majority of the country in the world accepts this as common practice except China. As an approach to solving this problem, the Agricultural Marketing Department (AMS) from the Oregon Department of Agriculture is in charge of issuing this kind of phytosanitary certificates for IQFs; however, there is still the risk of the product being rejected because the document is not coming directly from the USDA but from an entity of lower hierarchy.</p> |
| <p>Hong Kong</p> | <p>Hong Kong currently uses an entirely different set of trading policies than those used in Mainland China because they operate their own separate customs territory. Even though Hong Kong is part of the PRC, its been only 13 years since Hong Kong had their sovereignty transferred from the UK. Before 1997, Hong Kong was already a key trading center for Asia and worldwide. Their unification with the PRC has not change any of those practices, but allows them to have autonomy in their trading practices and continue to be a proactive trading hub. Hong Kong as a general rule, has a much more organized and transparent trading system than China because they fully adhere to international standards, benefiting their trading partners with both the WTO and APEC.</p> <p>Mainland China, on the contrary, just opened their doors to trade when they signed up with the WTO in 2001. This explains then, their lack of experience in their trading sector and the myriad of limitations on market access that this country has.</p> <p>By having a well-established list of MRL requirements and good trading policies, Hong Kong has been able to facilitate the import of small and medium-sized US firms and first time exporters that are able to meet the requirements needed.</p> |

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| <p>Food Safety Regulations</p> | <p>In order to regulate the food market and ensure the safety of imported food, China issued a series of laws and regulations over the past three decades. They cover quarantine and inspection of imported and exported animal and plant products, safety of imported transgenic agricultural products and registration of manufacturers of imported food products. The government also frequently updates a list of countries that are allowed to export fruits and a list of fruit types that are allowed to enter China, most recently updated on October 16, 2008. Relevant regulations also include those set forth by the Food Hygiene Law of the People’s Republic of China. The State Bureau of Inspection and Quarantine for Customs is in charge of inspection, supervision and administration of safety and quality of imported and exported food in China.</p> |
| <p>Food Inspection and Quarantine Procedure</p> | <p>When imported food arrives at a Chinese port, importers or their agents must declare the goods at inspection and quarantine agencies located at the port and provide freight bills, commercial bills and hygiene documents of the food products, among others. Once the documents are checked, importers or their agents are granted a pass for their goods. After clearing customs, the goods must be placed in warehouses that are certified by the inspection bureaus. Inspectors will conduct on-site assessments and tests by randomly drawing samples.</p> <p>In line with China’s food standards, the food production situation of exporting countries, the status of the goods during transport, storage and on-site inspection, inspectors determine what sort of laboratory testing is required of the samples. While the samples are being tested in the lab, the goods must be sealed off. After sample testing, inspectors may issue a certificate that warrants the sale of the goods in the Chinese market. Otherwise, the goods will be destroyed, returned or diverted for other uses.</p> |
| <p>food labels Regulation</p> | <p>China has laws governing food and product labels and a specific set of regulations on labels for imported and exported food. A label certificate must be granted for imported or exported food. For food products that are the same variety and have the same manufacturing process but different pack size or packaging, only one combined application is required. Samples are needed for the application, and they should be representative of the food products and conform to the requirements of the food label.</p> |

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| <p>Recommendations</p> | <p>Even though there are many non-tariff barriers upon entrance to the Chinese market, there are also ways to get around them or at least to develop a preventive analysis to determine the feasibility of international trade with China. By asking key marketing staff from the Oregon Department of Agriculture about ways to overcome non-tariff barriers, we concluded with the following approaches:</p> <p>First, gain conditional access for Oregon commodities at the provincial level instead of introducing new commodities into large ports like Beijing; first time exporters and medium- sized firms could have better chances of success because security levels tend to heighten as the port size increases and more commodities enter through them. By starting small, a new exporter may gain experience and develop relationships on how to market their product on Mainland China without suffering significant losses which would result from starting too big.</p> <p>Second, a preferable way to facilitate the assimilation of Oregon commodities would be to develop relationships with local Chinese authorities. According to Chinese government authorities, it is very important to develop relationships with provincial officials in order to try to gain access to the specific port. Also the relationships between the State trading officials and provinces in China can open many doors for Oregon specialty crops as a state represents a formal entity in the eyes of Chinese provincial authorities, giving more validity and trust of the quality in the product.</p> <p>Third, when the US government is unable to help in the issuance of certificates for sanitary and phytosanitary certificates due to bureaucratic issues; US firms could employ agricultural university officials within China to act as experts and develop a scientific basis for the proposal of a specific product entering the Chinese market. This approach could provide be an excellent opportunity to gain access using Chinese expertise and overcoming the language barrier. The technical expertise that comes from Chinese Agricultural Universities is highly regarded among the Chinese quarantine authorities and could develop a pathway that could grant the passage of many Oregon specialty crops that are seeking a niche in China.</p> <p>Fourth, by introducing commodities in ports from Hong Kong that has well established and transparent requirements, a commodity could have an easy access as long as it meets the requirements and eventually find its way to be exported again to Mainland China. By taking advantage of the trading agreements that Hong Kong has with Mainland China an exporter could meet its final shipment destination.</p> |
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| | <p>Lastly, by using the voluntary MRL testing program offered by the Oregon Department of Agriculture, a specialty crop producer will be able to identify the current MRL needs that in this case; China needs in order to have better chances of success.</p> |
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Commodity: Pears 2008 (in Tons '000) (2003-2008)

| Trade Status | Main Competitors | Market Share % | Domestic Production |
|--------------------|----------------------|-----------------|---------------------|
| Limited Acceptance | Japan | - % | 13,924.3 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 0.01 | - | - % | 5.65% |
| US Price Range | Domestic Price Range | | |
| - | US\$.58 - US\$4.41 | | |

| Specific Non-Tariff or Fact | Description |
|---|--|
| Pears are an Important Crop in China | Pear cultivation is a pillar industry of the local agricultural economy, and the production of pears is very important to improving farmers' living standards and promoting agricultural development in China. |
| Limited Pear Imports from US | <p>China only imported 100 tons and 500 tons of fresh pears from the US in 2003 and 2004, respectively. From 2005 to 2008, China primarily imported pears from surrounding countries like Japan and Thailand, and almost never from the US. On the contrary, China exported 10,612.3 tons of fresh pears to the US in 2008.</p> <p>China mainly consumes domestically produced pears, which are cheaper than imported pears and are of good quality. Over 93% of the pears consumed by China annually are produced in China. If the cost of pears imported from the US were closer to domestic pears in price, they will have a bright future in the Chinese market.</p> |
| No Price Advantage | <p>China mainly consumes domestically produced pears, which are cheaper than imported pears and are of good quality. Over 93% of the pears consumed by China annually are produced in China. If the cost of pears imported from the US were closer to domestic pears in price, they will have a bright future in the Chinese market.</p> |

Commodity: Potatoes 2008 (in Tons '000) (2003-2008)

| Trade Status | Main Competitors | Market Share % | Domestic Production |
|--------------------|----------------------|-----------------|---------------------|
| Limited Acceptance | Japan | - % | 74,304.0 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| | 0.000088 | .38% | 1.45% |
| US Price Range | Domestic Price Range | | |
| - | US\$.25 - US\$2.25 | | |

| Specific Non-Tariff or Fact | Description |
|--|---|
| The US is the biggest exporter of potatoes to China | The import source markets of potatoes for China are relatively concentrated, with Europe and the US as the leading importers. In 2008, the quantity of potatoes imported from the US to China was 49 tons, accounting for 80.8% of the total import. Though the figure has not reached the highest level of 55 tons in 2004, the US share remains strong. The US has technological and management advantages in potato processing, and its potatoes in China are quite competitive. Frozen potatoes from the US are particularly competitive, as they account for 72.5% in total import of frozen potatoes to China on an annual average basis from 2003-2008. The quantity of dehydrated potatoes from the US shows a rapidly increasing trend. With the constant changes of the Chinese consumer's dietary habits, and because the potato processing technologies in China are underdeveloped, the two markets of imported frozen potatoes and dehydrated potatoes are showing potential, and are expected to be the new growth point of the imported potatoes in the future. |
| Frozen Potatoes | Potatoes in frozen form are a bigger import compared to fresh potatoes. There is a 1.78% CAGR of frozen potatoes as 2008. |
| Domestic Potato Production | The potato is among China's most promising and prolific cash crops for multiple reasons, including: <ul style="list-style-type: none"> - Drought resistance - High productivity - High efficiency - Wide adaptability - Full and rich nutrients - Usability as grain or featured dish - Extensive comprehensive process applications <p>In recent years, its planting area shows a rising trend, and has exceeded 88 million Mu (1/6 acre), which accounts for one-quarter of the world's total planting area. In terms of scale, China is the world's potato production superpower.</p> <p>In China, in accordance with the North-South differences in climate and living conditions, the planting area is divided into the north as the first season planting zone, the central plains as the second season planting zone, the south as the winter planting</p> |

zone and the southwest as both a first and second season planting zone. The four regional areas are in vertical distribution. The main provinces including Inner Mongolia, Gansu , Guizhou, Heilongjiang, Shanxi, Yunnan, Shaanxi, Sichuan, and the Hubei provinces, which are generally in the cold mountains and high altitude areas. Among them, the Northeast region (including Heilongjiang, Jilin, Liaoning Province) is China’s famous potato production base with its advantages of rich cultivated land resources, favorable natural conditions and a full range of processing industries. Although China’s potato planting is large in scale and its developing is in good shape, a low yield of hybrid varieties, serious degradation, and motley species are the urgent problems needed to be solved in its planting areas.

Commodity: Cranberries and Blueberries 2008 (in Tons ‘000) (2003-2008)

| Trade Status | Main Competitors | Market Share % | Domestic Production |
|-----------------------|----------------------|-----------------|---------------------|
| Accepted | North Korea | - % | 14.6 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| .7 | 0 (during 2008) | - % | 48.67% |
| US Price Range | Domestic Price Range | | |
| US\$ 30.71–US\$ 47.63 | US\$.25 - US\$2.25 | | |

| Specific Non-Tariff or Fact | Description |
|---------------------------------------|--|
| Small Imports from the US | The cranberries and blueberries imported by China from the US normally take up a small proportion of less than 10%, except for in 2005, when imports from the US took up 28.6% of total imports. The figure decreased to 6.0% in 2006. In 2006, China mainly imported cranberries and blueberries from Sweden and North Korea, which took up 80% of total imports. In 2007, cranberries and blueberries imported from the US took up a proportion of 2.0% of total imports. As more consumers recognize the health benefits of cranberries and blueberries as well as with the improvement of consumer income, consumption of cranberries and blueberries will increase. The US, as one of the original countries producing cranberries and blueberries, is expected to export more cranberries and blueberries to China. |
| Customer Perception of Imports | In 2006, China mainly imported cranberries and blueberries from Sweden, North Korea, Russia, Denmark and Finland. In 2008, China imported just 686 tons cranberries and blueberries from North Korea. Cranberry production and processing industries are in their early stages in China. Consumers favor overseas products when purchasing blueberries because domestically-grown blueberry |

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| | varieties were introduced by overseas countries, and the quality of locally-grown blueberries lag behind their imported counterparts. However, since imported blueberries are priced high, at approximately two times more than domestic ones, blueberry jam and wine manufacturers of the food processing industry mostly use domestic blueberries, especially domestic wild blueberries. Upscale restaurants, such as Hilton, will use imported cranberries and blueberries. |
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Commodity: Cherries 2008 (in Tons '000) (2003-2008)

| Trade Status | Main Competitors | Market Share % | Domestic Production |
|-----------------------|----------------------|-----------------|---------------------|
| Accepted | Chile 85%MKSH | 15% | 102 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 3.3 | .50 | -14.83% | 27.7% |
| US Price Range | Domestic Price Range | | |
| US\$ 30.71–US\$ 47.63 | US\$.25 - US\$2.25 | | |

| Specific Non-Tariff or Fact | Description |
|-----------------------------|---|
| Small Imports | <p>Apart from 2003 and 2005, when the import volumes of cherries were 1300 tons and 40 tons respectively, the remaining years from 2004 to 2008 saw imports of 100 tons to 500 tons. During 2003-2005, imports showed a rapid downward trend, while after 2006, imports started to resume a growing trend. The proportion of US cherries in total imports fluctuated over the review period. The highest proportion was 90.4 % in 2003, standing at around 13.5% in 2008. In 2008, cherries that mainland China imported from Chile accounted for a larger proportion at 85%. Although the import volume of cherries from US in 2008 increased compared with previous years, the proportion in total imports declined.</p> <p>Few consumers have experience with US cherries, largely because of their high price. Although the price decreased compared with previous years, it is still high for the national consumption ability. This has become the biggest obstacle for cherries entering the daily fruit consumption ranks in China. In addition, the import and sales channels of US cherries are simple, and dealers have to sell quickly in a short time due to a short storage period. Therefore, the sales of US cherries do not increase and the price cannot fall down. In addition, the taste of the domestic big cherry varieties that were successfully introduced from Euro-America has gradually closed to imported products, with a much lower price, therefore favored by consumers.</p> |

HONG KONG

Cherries Imports to Hong Kong During 2008

Commodity: Cherries 2008 (in Tons '000) (2004-2008)

| Trade Status | Main Competitors | Market Share % | Domestic Production |
|-------------------|-------------------|-----------------|---------------------|
| Accepted | Chile 60.4% | 32.2% | - |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 11.9 | 3.6 | 1.98% | - |
| US Price Range | Other Price Range | | |
| US\$ 15–US\$ 22.5 | US\$ 6 - US\$23 | | |

| Specific Non-Tariff or Fact | Description |
|--|--|
| US Cherries in Hong Kong | <p>The market share of US cherries declined significantly over the review period from 69.2% of total imports in 2003, to 32.2% in 2008. Between 2003-2008, the total import of cherries from the around world increased at CAGR of 9.2%, but import of US cherries experienced a declining CAGR 6.3%. In 2008, the US lost its position as the primary cherry exporter to Chile, which supplied 60% of total cherry imports in that year.</p> <p>Bing cherries from the US are hugely popular with Hong Kong consumers. However, as the US is losing market share to other exporters, it would need to introduce more varieties into Hong Kong in order to remain.</p> |
| Hong Kong consumers prefer US cherries when available | <p>US cherries are known for their larger size and sweet varieties, Bing cherries being the most popular. However, the US currently faces competition from Chile and Australia, who also produce Bing cherries. US produce is synonymous with quality in the local consumers' mindset, however. Although they cannot tell the difference between a Bing cherry from the US, Chile, or Australia, if they are aware of the country of origin, they are likely to opt for those from the US.</p> <p>The US also exports small quantities of dried cherries to Hong Kong. However, volumes account for a minute portion of the local cherry market.</p> |

Pear Imports to Hong Kong During 2008

Commodity: Pears 2008 (in Tons '000) (2004-2008)

| Trade Status | Main Competitors | Market Share % | Domestic Production |
|-------------------|-------------------|-----------------|---------------------|
| Accepted | China 77.8% | 7% | - |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 25.9 | 1.794 | 4.28% | - |
| Other Price Range | | | |
| US\$ 5 - US\$ 6 | US\$2.55 - US\$23 | | |

| Specific Non-Tariff or Fact | Description |
|--------------------------------------|---|
| Low US Pear Imports | During 2003-2008, US imports represented around 4- to 7% of total imported fresh pears consumed in Hong Kong. In 2008, about 7% of pears consumed in Hong Kong were imported from the US, a record high over the historical period. This is because a new variety of pears from the US, called Anjou, was launched in the market and enjoyed great market popularity. They have a different taste, and are typically smaller with a more intense color as compared to pears already available in the market. They are crunchy, instead of soft and juicy. Looking forward, with the newly popular Anjou pears in winter, US pears are expected to share more of the fresh pears market if exports of more Anjou pears continue. Chinese farmers are unable to grow Anjou pears in China at present. |
| US Leadership in Pear Imports | Potatoes from the US are very popular in Hong Kong. They occupied the top position for the fresh and frozen potato markets. The US is one of the largest potatoes exporters in the world and provides potatoes of high quality at low prices. The US exported 4,249 tons of fresh potatoes in 2008 and occupied 43.1% of the total fresh potatoes market. The US exported 27,000 tons of frozen potatoes in Hong Kong, occupying 96.2% of the frozen potato market. However, Germany held the leading position for dehydrated potato imports, with 95.2% of the import market. |

Potato Imports to the Hong Kong During 2008

Commodity: Potato 2008 (in Tons '000) (2004-2008)

| Trade Status | Main Competitors | Market Share % | Domestic Production |
|-----------------------|---------------------|-----------------|---------------------|
| Accepted | China 32.4% | 43.1% | - |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 46.8 | 4.249 | 13.16% | - |
| US Price Range | Other Price Range | | |
| US\$ 1.39 - US\$ 1.65 | US\$2.32 - US\$2.56 | | |

| Specific Non-Tariff or Fact | Description |
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| Consumer Perception of US Potato | In general consumers have high confidence in US produce, despite initial concerns regarding genetic modification advances. It seems that the general public accepts the improved quality of US imports, and only a small portion of Hong Kong consumers, mostly environmentalists, are against genetically modified foods. Genetically modified US produce is seen as more favorable, compared to potentially unsafe Chinese produce, because of consumer confidence regarding these countries' exports. |

Cranberry and Blueberry Imports to Hong Kong During 2008

Commodity: Cranberry and Blueberry 2008 (in Tons '000) (2004-2008)

| Trade Status | Main Competitors | Market Share % | Domestic Production |
|-------------------|-------------------|-----------------|---------------------|
| Accepted | Chile | 16.4% | - |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 1.6 | .22 | 20.09% | - |
| US Price Range | Other Price Range | | |
| US\$ 17.7–US\$ 68 | US\$23 - US\$32 | | |

| Specific Non-Tariff or Fact | Description |
|---------------------------------------|---|
| US Berries Dominate the Market | US produce has a reputation for good quality and adhering to strong food safety and hygiene standards. US cranberries and blueberries are known for their Highbush varieties, and are often compared with New Zealand and Canada imports, both of which are known for their high quality and food safety standards. The market share for US berries has declined over the review period, accounting for only 16.4% of total imports in 2008, from a |

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| | <p>high of 40.2% in 2006. This is in contrast to the CAGR of 36.8% for total cranberry and blueberry imports over the same period. Despite declining volumes for US imports, US dried and fresh berries remain the most common varieties available in the retail channel. Chilean berries are mostly diverted into food service channels, or re-exported. Retail consumers' preference for US berries is due to their association with the high quality and freshness of US produce overall. Promotional activities on the part of the US Berry Council have proven effective and fruitful, and should be sustained, in order for the US to maintain their high profile and strengthen their market position for these commodities.</p> |
| <p>Hong Kong consumers prefer US Blueberries and Cranberries</p> | <p>Fresh cranberries and blueberries are mainly imported into Hong Kong from Chile, the US and New Zealand. Chile and the US had a combined market share of 73%, supplying 756.8 tons and 219.7 tons respectively, in 2008. Chile's export volume to Hong Kong in 2008 increased almost 13 times the volume of 2007, and overtook New Zealand as the leading supplier of these commodities to the island. The surge in Chilean global exports in 2008 was due to improvements in Chilean phytosanitary protocol, which also led to an increase in export volumes of berries to China. Most cranberries are imported from the US and Canada, while Chile, the US and New Zealand are the major suppliers of blueberries.</p> <p>Dried cranberries and blueberries are imported into Hong Kong mainly from the US, New Zealand, and Canada. Import volumes ranged from 124 tons to 272 tons over the review period. US imports of fresh and dried cranberries and blueberries are generally preferred to those from other countries, due to high consumer confidence in produce originating in the US, and also the number of varieties available from the US.</p> |

EUROPEAN UNION

The European Union has had a longstanding trading relationship with the United States. Some of EU members states such as Germany, Spain, Netherlands, UK and Italy are placed among the top 20 most productive import countries of Oregon specialty crops. In 2009, Oregon specialty crops exported to the EU generated \$31,393,878 profit, with a steady 3.67% growth since 2003. Despite this generally positive trend, some EU countries have imposed many non-tariff barriers on US agricultural commodities that make the process of exporting highly frustrating for Oregon agriculture producers. The following are some of the most relevant non-tariff barriers on entrance identified:

- Biotechnology Safeguard Clauses.
- Market-based Certificates.
- Traceability and Labeling.

| General Non-Tariff or Fact | Description |
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| <p>Biotechnology Safeguard Clauses</p> | <p>At the governmental level, the EU accepts most international hygienic standards established by the WTO for imported foods, easing the process for exporters to meet their regulations and introduce their products to the EU. Nonetheless, even when the European Union does approve a particular biotechnology product, the EU biotechnology legislation permits individual member states to invoke their own national bans under so-called "safeguard" clauses. Since 1998, EU's Council of Ministers has not agreed upon the approval procedures for biotechnological agriculture in all EU member states; a decision that has been affecting and become inconsistent with the WTO trading regulations. This prohibition has been affecting consumer behavior and also the strict nature of safeguard restrictions that each country establishes on the entrance of goods. Despite the fact that the EU's scientific authority has offered a positive safety assessment for every GMO product reviewed, the EU biotechnology commission permits individual member states to invoke their own national bans wherein each country establishes their standards of entrance according to their own scientific constraints. Even though most of Oregon specialty crops are not genetically modified, a phytosanitary certificate may still be needed in order to validate the maximum crop residue levels. Since specialty crops also include processed food commodities, exporters must provide attention to the ingredients and their origin. Many ingredients derived from corn and soy are commonly used in most processed food products, and these frequently contain genetically modified components that could encounter resistance from European markets upon entrance.</p> |

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| <p>Market Based</p> | <p>Another key EU non-tariff barrier is the need for implementing market-based certifications in order to meet both industry and consumer standards on quality and sustainable practices. By implementing these market-based standards, the specific company or product will be transparent and consistent in their policies for the manufacture of the specific product entering the European market. Due to current emphases on sustainability and social responsibility, retailers, food service operators and ultimately consumers want to see certifications that scientifically demonstrate that products meet with these desired sustainable practices along with pre-existing health and hygiene regulations. This could represent a hindrance for Oregon specialty crop producers, for having a third party company audit them could cost between 5 to 10 thousand dollars, in addition to the numerous manufacturing or agricultural modifications that they need to implement in order to meet the criteria for certification. A company must have a product that has good market potential in order to justify the investment and deem it worthwhile. The following standards are not required by the EU or by the specific member state authorities, but are key factors in product acceptance at the retail marketplace and are highly valued among potential European consumers.</p> <p>GAP – Good Analytical Practice GMP - Good Manufacturing Practices GHP – Good Handling Practices BRC - British Retail Consortium</p> <p>By investing in these certifications a specific company could increase their market share overseas plus be accepted in many other countries because of the importance of these certifications worldwide. Nevertheless, a throughout assessment has to be done to determine the feasibility of this project.</p> |
| <p>Traceability and Labeling</p> | <p>Traceability regulations were begun in 2004 as an effort to establish parameters on the origins of ingredients and to inform the consumers if there are any biotechnologically altered ingredients in the product. The requirements also include an obligation to label food products containing GMO-based ingredients. Many producers, in response to those labeling requirements, have completely altered their formulas in order to meet with this barrier, which significantly degrades the quality of the product in the eyes of European consumers.</p> <p>Some directives concerning the labeling of processed food products listed in the GAIN Report Number: E48078 on the Annual European Union Report 2008. These directives have been</p> |

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| | <p>established as a way of enabling European consumers to receive comprehensive information on the contents and the composition of the product's ingredients and thus make informed choices when purchasing their food products.</p> <p>Also, products may only be called "organic" when manufacturers fulfill strict EU regulations regarding organic agriculture standards. All products that contain more than 0.9% of genetically modified organisms must be labeled as such. Each genetically modified ingredient must be listed.</p> <p>http://www.fas.usda.gov/gainfiles/200807/146295146.pdf</p> |
| <p>Common Customs Tariff</p> | <p>The EU is a customs union, which means that there are no customs barriers between the member states. The European Union has common customs tariff, which regulates the price of imported products irrespective of the country. As a member of the EU, Denmark adheres to this regulation, which requires the member country to circulate all imported products freely within the EU. The level of tariff depends on the source country for the product.</p> <p>Regulation (EC) No178/2002 enforces the common principle for food products by the European Union. The EC regulation clearly defines the products affected and their required quality standards. The import duty for raw materials in Denmark is based on quantity rather than the value of the products. Import restrictions are enforced for protected agriculture products, vehicles and trade with Eastern Europe and other Far East countries.</p> <p>Many agricultural products require an import license, which can be obtained from the agricultural board. Fresh fruits and vegetables are required to pass quality control, and in some cases, pesticide control. Fresh fruits and vegetables from third world countries are also scrutinized on plant health and quality. As of January 2008 almost all fruits and vegetables sold in Denmark need to be labeled with their country of origin.</p> |
| <p>Custom Process</p> | <p>Goods imported from a non-EU country need to be cleared through customs. This means that a customs declaration needs to be presented, and that charges for customs duty and other taxes need to be paid. The customs declaration can be presented either electronically or on the form Single Administrative Document (SAD). Normally, customs duties and VAT are paid at the time of import.</p> <p>Customs officials need to make sure that the information in the declaration is accurate; therefore, certain documents need to be enclosed to certify the information. Examples of certifying</p> |

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| | <p>documents are:</p> <ul style="list-style-type: none"> - Commercial invoice - Customs value declaration 5 - Freight bill - Certificate of origin <p>If the customs value of the shipment exceeds US\$15,905.00 (€12,724), a customs valuation declaration must be filled out. This is required in order to show all costs, as well as and other circumstances that may have affected the price of imported goods.</p> |
| <p>The Danish Labeling Requirements</p> | <p>The DVFA and the Danish Plant Directorate (part of the DVFA) are responsible for the labeling of all foods in Denmark. In addition to following strict rules and regulations imposed by the EU, these organizations must also follow national standards. Generally, a label should contain information about nutrition, quality standards and whether it was organically produced. For example, since January 2008, the EU has imposed a standard requiring almost all fresh fruits and vegetables to display their country of origin on the label. There are several standards that need to be met in terms of fruits and vegetables, such as quality, size, presentation, labeling and classification. Denmark has adopted European Union directives for food labeling, including the EU directive for “product-specific legislation.” One such directive that has been adapted for Danish national law is 200/13/ EC, which specifies the general labeling requirements for pre-packaged foodstuffs for retail sale to the consumer or catering industry. All products must be labeled with a list of ingredients, net quantity, expiration date, storage conditions, the name and full address of the manufacturer and instructions for use.</p> |
| <p>German Quality Checks</p> | <p>While the Federal Bureau of Agriculture and Nutrition (Bundesanstalt für Landwirtschaft und Ernährung) oversees quality checks of imported goods, the veterinary/phytosanitary administrations at ports and airports are responsible for checking phytosanitary certificates, which have to be issued in the country of origin. Goods are then checked again by the German phytosanitary authorities. EU Regulation 2000/ 29/ EG lists all requirements and products that need a phytosanitary certificate for imports into the EU. Pistachios, almonds and peanuts and are also subject to toxin checks at customs when imported from certain countries. For US imports this applies for almonds. Importers have to apply for these checks at certain custom locations and goods are kept by authorities until results are available.</p> |
| <p>German Packaging</p> | <p>In February 2008, the German Parliament consented to the 5th</p> |

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| <p>Requirements</p> | <p>Amendment of the Packaging Regulation, which fully came into force on January 1, 2009. The general obligation to participate in a dual system is new: “packages filled with ware” for the final private consumer may only be transferred onto the market if the initial circulator participates in a dual system. Branch solutions for small enterprises to be registered in the relevant federal county authorities are exempt from this mandatory participation. From January 1, 2009 on it is no longer obligatory to mark the packaging material with the Green Point.</p> |
| <p>EU Regulation on Pesticides</p> | <p>For re-exports into other European countries, one must to consider different requirements; for example the allowed amount of pesticides used on fruit is lower in other EU countries. In 2005, the EU Commission created a standardized base for the Europe wide directive for maximum residue levels with the Regulation (EC) N° 396/2005 on maximum residue levels of pesticides in or on food, plant feed and animal origin thus amending Council Directive 91/414 EEC. However, the decisive Titles II to IV of this regulation in which the various maximum residue levels are determined were only published in March 2008. The regulation completely entered into force in September 2008. This delay was due to the fact that all now harmonized maximum residue levels were once again scientifically examined with respect to the latest safety criteria and standards.</p> |
| <p>UK’s Mix of legal and voluntary labeling</p> | <p>Food label regulations applicable in the UK are the EU’s labeling requirements, which have been transposed into national law by The Food Labeling Regulations of 1996 and The Food Labeling (Amendment) Regulations of 1998.</p> <ul style="list-style-type: none"> - The Food Labeling Regulations require food to be marked or labeled with: - The name of the food; - A list of ingredients; - The amount of an ingredient that is named or associated with the food; - An appropriate durability indication; - Any special storage conditions; - The name of business and manufacturer; - The place of origin; - The process used in manufacture; and - Instructions for use. <p>In addition to legal requirements, the UK Food Standards Agency (FSA) has introduced the “traffic light labeling system,” which is used by some retailers and manufacturers. Food products with traffic light labels on the front of the pack show consumers at-a-glance if the food product has high (red), medium (orange) or low (green) amounts of fat, saturated fat, sugars, and salt. Other</p> |

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| | <p>manufacturers and retailers that do not agree with the FSA's approach to use a different system that displays Guideline Daily Amounts (GDAs).</p> <p>Starting on June 1, 2009, standards were repealed for 26 products: apricots, artichokes, asparagus, avocados, beans, Brussels sprouts, carrots, cauliflower, cherries, chicory, cucumbers, cultivated mushrooms, eggplant, garlic, hazelnuts in shell, headed cabbage, leeks, melons, onions, peas, plums, ribbed celery, spinach, walnuts in shell, water melons, and zucchini. This was done in order to reduce unnecessary bureaucracy by getting rid of a number of marketing standards. The proposals maintained specific marketing standards for 10 products that account for 75% of the value of EU trade: Apples, citrus fruit, kiwifruit, lettuce, peaches and nectarines, pears, strawberries, sweet peppers, grapes and tomatoes. However, Member States can also exempt these from the standards if they are sold with an appropriate label. In practical terms, this means that an apple that does not meet the standard could still be sold in a shop, as long as it is labeled "product intended for processing," or equivalent wording. The move is intended to encourage retailers to stock less-than-perfect fruit and to ensure informed consumer choice with better transparency in fresh produce labeling, as well as helping to decrease the wasting of food. This has been a particularly popular practice among recession-hit UK consumers looking for value products in stores.</p> |
| <p>Recommendations</p> | <p>The entrance requirements for member states in the EU are typically based on local science requirements, and politics that, unfortunately, differ between countries and make their barriers very exclusive. By locating ports with efficient infrastructure and loose entrance requirements, an exporter could find an entry point through which to redistribute goods to other EU member states. Also, ports that are presently recognized as imported-food hubs with good storage infrastructure could provide a smoother import process that ultimately could transition into a cost-efficient option, in comparison to shipping directly to the targeted country from the country of export. Northern ports such as Hamburg, Germany, Rotterdam of the Netherlands, and the ports of Antwerp and Bruges-Zeebrugge in Belgium are some of the primary and most experienced food-hubs ports of Northern Europe, due to their good logistical infrastructure and experience in redistribution throughout the entire EU. By developing relationships with these ports and shipping/logistic companies, an exporter could develop a viable strategy to avoid obstacles imposed from strict countries.</p> <p>Private sector certificates also present a hardship for products</p> |

entering the EU marketplace. Depending of the volume size of the commodity being exported, a specific producer or exporter should consider the feasibility and implementation of certificates like the EUROGAP or the British Retail Consortium in order to have a successful introduction of their product into the EU. The investment in quality certificates are essential when trading with the EU, as these will open the doors of many retailers all throughout the EU and will allow the product producers to gain trust among its final consumer and target population. By carefully studying each country's requirements before sending a product to any European port, an exporter will be able to customize his product to the specific country requirements. With thorough research, an exporter will recognize ingredients that come from genetically modified organisms, for instance, and avoid their usage by modifying formulae. Additionally, an exporter will have an opportunity to format their product's label according to the specific nutrition needs per country standards. Also by sending samples for revision by quarantine authorities and constant communication with import officials from the designated port of entrance will be necessary prior the shipment of the final order. A company or exporter is encouraged to make these modifications in accordance with a well-studied international business plan that justifies and ensures good return on investments from the sale of Oregon specialty crops in the European Union.

Cherries Imports to the EU During 2008

Commodity: Denmark - Cherries 2008 (in Tons '000) (2003-2008)

| Trade Status | Main Competitors | US Market Share % | Domestic Production |
|----------------|----------------------|-------------------|---------------------|
| Accepted | Netherlands 27.8% | .1% | 1.9 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 1.6 | .001 | -36.90% | -19.72 |
| US Price Range | Domestic Price Range | | |
| - | US\$ 8 - US\$15 | | |

Commodity: Germany - Cherries 2008 (in Tons '000) (2003-2008)

| Trade Status | Main Competitors | US Market Share % | Domestic Production |
|----------------|----------------------|-------------------|---------------------|
| Accepted | Hungary 31.4% | .1% | 40.1 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 49.4 | .1 | -30.77% | -8.38% |
| US Price Range | Domestic Price Range | | |
| - | US\$4.96 - US\$10 | | |

Commodity: The Netherlands - Cherries 2008 (in Tons '000) (2003-2008)

| Trade Status | Main Competitors | US Market Share % | Domestic Production |
|----------------|----------------------|-------------------|---------------------|
| Accepted | Greece 52.3% | 1.7% | .4 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 18.4 | .3 | -36.90% | 12.25% |
| US Price Range | Domestic Price Range | | |
| - | US\$ 18.30 - US\$24 | | |

Commodity: The UK - Cherries 2008 (in Tons '000) (2003-2008)

| Trade Status | Main Competitors | US Market Share % | Domestic Production |
|----------------|----------------------|-------------------|---------------------|
| Accepted | Spain 22% | 20% | - |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 16.5 | 3.3 | 4.74% | - |
| US Price Range | Domestic Price Range | | |
| - | US\$ 7.80 - US\$18 | | |

| Specific Non-Tariff or Fact | Description |
|-------------------------------|--|
| US Cherries in Denmark | US supply of cherries to the Danish market is minimal – over several years the US did not import any cherries to Denmark, and has failed to gain a visible share of the market at any point. In 2008, the US supplied only one ton of cherries (0.1% of imported volumes). Given the logistical difficulties in importing cherries from the US, in addition to the well-established domestic |

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| | <p>production of cherries, there would appear to be few opportunities in Denmark for US producers. However, there is no visible presence of dried cherries in the Danish market, and this could represent an opportunity for US growers.</p> |
| <p>US Cherries in The Netherlands</p> | <p>Fresh cherry imports from the US to the Netherlands remained fairly limited over the review period, even experiencing a low of just 15.7 tons in 2005. The maximum was observed in 2008 with a volume of 300 tons. Over the entire review period, cherry imports from the US showed a stunning 315.5% increase. Importers report being very happy with the high quality of US cherries and mention the good price-to-quality ratio as the key driver of the increase in US cherry imports.</p> <p>Consumers in the Netherlands are particular about price and quality, rather than the origin of the product. The Dutch are interested in US exports primarily because of the quality of their products. Since the Netherlands is the third largest agricultural producer in Europe, prices tend to be lower in the Netherlands when it comes to fruits and vegetables.</p> <p>In the near future, the price factor, which is already decisive for Dutch consumers, may take on even more importance, considering the economic slowdown currently taking place across Europe and the shrinking purchasing power of consumers. At the same time, decreased purchasing power may also have a negative impact on US imports due to their general higher prices, proceeding from higher labor and transportation costs.</p> |
| <p>US Cherries in Germany</p> | <p>Imports of cherries from the US only account for 0.2% of total imports. They play a minor or even negligible role in terms of fresh fruit and vegetable imports, as the US is not a significant exporter of fresh fruits and vegetables. The US must supply its large domestic market first, while also importing great volumes of fresh produce, rather than exporting it. From 2007-2008, the US lost a significant share of exports, due to increasing competition from other countries, such as Argentina and South Africa. The US is facing difficult competition as production costs are high compared to the aforementioned countries.</p> <p>Imports of US cherries dropped from 1,000 tons in 2007 to 200 tons in 2008. Although German customers are aware of the high quality of US cherries, they are the most price sensitive customers in Western Europe. This buying behavior affected purchases of US cherries in 2008.</p> <p>US exports of cherries face a growing competition from Germany's Eastern European Union partners, who invested broadly into their agricultural capacities in recent years. Eastern</p> |

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| | imports are also tackling local production of cherries. Still, US cherries have an excellent reputation as they are of high quality and are transported by airfreight, allowing them to arrive in Germany fresh and tasteful. |
| US Cherries in the UK | <p>Imported cherries from the US in 2008 accounted for 20% of UK consumption, down from the 22.5% in 2007, but above levels in 2005 and 2006. These fluctuations largely depend on the ability of UK retailers to supply the market with EU products.</p> <p>US imports have also suffered slightly from increased domestic production and more importantly, increased imports from Turkey, whose industry has seen huge investments in packaging and storage technology, helping their growth in exports. However, US cherries retain a solid reputation in the UK, especially among growers who have sought to emulate US growing techniques.</p> <p>An increasing demand for fresh cherries (and to a far lesser extent, dried cherries) presents a solid opportunity for US growers, principally because UK producers are unable to match demand. Price sensitivity is likely to remain a key issue over the forecast period.</p> |

Cranberry and Blueberry Imports to the EU During 2008

Commodity: Denmark – Cranberries and Blueberries 2008 (in Tons '000) (2003-2008)

| Trade Status | Main Competitors | US Market Share % | Domestic Production |
|------------------|--------------------------|---------------------------------|---------------------|
| Accepted | The Netherlands 28.9% | 8.2% | 0.1 |
| Total Imports | Total US Imports | CAGR% US import (first Year) | CAGR% Domestic |
| .5 | 0.04 | | No Growth |
| US Price Range | Domestic Price Range | | |
| US\$ 18 - US\$21 | - | | |

Commodity: Germany – Cranberries and Blueberries 2008 (in Tons '000) (2003-2008)

| Trade Status | Main Competitors | US Market Share % | Domestic Production |
|---------------------|----------------------|-------------------|---------------------|
| Accepted | Poland 26.4% | 3.3% | 4.1 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 5.6 | 0.10 | 8.15% | -4.49% |
| US Price Range | Domestic Price Range | | |
| US\$ 14.03 - US\$39 | US\$ 9 - US\$15 | | |

Commodity: Germany – Cranberries and Blueberries 2008 (in Tons '000) (2003-2008)

| Trade Status | Main Competitors | US Market Share % | Domestic Production |
|-----------------------|---------------------|-------------------|---------------------|
| | Chile 34.9% | 5.3% | 5.5 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 5.6 | 0.3 | -4.68% | 3.79% |
| US Price Range | Other Price Range | | |
| US\$ 8.40 - US\$10.85 | US\$ 11.20 - US\$19 | | |

| Specific Non-Tariff or Fact | Description |
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| US is main supplier of cranberries to Denmark | <p>US imports of these products are limited, with just over 8% of total imports in 2008, principally made up of fresh cranberries, of which it is the only visible supplier to the Dutch market. This represents an enormous leap in supply – prior to 2008, US imports were invisible, although is likely to be a reflection of the Dutch dominance of shipping rather than a complete market absence.</p> <p>Opportunities for US blueberry producers in the Danish market are likely to remain limited over the forecast period, given the strength of production in Poland as well as the nascent Danish industry. However, the US monopolizes the supply of fresh cranberries to Denmark, and this is possibly its core opportunity. Fresh cranberry consumption in Europe is largely linked with Christmas. Traditional Danish Christmas dinners revolve around fish, roast pork and goose or duck. These are often served with red cabbage, whose tartness complements these meats in the same way as cranberries. Stronger promotion of cranberries in this way, possibly emphasizing their unique health benefits, could boost sales.</p> |
| Strong outlook for blueberries and cranberries in Germany | <p>There is no local production for cranberries in Germany. Local production of blueberries, however, is on the rise. Total consumption of cranberries and blueberries in Germany has been on the rise from 2003–2008. Levels rose from 8,100 tons in 2003 to 9,100 tons in 2008. Total consumption peaked with 10,200 tons in 2005, which featured the record harvest of blueberries over the review period. Ups and downs of harvests over the review period were due to alternating crops. Harvests were good in 2006 (6,100 tons) and in 2007 (5,800 tons). Growers had no explanation for the bad harvest of 2008 (4,100), though low volumes may have been due to changing crops. Imports rose steadily during the review period and exceeded local production for the first time in 2008. This can be explained with the weak harvest of 2008, as imports were needed to meet demand. Export rates ranged between 15% and 17% from 2003–2008,</p> |

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| | <p>compared to local production, with the only exception being 2006, when exports nearly reached 25% of local production. Germany is emerging as a hub of commerce to European neighbors due to its geographical position.</p> |
| <p>Decrease of blueberry acreage in 2008 in Germany</p> | <p>Local production of blueberries grew by more than 45% between 2001 and 2006. The total acreage increased by around 500 hectares, to 1410 hectares, by 2006. Acreage decreased to 1406 hectares in 2008. Around 95% of all blueberries are cultivated in northern Germany, where climatic conditions are ideal. Production of this berry accounts for less than 1% of total fruit production in Germany, but demand for local blueberries is growing rapidly. This is mainly due to the high quality of local produce.</p> |
| <p>Local blueberry production is declining In Germany</p> | <p>Export rates of blueberries varied over the review period, with a high of 24.6% in 2006 and low in 2004 with 15%. The annual average export share from 2003-2008 was 17.4%. Varying export rates do not necessarily correspond to local production. In 2004 local production peaked, but the export rate was lowest. Germany has become a central trading point for fresh produce in Europe. Higher exports are due to re-exports rather than exports of local produce. Compared to domestic consumption, imports of blueberries maintained a significant share over the review period. From 2003 to 2005 they dropped from 44% to 37%, and then rapidly climbed from 48% in 2007 to 62% in 2008. The reason for this is the pressure on import of inexpensive blueberries from Eastern European countries, especially Poland. All fresh cranberries are imported as local production is negligible.</p> |
| <p>Consumption of cranberries and blueberries is increasing in the Netherlands</p> | <p>The Netherlands has a small domestic production of cranberries or blueberries which grew by the end of the review period of 2003 to 2008, with 5,500 tons in 2008. This growth is due to the expansion of acreage dedicated to cranberry and blueberry cultivation in the Netherlands. Worldwide, the production of cranberries and blueberries appears to be mainly concentrated within the US and Canada, and to a much lesser extent, in Chile and some parts of Eastern Europe. Consequently the Dutch retail market relies on imports in order to complement their production and respond to consumer demand. The volume of imports between 2003 and 2008 increased by 430.8% and reached 5,600 tons in the last year. Traditionally a re-exporting country, the Netherlands exports a share of these imports to other European Union countries, as much as 66.1% in 2008. Over the review period, exports of cranberries and blueberries grew by 308.3%, reaching 3,700 tons in 2008. This was due to favorable weather conditions in the producing</p> |

countries, with an absence of crop diseases as well as high levels of pollination. Finally, consumption gained 164.4% in volume, reaching 7,400 tons at the end of the review period.

Pears Imports to the EU During 2008

Commodity: Denmark – Pears 2008 (in Tons '000) (2003-2008)

| Trade Status | Main Competitors | US Market Share % | Domestic Production |
|----------------|---------------------------|-------------------|---------------------|
| Accepted | The Netherlands 62.2 % | 0.1% | 10.1 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 29.8 | 0.02 | No Growth | 15.75% |
| US Price Range | Domestic Price Range | | |
| - | US\$ 1.79- US\$12 | | |

Commodity: Germany – Pears 2008 (in Tons '000) (2003-2008)

| Trade Status | Main Competitors | US Market Share % | Domestic Production |
|----------------|---------------------|-------------------|---------------------|
| Accepted | Italy 38.1 % | 1.7% | 38.1 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 162.2 | 0.02 | -2.28% | -5.96% |
| US Price Range | Other Price Range | | |
| - | US\$ 1.24- US\$3.74 | | |

Commodity: UK – Pears 2008 (in Tons '000) (2003-2008)

| Trade Status | Main Competitors | US Market Share % | Domestic Production |
|----------------|---------------------------|--------------------|---------------------|
| Accepted | The Netherlands 31.5 % | 0.5% | 19.8 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 137.9 | 0.02 | No Growth | -6.48% |
| US Price Range | Domestic Price Range | Other Price Range | |
| - | US\$ 1.20- US\$4.95 | US\$ 1.90-US\$4.95 | |

Commodity: The Netherlands – Pears 2008 (in Tons '000) (2003-2008)

| Trade Status | Main Competitors | US Market Share % | Domestic Production |
|----------------|---------------------|-------------------|---------------------|
| Accepted | South Africa 24.7 % | 1.1% | 172 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 142 | 0.02 | -16.44% | 1.32% |
| US Price Range | Other Price Range | SA Price Range | |
| - | US\$ 1.20- US\$5.60 | US\$1.50 - US\$4 | |

| Specific Non-Tariff or Fact | Description |
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| <p>Pear Production in Denmark</p> | <p>The imports of pears saw high growth between 2003 and 2008, reflecting the increased demand for and the increased domestic consumption of pears. The most popular brands of pears imported were Conference, Lucas and Doyenne de Comis. Imported pears, which represent the bulk of Danish consumption, saw an increase in volume from 2003-2008, with a CAGR of 5.5%, accounting for 76.8% of the total consumption in volume in 2008. Most of the pears imported to Denmark come from the Netherlands and Germany. The destinations for export, on the other hand, are mostly to other Scandinavian countries. In 2008, Denmark exported 620 tons of pears, with key destinations being Sweden, Norway, Greenland and the Faro Islands. Exports of pears decreased from 2003-2008, with a CAGR of -2.1%, reflecting Denmark's moderate but still important role as supplier of off-season fruit to its neighboring countries.</p> |
| <p>European Products Account for Most of the Imports for Denmark</p> | <p>The Netherlands and Germany are the main suppliers of fresh fruit to Denmark, together accounting for almost half of total import value. Italy, Spain, France and Belgium are other important suppliers. However, imports from developing countries more than doubled between 2003 and 2008. The Netherlands and Spain are the main suppliers of vegetables to Denmark.</p> <p>The US accounted for only 1.2% of all imports to Denmark in 2008. The most popular commodities coming from the US are grapefruit, almonds, peanuts and raisins. Grapefruit imports are showing particularly strong growth, and are in high demand in Denmark.</p> |
| <p>Low Market for US Pears in Denmark</p> | <p>Due to the strong traditions of the supplements of pears from European countries and South America, Danish imports of US pears are not expected to increase between 2009 and 2011. The US exports of pears to Denmark remained stable from 2003-2007, still only accounting for 0.06% of the total imports to Denmark and being slightly less than 20 tons. In 2008, US imports dropped to around 15 tons and accounted for only 0.05% of pear imports. Danish importers are increasingly substituting US pears with pears from cheaper regions, such as Argentina and Chile, where the growing fruit industry is actively looking for new export markets. Particularly during periods with high dollar rates, imports have been more limited. In latter 2008, the rate of the US dollar versus the Danish krone was up significantly, which dampened US imports further in terms of volume. By mid-2009, the Danish krone strengthened and made US imports somewhat more</p> |

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| | <p>attractive again. Nevertheless, US exports of pears to Denmark is expected to decrease further in the forecast as a result of competition from South American countries.</p> |
| <p>Spain Leadership in Pears in Denmark</p> | <p>Germany's most important foreign trade partner is Spain, with more than 2 million tons of fresh fruit and vegetables imported in 2008. Spain exports a wide variety of products to Germany, including lettuce, lemons and oranges.</p> <p>The Netherlands ranks second in terms of biggest trading partners, accounting for 17.8% of total imports. These imports include products that are either grown in the Netherlands or those that were produced elsewhere but enter into the country via Dutch exporters and wholesalers. The Netherlands exports various vegetables and fruit to Germany, including apples, pears, cherries and exotic fruits such as pineapples or bananas.</p> <p>Other European countries that play a major role for exports of fruit, vegetables and nuts to Germany are Italy, France, Belgium and Turkey. Besides Europe, South American countries are ranking among the leading suppliers for fresh and dried fresh fruit and vegetables. Ecuador takes the lead with 5.2% of total imports to Germany, followed by Columbia, Costa Rica and Panama.</p> |
| <p>Low Market for US Pears in Germany</p> | <p>US imports of fresh fruit and vegetables to Germany are minor compared to the aforementioned countries excluding grapefruit imports. US imports of prunes, raisins, almonds, pistachios and walnuts are also strong, accounting for more than half of total US imports.</p> <p>Imports from the US only account for 1% of total imports and therefore play a negligible role in terms of overall fresh fruit and vegetable imports. The US is not a significant exporter of fresh and vegetables in general. The country must supply its large domestic market first while also importing great volumes of fresh produce rather than exporting it. Over the review period, the US lost a significant share of exports due to increasing competition from other countries such as South Africa. It is increasingly difficult for the US to compete due to unfavorable weather conditions. However, the exchange rate between the dollar and euro is favorable for US exports.</p> <p>Grapefruits were the most significant segment in the sector of fruit imports from the US during the review period, accounting for 17.3% of total grapefruit imports in 2008, down from 27.9% in 2003. US prunes suffered a strong decline as well. Prune imports from the US dropped from 57% in 2001 to 48.9% in 2008.</p> <p>Contrary to grapefruits and prunes, raisin imports performed well during the review period, accounting for 27.6% in 2008, up from 9.3% in 2003.</p> <p>The US gained shares in imports of nuts. In 2008, almond and</p> |

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| | walnut imports from the US accounted for 71.2% and 52.4 % of imports of their respective categories. While US exports of pistachios to Germany increased from 24.8% in 2003 to 56.5% in 2008, US exports of peanuts declined. |
| Weak dollar supports US exports in Germany | <p>Imported pears are well accepted among German consumers, as local production is too limited to meet demand. Consumers are more likely to look at the price rather than at the country of origin. Italy is the main exporter of pears to Germany. In 2008, Italian imports achieved a total of 61,170 tons of fresh pears. Argentina and South Africa together accounted for 27.9% of total imports, thus pushing southern European countries such as Spain and France to rank four and seven. Most imports of pears from the Netherlands and Belgium are presumably overseas imports, which arrive at the ports of Rotterdam and Antwerp.</p> <p>Imports from the US only account for 1.7% volume sales of total imports of pears. Imports of pears were highest in 2004 with a share of 2.7% volume sales and lowest in 2007 with 0.8%. Over the review period, the US lost a share of its pear exports due to increasing competition from other countries such as South Africa. But in 2008 the US caught up again with the same share of 1.7% as in 2003. The exchange rate of the US dollar to the Euro lost massively in 2008/2009 and favored US imports into the European Union.</p> <p>Dried pears are mainly imported from China, which accounts for more than 67% of total imports. Turkey and the Netherlands rank second and third. And while products arriving from Turkey are actually produced in the country, products that are imported from the Netherlands is mainly foreign produce, which was shipped to Rotterdam for re-exportation.</p> |
| Minimal US Imports in the UK | Imports from the US generated 0.4% of UK import volumes in 2008, in line with figures of less than 1% over the review period. Imports from the US dropped by 11.4% CAGR 2003-2008 to reach 491 tons in 2008, despite a return to growth in 2008. However, these rates are exaggerated by the extremely low base. US imports are handicapped by a variety of factors, most importantly an inability to compete in price terms with EU production. Future opportunities for US pears in the UK market appear fairly limited. |

Potato Imports to the EU During 2008

Commodity: Denmark – Potatoes 2008 (in Tons '000) (2003-2008)

| Trade Status | Main Competitors | US Market Share % | Domestic Production |
|---------------|------------------|-------------------|---------------------|
| Not Accepted | Germany 62.4 % | 0.1% | 1,572 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 125.5 | - | - | 3.05% |

| US Price Range | Domestic Price Range | | |
|----------------|----------------------|--|--|
| - | US\$.95- US\$13.2 | | |

Commodity: Germany – Potatoes 2008 (in Tons '000) (2003-2008)

| Trade Status | Main Competitors | US Market Share % | Domestic Production |
|----------------|--------------------------|-------------------|---------------------|
| | The Netherlands 23.5% | 0.00% | 12,034.2 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 731.2 | 0.04 | 8.15% | 2.47% |
| US Price Range | Other Price Range | | |
| - | US\$.99- US\$2 | | |

Commodity: UK – Potatoes 2008 (in Tons '000) (2003-2008)

| Trade Status | Main Competitors | US Market Share % | Domestic Production |
|----------------|----------------------|-------------------|---------------------|
| Not Accepted | France 26.6 % | - | 19.8 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 634.2 | - | - | 0.38% |
| US Price Range | Domestic Price Range | | |
| - | US\$.38- US\$2.84 | | |

Commodity: The Netherlands – Potatoes 2008 (in Tons '000) (2003-2008)

| Trade Status | Main Competitors | US Market Share % | Domestic Production |
|----------------|----------------------|-------------------|---------------------|
| Not Accepted | Belgium 46% | - | 3631 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 994.4 | - | - | 1.92% |
| US Price Range | Other Price Range | | |
| - | US\$ 0.75 - US\$2.50 | | |

| Specific Non-Tariff or Fact | Description |
|---------------------------------------|---|
| Marginal US imports in Denmark | Denmark did not import fresh or frozen potatoes from US during the review period. This is primarily due to the abundance of potatoes domestically and in neighboring countries. The only US imports from 2003 to 2008 was in 2008, when 0.016 tons of dehydrated potatoes were imported. It is too early to tell if this is the beginning of US potato imports to Denmark. |

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| <p>Negligible imports from the US</p> | <p>Imports of US potatoes were negligible over the entire review period. This is due to the fact that Germany only needs to import a small amount of potatoes, and supply from European and northern African countries is sufficient to cover demand. The distance from the US to Germany is too long, too expensive and too damaging for potatoes, which are very sensitive to transport.</p> |
| <p>The Netherlands is a net exporter of potatoes</p> | <p>The Netherlands exports 43.2% of its domestic production of potatoes in the form of fresh and processed potatoes. Imports of potatoes to the Netherlands have followed a downward trend in the review period, reaching 994,400 tons in 2008. Export volumes of potatoes also exhibited a downward trend in the review period, with 2,152,300 tons in 2008. The Netherlands has been a net exporter of potatoes over the entire review period. In 2008, of the total 2,473,100 tons of potatoes consumed domestically in 2008, 16.6% was represented by foreign imports.</p> <p>The Netherlands is traditionally a re-exporting country due to its location as the point of entry into continental Europe. The Netherlands is notably a major entry point for tropical fruits, which are imported into the country year-round.</p> |
| <p>Perception of US Potatoes in The Netherlands</p> | <p>Although the US is one of the world's leading producers and exports approximately 14% of its domestic production, the volume of US potatoes (fresh, frozen and dehydrated) shipped to the Netherlands remains negligible, and in some years, non-existent. The factors that explain the absence of US imports include the fact that the Netherlands already has an extensive domestic production. The Netherlands and its neighboring countries Germany, France and Belgium rank among the world's largest potato producers. Another aspect to consider is that the US exports large volumes directly to its partners on the American continent, including Canada, as well as to a number of Asian countries, including Taiwan.</p> |

JAPAN

Japan has one of the largest economies in the world and is always on the cutting edge of innovation and technology. However, when it comes to agriculture, Japan has farmland shortages consisting of 13% of their total territorial area. Their scarcity of land requires Japan to import agricultural commodities from overseas. Nevertheless, due to their territorial size, they are also very selective and sensitive about what agricultural goods are allowed to come in. They do this in order to protect themselves from potential consumer health problems, pest outbreaks and genetic cross contamination. Despite the non-tariff barriers imposed on agricultural imports, Oregon specialty crops exports to Japan amounted to \$44,789,323 in 2009, showing a decrease of 3.6% since 2003. The following are some of the most relevant non-tariff barriers on US agricultural commodities applied by Japanese authorities that were identified in recent years:

- Strict maximum residue level standards.
- Concerns about Individually Quick Frozen foods and bacteria.
- Pesticide residue policies and quarantine responses.
- Labeling Requirements.

| General Non-Tariff or Facts | Description |
|--|---|
| <p>Strict Maximum Residue Level Standards</p> | <p>Japan holds a strict set of MRL (maximum residue level) standards that continuously present challenges for entering Oregon specialty crops. Preceding July 2009, The Japanese Ministry of Health, Labor and Welfare (MHLW) was taking particularly harsh preventive measures to avoid commodities from importation that violated their MRL standards. Prior 2009, after a single MRL violation, for a specific commodity, the MHLW incremented their testing requirements up to 30% on all shipments of that specific commodity from the country in question. Importers of the same commodity that had no violations in their background were also inspected, causing them delays on their shipments and additional fees. If there was a second violation within a 12-month period, all the shipments of that specific industry must to be inspected at a 100% and put on a required preventive hold until there is a clear understanding of its MRL status. After July 2009, the United States and Japan agreed on only taking action against this issue by only performing inspections on crops from the specific producer that has the MRL violation and not the whole US industry unless there is sufficient evidence of an industry-wide concern. Even though Japan has agreed with the US to establish science-based MRL's, there continue to be concerns about the unreasonable</p> |

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| | <p>temporary MRL list that is currently in place until a permanent MRL list can be established.</p> |
| <p>Concerns About Individually Quick (IQF) Frozen Foods and Bacteria</p> | <p>Japan’s current standards for microbial content on individually quick-frozen goods can be overly restrictive and unfeasible. Potatoes, for example, have been rejected for many years due to the presence of coliform bacteria, which are organisms that do not normally cause disease in healthy adults, and can be easily eliminated after cooked. In this case, United States potato products should undergo further cooking and therefore eliminate any risk of harmful bacteria. In 2009, after many years of trade discussions between the US and Japan, the Japanese authorities decided that they would allow limited quantities of fresh potatoes to come into the country, and also will label US frozen French fries in another category that would recognize that these commodities are not a source of coliform bacteria. One of the most significant factors that determined why the Japanese authorities’ decision to import US potatoes was the quality inconsistency among domestic potatoes that began at the end of the 20th century. In response to this, many domestic companies that were using potatoes for their respective industries suggested to the Japanese government that the industry could benefit from allowing potato imports to come into the country, ultimately resulting in a good quality product and the creation of jobs for the Japanese people. Currently, US fresh, dehydrated and frozen only have access into the Japanese market for industrial use, such as the food processing and foodservice industry. Potatoes are not currently being sold fresh at the supermarket level because domestic potatoes continue to dominate that market.</p> |
| <p>Pesticide Residue Policies And Quarantine Responses</p> | <p>The <i>Fireblight</i> and the <i>Codling Moth</i> are two common pests that unfortunately are found in several Oregon specialty crop commodities like Pears and Cherries. The presence of these pests has created myriad obstacles for fruits trying to access the Japanese market, due to their strict rules about zero-tolerance of insects on any crop. As a consequence, Japanese consumers are totally unfamiliar with US pears, due to their total lack of familiarity with this commodity. The import regulations by the Japanese Plant Quarantine Law aim at protecting Japanese agriculture from the infiltration of quarantine pests from abroad, through import quarantines at seaports and airports in Japan. Therefore, Japanese authorities currently label US pears as plants prohibited to be imported due to problems with the codling moth and citrus-burrowing nematode pests.</p> <p>Fumigants and fungicides are two extra measures that farmers take in order to eliminate common pests affecting their</p> |

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| | <p>crop production. Nevertheless, many farmers attempt to avoid fumigation and fungicide application because of its expensive cost and, even more significantly, because of the residues that are left on the crop after application. Japan, in this case, requires two risk assessments for the pre- and post- harvest application of a fungicide. These procedures could take up to six years to be completed, contributing to length delays for both producers and exporters. Japan also requires a separate fumigation trial and evaluation of each new horticultural species before it enters the Japanese market. Japanese’s fumigation requirements have no commonly recognized scientific foundations to justify them.</p> <p>Another side effect of the application of fumigants and fungicides is the residues left after the application is causing conflict with the already-strict set of MRL list of Japan]. There could be future possibilities for US pears industry to enter the Japanese market if pest control is handled to the satisfaction of Japanese import standards. However, given that domestic pears already satisfy the domestic market, the future opportunity for US pear producers is highly limited. Japanese consumers are accustomed to buying Japanese pears as their primary seasonal fruit. US imports may have opportunities to enter the market by targeting non-retail items such as confectionary ingredients, so long as they can be supplied at low costs for mass processing.</p> |
| <p>Labeling Requirements</p> | <p>Similar to the EU, food-labeling laws in Japan require notification at the retail point of sale of all the food additives such as PHFs and genetically modified (GM) ingredients (Sanitary and Phytosanitary Measures 54). In 2007, after the introduction of GM foods into Europe, activist groups demanded their governments give consumers the choice of eating GM-free foods in addition to standard GM-containing options. As a response, the European Union promptly announced its mandatory labeling policy for GM foods (AGMRC 2). These sorts of trading policies and the lack of evidence of secondary effects of GM consumption has lead into the adoption of different preventive trading practices in many countries around the world and their transformation into non-tariff barriers. Unfortunately, most of these obstacles are imposed without any further research that proves or negates any potential danger to consumers. Japan’s approach, in this case, has made it highly difficult for specialty crops entering the Japanese market. This obstacle is not due to any GMO presence on Oregon specialty crops but on usage of certain fungicides used in the processing of the product. PHF, which stands for Potentially Hazardous Food, is a label that has to be imposed on US horticultural products in order to notify the consumer about the potential risk in the consumption of that</p> |

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| | <p>product. Paradoxically, competing domestic products are at times treated with the same fungicide but are not required to carry such labels (Sanitary and Phytosanitary Measures 54). Even though the purpose of Japanese’s labeling requirement is to inform, it is virtually impossible to find food products on the food shelf labeled as containing GM ingredients. (AGMRC 2) So the approach taken by Japanese government is not in fact giving consumers a fair choice, but is simply placing US products at a competitive disadvantage with no scientific evidence.</p> |
| <p>Consumer Perception of Product Origin</p> | <p>Product origin is an important attribute for perceived quality of commodities. Fresh commodities grown in the renowned districts are perceived to be of higher quality. Generally, Japanese consumers prefer to purchase locally grown products over imported ones because local products are perceived to have better quality and higher safety standards. This tendency became prominent especially after some of the food items imported from China were alleged to be unsafe. Consumers’ preference toward locally grown products is also supported by promotions. The Japanese government promotes ‘chisan-chisho (grown locally, consumed locally)’ activities to improve the self-sufficiency of agricultural products and industries. In response to the government promotions, the Japan Agricultural Cooperative and major nationwide supermarket chains supply locally grown products at their retail stores. While Japanese consumers prefer to choose locally grown commodities, they also accept imported commodities that are unique to the Japanese market. Imported fruits, including grapefruit and oranges, are being sold and promoted at supermarkets and individual stores, while gaining popularity among end consumers.</p> |
| <p>Consumer Perception of US Crops</p> | <p>The United States remains an important trade partner for Japan and was the third largest exporter of fresh produce in 2008. US imports have the reputation of being safe and having undergone quality checks. In the retail market, vegetables imported from the US are particularly accepted by Japanese consumers mainly due to their lower prices.</p> |

Fresh Cherry Imports to the Japan During 2008

Commodity: Cherry 2008 (in Tons '000) (2004-2008)

| Trade Status | Main Competitors | Market Share % | Domestic Production |
|-------------------------|------------------------|-----------------|---------------------|
| Accepted | Chile (0.4%) | 99.2 | 16.6 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 9.4 | 8.454 | -8.49% | -2.48% |
| US Price Range | Other Price Range | | |
| US\$ 16.01 - US\$ 26.68 | US\$30.94 - US\$560.30 | | |

| Specific Non-Tariff or Fact | Description |
|---|--|
| US Cherry Imports Dominate the Japanese Market | <p>US imports are well accepted among Japanese consumers. As approximately 99% of imported cherries are sourced from the US, consumers tend to assume imported cherries are all American cherries. Despite the high acceptance of the US imports, the US imports in volume declined. The US imports in 2008 were 8,454 tons, accounting for 99.2% of imported cherries. As US imports dominated approximately 99% of the imports over the reviewing period, there has been an established image that the imports are American cherries.</p> <p>The US imports will have the opportunities to increase in volume after the government eliminates the need for fumigation. The Japanese government prohibited importing cherries that are not fumigated because of potential risks of spreading the codling moth that could be reared in cherries. However, the government found other approaches to detect the codling moth in imported cherries. This change is expected to encourage and increase US imports in the Japanese market after the need for fumigation is eliminated in June 2009.</p> |
| Customer Perception of US Cherries | <p>Japanese consumers accept imported cherries while they still prefer locally grown ones. There is a positive impression of the so-called 'American cherries' – the name applied to cherries imported from the US regardless of their variety names. US cherries are perceived as sweet and having a darker red color compared to Japanese varieties. While Food Sanitation Law requires all agricultural products in Japan to state the country of origin on the packaging or at the point of sale, consumers can distinguish the differences between imported and locally produced cherries based on their appearance.</p> <p>Meanwhile, locally grown cherries are called by the variety with both variety names as well as cherry growing districts used by the consumers as selection criteria. Overall, consumers prefer purchasing local produce trusting their perceived higher safety and quality standards.</p> |

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| Cherries in the Japanese Retail Market | The retail market size for cherries has declined over the reviewing period. The retail market size for cherries accounted for 71,675 tons, with a CAGR decline of -9.3% between 2003 and 2008. The market size decrease was attributed to the decline in volume of local productions and imports. The harvest conditions influenced the supply volume of cherries to the market. Because cherries are perceived as savory products, the pricing, quality and availability in the market drive consumers' demands for cherries. Despite the decline in volume, cherries have the solid popularity among Japanese consumers. Consumers become aware of the health benefits and low calories of cherries by the promotions of medical professionals and associations of the cherry farmers. They take fresh cherries as healthy fruits for maintaining health. |
| Methyl Bromide | John Bailey from Grant J. Hunt Co. in a recent poll about non-tariff barriers mentioned that cherries need to pass through a fumigation process of Methyl Bromide. The side effects of this fumigation process significantly reduce the shelf life of cherries and also create unnecessary expenses to cherry growers. |

Fresh Cranberry and Blueberry Imports to the Japan During 2008

Commodity: Blueberries and Cranberries 2008 (in Tons '000) (2004-2008)

| Trade Status | Main Competitors | Market Share % | Domestic Production |
|-------------------------|-----------------------|----------------------|---------------------|
| Accepted | Chile and Australia | 39.2% | 2.118 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 1.114 | 0.437 | -5.11% | 12.35% |
| US Price Range | Domestic Price Range | Other Price Range | |
| US\$ 40.44 - US\$ 51.13 | US\$31.80 - US\$42.48 | US\$9.47 - US\$44.69 | |

| Specific Non-Tariff or Fact | Description |
|--|---|
| The Retail Market of Blueberries and Cranberries in Japan | The retail market size for blueberries and cranberries grew over the reviewing period. The retail market size for blueberries and cranberries was 874 tons in 2008, with a CAGR increase of 10% from 2006 to 2008. The retail market grew due to the consumers' interests in eye health benefits of blueberries with containments of phenols and antosianin. Eating fresh blueberries has become part of daily diets among consumers in addition to the consumption of blueberries through processed foods. The retail market for blueberries is expected to grow with a CAGR of 14.9% during the period of 2009 to 2011. The consumers' demands for blueberries are expected to continue with growing interests in eye health along with increases in computer and |

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| | <p>mobile phone users who tend to suffer eye fatigue. The increase of local production is expected to support the growing demands. Meanwhile, the retail market for cranberries was negligible over the reviewing period. Japanese consumers are not familiar with fresh cranberries and processed foods made from cranberries except for confectionery. The consumer market for cranberries, therefore, will continue to be negligible unless the consumption of cranberries is promoted for consumers.</p> |
| <p>US Marker Share</p> | <p>The US is the main trading partner for Japan to import blueberries and cranberries, followed by Chile. Japan imported 1,114 tons of fresh blueberries and cranberries in 2008. US imports accounted for 37.2% – 41% of the total imports over the reviewing period. The US import volume was relatively stable, compared to imports from Chile, which decreased in volume since 2004 due to an import pricing hike. US imports will have opportunities to increase the export volume for the growing demands for blueberries in the Japanese market. As the local production volume is limited and priced high, US imports will have the advantages of supplying a large volume of blueberries at lower prices primarily for food services and food processing. Imported cranberries will also have the opportunities for growing the volume since Japanese consumers are unaware of the commodity for consumptions at home.</p> |
| <p>Customer Perception of Imported Cranberries and Blueberries</p> | <p>Like other fruits, the country of origin is important for cranberries and blueberries. Japanese consumers prefer to choose locally grown products when both imports and local produce are available at the retail market. Due to food security issues with imported vegetables, they feel secure with purchasing local products while they accept imported cranberries and blueberries. Imports are accepted when local varieties are not sold. Japanese consumers do not find major differences in quality of blueberries between locally produced and imports. Generally, they perceive the local produces as fresh and safe because they feel familiar with the growing districts. However, consumers do not differentiate the local produces from imports in terms of their appearances, flavors and tastes. They select the products based on labeling information about the country of origin, which are required to label on the packaging or at the point of sales under the Food Sanitation Law. They cannot even distinguish between US imports and Chilean blueberries without the labeling information. Consumers, therefore, do not have any preference among imported cranberries and blueberries.</p> |

Fresh Pear Imports to the Japan During 2008

Commodity: Pear 2008 (in Tons '000) (2004-2008)

| Trade Status | Main Competitors | Market Share % | Domestic Production |
|---------------|----------------------|-----------------|---------------------|
| Not Accepted | South Korea | - | 361.7 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 0.080 | - | - | -.19% |
| | Domestic Price Range | | |
| | US\$2.13 - US\$12.76 | | |

| Specific Non-Tariff or Fact | Description |
|---|---|
| US Fresh Pears Are Not Accepted in Japan | <p>Pears imported from the US are nonexistent in the Japanese market. There were no records of pears imported from the US in the trade statistics covering the review period of 2003 to 2008. Due to this, Japanese consumers do not have any perception of US pears due to their total lack of familiarity with this commodity. The reason behind lack of pears imported from the US over the review period is the import regulations by the Plant Quarantine Law. The law aims at protecting Japanese agriculture from the infiltration of quarantine pests from abroad through import quarantines at seaports and airports in Japan. US pears are listed as plants prohibited to be imported due to problems with the codling moth and citrus-burrowing nematode pests.</p> <p>Generally, Japanese consumers receive US imports positively. Therefore, there will be future possibilities for US pears to enter the Japanese market if pest control is handled to the satisfaction of Japanese import standards. However, given that locally produced pears amply satisfy the domestic market, the future opportunity for US pear producers is highly limited.</p> <p>Japanese consumers are accustomed to consuming Japanese pears as seasonal fruits. US imports may have opportunities to enter the market by targeting non-retail use such as ingredients for confectionery if they can be supplied at low enough cost for mass processing. However, pears are typically consumed fresh, and the consumption volume for industrial use is still small.</p> |
| Limited Imports of Pears | <p>Japanese consumers rarely find imported pears at retail stores. In 2008, 80 tons of pears were imported from South Korea. Korean pears are similar to Japanese ones except that they are larger. Generally, consumers are not familiar with Korean pears because imports are available at so few retail outlets. Korean pears are accepted as a part of Korean foods among consumers who are interested in the Korean culture and cuisine. They find Korean pears to be unique and different from Japanese pears. Imports are not consumed on a daily basis, as Japanese pears are abundant at retail stores. Korean pears have prices similar to Japanese pears.</p> |

Fresh Potato Imports to the Japan During 2008

Commodity: Fresh Potato 2008 (in Tons '000) (2006-2008)

| Trade Status | Main Competitors | Market Share % | Domestic Production |
|--------------------|----------------------|-----------------|---------------------|
| Accepted | China (0.3%) | 99.7% | 2,697 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 0.6 | 0.6 | 14.47% | -1.58% |
| US Price Range | Domestic Price Range | | |
| US\$5.28- US\$7.95 | US\$1.76 - US\$2.64 | | |

| Specific Non-Tariff or Fact | Description |
|---|--|
| US Fresh Potatoes Have Good Reputation | <p>The US was the leading exporter of all potato categories. Fresh potato imports from the US reached 616 tons in 2008, accounting for 99.7% of the total commodity imports. Apart from the US, very limited volumes were imported from China. However, these only amounted to 2 tons in 2008. Imports of fresh potatoes were non-existent at the beginning of the review period, and limited volumes of Chinese imports appeared in the market in 2004 and 2005. Imports developed following 2006, when American exporters entered the market. Until 2006, imports of US fresh potatoes to Japan were banned due to phytosanitary concerns. However, in 2006 the two governments reached an agreement allowing imports from 14 US states to enter the market for the use in potato chips manufacturing. From 2006 to 2008, the development of the imported fresh potato market in Japan was closely tied to volumes shipped from US, as these became preferred by retailers and the industry over the Chinese imports.</p> <p>US produce dominated imports of the dehydrated potatoes, with 17,786 tons in 2008, or 85.2% of the total import market. Limited imports of the commodity were also recorded from the European Union (Germany, Netherlands and Poland in particular) and China.</p> <p>The US accounted for 80% of all frozen potato imports to Japan, equivalent to 252,567 tons. The exports grew at a CAGR of 6% over the review period, outperforming the market growth and leading to a higher share of American produce.</p> <p>Overall, US imports have a good reputation among food processors and the foodservice industry due to their low cost and consistent quality. Japanese consumers are familiar with snacks and potato products made from ingredients imported from the US. As the industry continues to seek ingredients for low cost</p> |

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| | <p>production, the US is expected to increase their exports of fresh and dehydrated potatoes for potato snack production and frozen potatoes for the foodservice industry.</p> |
| <p>Consumer Perception of US Potatoes</p> | <p>The US was the largest supplier of fresh, dehydrated and frozen potatoes to Japan, accounting for 99.7%, 85.2% and 80% of total imports in 2008.</p> <p>While consumers accept imported fresh potatoes, they generally prefer locally grown varieties. They perceive locally grown produce as safe and high quality. There is a common awareness that local potato production cannot meet processing and foodservice industry requirements. As a result, customers are accustomed to snacks, french fries or other potato-based products made from imported potatoes.</p> <p>The main clientele for dehydrated potatoes consists of food processers like instant noodle and snack manufacturers. As there is no local production of the commodity, the industry is familiar with imported produce only.</p> <p>The major users of imported frozen potatoes are fast-food chains. Outlets prefer to use imported products due to their price competitiveness and cost savings. End consumers also accept imported frozen potatoes, as the majority of the frozen potatoes sold at retail stores are manufactured outside Japan.</p> |

SOUTH KOREA

Korea is currently one of the fastest growing export markets for the US, placed as the 2nd largest in 2009 with 263 million dollars profited on total agricultural exports. Also, as of 2007, United States was positioned in 4th place with 9.2% of their market share on vegetable, fruits and nuts exports to South Korea. Furthermore, Korea's recent accession to the United States-Korea Free Trade Agreement has facilitated discussions about the elimination of current non-tariff barriers on entrance and the reduction of tariffs that have been affecting trade in previous years. Since 2003, Oregon specialty crops exports have been increasing at a 10.81% allowing Oregon producers to sell \$15,569,546 just in 2009. Despite the trade agreements established between Korea and the US, there are many Oregon agricultural products that still cannot enter the Korean market due to their many non-tariffs barriers that obstacle trade every year. The following are some of the most relevant non-tariff barriers on entrance identified:

- MRL, Sanitary and Phytosanitary standards.
- Labeling Requirements.
- Pesticide residue policies and quarantine responses.
- Domestic Farmers pressure.

| General Non-Tariff or Facts | Description |
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| Strict Maximum Residue Level Standards | In 2009, Korean authorities announced that they are in the process of updating their MRL regulatory system, which will only block pesticides that are not registered for use on domestic cultivations. This represents a hindrance to Oregon specialty crops because there may be certain pesticides that could be prohibited in Korea without any scientific risk assessment that ensures that there is in fact a real risk in the human consumption of that specific pesticide. Talks continue between US and Korean authorities to influence them on continue using its current MRL list that is based on US health risk assessments. This will help building strong trading bonds among US and Korean trading transactions and become more homogenous in their regulations. |
| Cartagena Protocol and GMO Regulations | Similarly, in 2007 Korea ratified with the Cartagena Protocol on Biosafety (CPB) in the implementation of the Living Modified Organism (LMO) Act which seeks to protect biological diversity from the potential risks posed by living modified organisms resulting from modern biotechnology. It establishes an advance informed agreement (AIA) procedure for ensuring that countries are provided with the information necessary to make informed decisions before agreeing to the import of such organisms into their territory. The Protocol contains reference to |

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| | <p>a precautionary approach and reaffirms the precaution language in Principle 15 of the Rio Declaration on Environment and Development. The Protocol also establishes a Biosafety Clearing-House to facilitate the exchange of information on living modified organisms and to assist countries in the implementation of the Protocol (Convention of Biological Diversity). At present time, the United States is not a party to the CPB but is currently being involved as an observer. As a consequence of that, trading standards that are implemented by the CPB may disrupt the current trading relationship between Korea and the United States. As previously mentioned, Oregon specialty crops are not affected by GMO or LMO regulations because of the lack of that kind of crops in the state; however, as Korea enters new regulatory international groups like the CPB, they may adopt MRL's and Phytosanitary practices that are presently used in other countries which could lead to stricter regulations in the future.</p> |
| <p>Food Imports Are Regulated By Safety Criteria and Certification Process</p> | <p>The process of importing fresh food items involves a group of regulatory bodies including the National Plant Quarantine Service (NPQS), the Korea Food & Drug Administration (KFDA) and the Korea Customs Service. The initial process for all imported fresh foods is inspection by NPQS and KFDA to ensure that they meet the proper safety criteria.</p> <p>The NPQS is the government agency that serves to protect Korean agriculture, forestry and the natural environment, and all agricultural imported goods (including fruits, nuts and vegetables) must follow the specific guidelines for entering South Korea and undergo inspections by the NPQS.</p> <p>KFDA is the official body that oversees all food and drug safety issues. It is in charge of developing general plans for food safety management. Regarding imported foods, the KFDA conducts the inspection according to the Food Sanitation Act and related laws before they issue a certificate for import. After both inspections are passed, the Korea Customs Service conducts the final certification process.</p> <p>The generic import duty for cherries is 24%. Several countries under free trade agreements (FTA) receive benefits of lower tariff rates. Under the South Korea – Chile FTA, a gradual tariff rate deduction will be reinforced for cherries imported from 2004 to 2014, to reach a zero tariff rate by 2014. The import duty applied to cherries from Chile was 14% in 2008. Similar agreements exist for Singapore and EFTA (European Free Trade Association) countries, allowing lower tariff rates for cherries. Unprocessed food items such as fresh fruits and vegetables, do not incur a Value Added Tax (VAT) in South Korea.</p> |

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| Food labeling regulations continue to expand | The National Agricultural Products Quality Management Service (NAQS) is in charge of overseeing the food origin labeling regulations in South Korea. Implemented in July 1991, the system continues to expand its range and severity in recent years in line with growing food safety concerns. The production origin is required to be labeled for 160 commodities of local or imported fresh produce. The same rule is applied to more than 200 processed food items. Since 2008, foodservice establishments are also required to list the origin of key food ingredients such as meat and rice. |
| MRLs | South Korea is currently working in the implementation of an updated set of MRL's. Nevertheless, the focus of these new regulations will be based on the elimination of residue levels of pesticides that are not registered for domestic use in Korea. This new approach that Korea is taking could represent a hindrance for Oregon specialty crop imports because it will be established without any scientific risk assessment blocking pesticides that do not represent any health concern but will be rejected because their unjustified prohibition in South Korea. |

Fresh Cherry Imports to the South Korea During 2008

Commodity: Fresh Cherry 2008 (in Tons '000) (2006-2008)

| Trade Status | Main Competitors | Market Share % | Domestic Production |
|----------------|----------------------|-----------------|---------------------|
| Accepted | Others (6.7%) | 93.3% | 0.3 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 3.377 | 3.149 | 29.59% | 6.99% |
| US Price Range | Domestic Price Range | | |
| US\$18- US\$20 | US\$17 - US\$18.5 | | |

| Non-Tariff or Facts | Description |
|---|---|
| US Cherries Positive Acceptance in the Korean Market | <p>US cherries dominated cherry imports during the historic period, with their share ranging from 87.9% to 96.3% from 2003 to 2008. In 2008, 93.3% of imported cherries originated from the US. The volume of US cherries grew at a CAGR of 36.5% from 2003 to 2008 as they are high quality imports.</p> <p>The major challenge for further growth is the relatively high unit price for cherries. Import costs for cherries are the most expensive of all major imported fruits into South Korea. Due to the short storage period, cherries are couriered via air, which increases the total import expense. Due to the high price, industrial consumption of cherries remains very limited.</p> <p>For the forecast period, cherry consumption in South Korea is</p> |

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| | expected to increase with the growing demand and popularity of the fruit. As the local production is not able to meet the fast growth of demand, US imports of cherries are likely to grow in line with the growth of the cherry consumption. |
| Cherry Retail Growth | The cherry retail market size in South Korea grew from 1,491 tons in 2006 to 3,670 tons in 2008, a CAGR of 57% in volume. Prior to this sudden growth, cherries were considered to be a minor fruit with highly limited supply and high retail prices. However, promotions organized by retailers and lower prices of the commodity led to an increasing number of consumers trying out the new fruit. Based on the rising popularity of cherries, their retail consumption is expected to reach 5,014 tons by 2011. The novelty, health benefits, affordable prices and increasing affordability will support the future growth of cherries. |
| Hood River Cherries Banned from South Korea | According to Julio Paredes from Yakima Fresh Fruit Growers, cherries from Hood River are not allowed into Korea. Due to pest issues, cherries have to pass through a mandatory fumigation process of Methyl Bromide of Methyl Bromide. The side effects of this fumigation process significantly reduce the shelf life of cherries and also create unnecessary expenses to cherry growers. |

Fresh Cranberry and Blueberry Imports to the South Korea During 2008

Commodity: Blueberry and Cranberry 2008 (in Tons '000) (2005-2008)

| Trade Status | Main Competitors | Market Share % | Domestic Production |
|---------------|----------------------|---------------------------------|---------------------|
| Accepted | China (>2%) | 98% | 0.476 |
| Total Imports | Total US Imports | CAGR% US import (First Year) | CAGR% Domestic |
| .026 | 3.149 | | 292.78% |
| | Domestic Price Range | | |
| | US\$29 - US\$32.5 | | |

| Non-Tariff or Facts | Description |
|-----------------------------|---|
| Blueberry Popularity | <p>There is no established perception or comparison between locally grown and imported varieties of cranberries and blueberries, mostly because their first imports were recorded in 2008. Nonetheless, locally grown fresh blueberries observed an increasing popularity and have an added premium value. Imported dried cranberries and blueberries have no local counterparts and are accepted as a norm among the main users of foodservice industry and food processors.</p> <p>As of 2008, 6,380 tons of fresh blueberries were imported to South Korea. The US accounted for 6,250 tons, or 98% of their</p> |

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| | total imports. Imports of dried blueberries were far greater than of the fresh berries, with 19,408 tons imported mostly from China and the US. |
| US Position in the Blueberry Imports Market | <p>In 2008, a small volume of fresh blueberries and dried blueberries were imported from the US accounting for 98% of all fresh blueberries imported. China accounted for 60.8% of dried blueberry imports, with the remaining 39.2% coming from the United States.</p> <p>Although the market of imported cranberries and blueberries remains negligible, there is a positive opportunity for the industry to record strong growth in the future. With increasing awareness of the health benefits of berries, demand from local consumers is expected to continue increasing, thus creating opportunities for American exporters.</p> |
| Potential Growth for Blueberry Market | <p>The market for fresh blueberries marked an impressive growth from 2006 to 2008. Retail consumption of fresh blueberries reached 482 tons in 2008 recording an 882% CAGR over the mentioned period. The growth came mostly from the increase in local production and is expected to continue for the forecast period at a CAGR of 49%. Retail sales of fresh berries are expected to reach 1,500 tons by 2011. Due to the high popularity of this healthy fruit and limited supply volume, there is a long-term positive outlook both in terms of imports and local production opportunities.</p> <p>Retail sales of dried berries are also expected to increase, although at a much slower rate. Sales are projected to increase from 2008 to 2011 due to increased import levels.</p> |

Fresh Pears Imports to the South Korea During 2008

Commodity: Pears 2008 (in Tons '000) (2003-2008)

| Trade Status | Main Competitors | Market Share % | Domestic Production |
|---------------|----------------------|-----------------|---------------------|
| Not Accepted | China | 100% | 470.7 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| .082 | .082 | 20.34% | 6.38% |
| | Domestic Price Range | | |
| | US\$1.91 - US\$4.7 | | |

| Non-Tariff or Facts | Description |
|---|---|
| Imported fresh Pears are not Present | The import of fresh pears is restricted due to plant quarantine regulations, although there is a possibility that the market could allow imports in the future. As there was no presence of imported pears in the retail environment, customers are only familiar with locally grown pears. |

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| <p>Expected US Tariffs Rate Benefits After 2013</p> | <p>US pears do not have a presence in the retail environment and there is no established perception of US imported pears in the market. Due to the South Korea – US free trade agreement (FTA) in 2007, fresh pears are expected to have a reduced tariff in the future. However, as the variety of US pears is significantly different from local pears, the consumer acceptance of imported pears is likely to take time. In addition, local supplies of pears have been sufficient to supply demand from the retail sector from 2003 to 2008, which lowers the opportunities for increases in future import volumes.</p> |
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Fresh Potato Imports to the South Korea During 2008

Commodity: Potatoes 2008 (in Tons '000) (2003-2008)

| Trade Status | Main Competitors | Market Share % | Domestic Production |
|---------------|----------------------|-----------------|---------------------|
| Accepted | Australia (18.1%) | 81.9% | 604.592 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 59.538 | 13.78 | 13.63% | 3.27% |
| | Domestic Price Range | | |
| | US\$1.42 - US\$3.4 | | |

| General Non-Tariff or Facts | Description |
|--|--|
| <p>Imported fresh Potatoes are not Present</p> | <p>Imported fresh potatoes are used mainly for food processing purposes, and as a result there is no established perception of imported potatoes among end consumers. The usage and distribution of imported potatoes and local varieties are separated, and a direct comparison has not been made between domestically produced and imported fresh potatoes.</p> <p>The major user of imported frozen potatoes is the foodservice industry, which is comprised of fast food and family restaurants. As these users are chains, most of which have their origin in the US, the usage of imported frozen potatoes is accepted as a norm and there is no competition from any local products.</p> <p>The main users of dehydrated potatoes are food processors. The perception of imported products is generally favorable in terms of stable supply with consistent quality levels, but the high unit price is a negative factor.</p> |
| <p>Positive Growth Expected for US Potato Imports</p> | <p>For all formats of imported potatoes, the US is the leading trade partner for South Korea. Fresh potatoes from the US reached 13,782 tons in 2008, to represent a CAGR of 16.6% from 2003 to 2008. The US accounted for 82% of the fresh potato share. The growth mainly occurred between 2007 and 2008. Fresh potato imports are permitted from the US, Australia and Japan,</p> |

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| | <p>due to quarantine restrictions.</p> <p>The US dominated imports of frozen potatoes as well, with 32,159 tons in 2008, or 75.5% of total imports. The US is also one of the major exporters of dehydrated potatoes to South Korea. In 2008, the US accounted for 82% of dehydrated potato imports, but the volume was only 116 tons, due to the small market size.</p> <p>Potatoes imported from the US are largely confined to processed formats such as frozen potatoes, which are used by the foodservice industry and food processors. Imported fresh potatoes are also used for processing purposes rather than for direct sales to retail consumers. Food processors and the foodservice industry use US imported potatoes of different formats. As the imported varieties are more suitable for foodservice and industrial purposes, the perception of imported potatoes is positive among these users. As such, US potatoes are expected to mark a continued growth for the forecast period.</p> |
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TAIWAN

Taiwan is another emerging import market for Oregon specialty crops that is showing a significant increase in its agricultural imports. However, as this nation adopts many agricultural commodities into their market, they are also implementing many non-tariff barrier measures that represent a huge hindrance for many US crops. Some of the observed non-tariff barriers identified are the following:

- Slow Implementation of MRL Standards.
- Food Sanitation and Quarantine Requirements.
- Food Labeling Requirements.

| General Non-Tariff or Facts | Description |
|---|---|
| <p>Slow Implementation of MRL Standards.</p> | <p>Taiwan’s slow implementation of MRLs has resulted in many substantial agricultural crop rejections when trying to access their market. Over 1,500 US agricultural crops have been rejected upon entrance. Some of these commodities include wheat, barley, strawberries, corn, apples and many other Fruits and vegetables. The US has imposed a lot of pressure in Taiwan authorities in order to encourage Taiwan to act accordingly to the Taiwan-US Trade agreement on MRLs established in 1999. The US continues working in the exchange of information and technical assistance in order to improve and facilitate trade in future years.</p> |
| <p>Food Sanitation and Quarantine Requirements</p> | <p>There are two related regulations for sanitation and quarantine applied to imported fruits, nuts and vegetables. The Department of Health (DOH) is the statutory body responsible for the management of food safety in Taiwan. Food products are subject to comply with the “Law Governing Food Sanitation”, its enforcement rules and a series of food standards promulgated by the DOH.</p> <p>The DOH commissions the Bureau of Standards, Metrology and Inspection (BSMI) of the Ministry of Economic Affairs (MOEA) to inspect imported foods at the port of entry. The main inspection is to check if the remaining quantity of pesticides complies with local food safety standards.</p> <p>The Bureau of Animal and Plant Health Inspection and Quarantine (BAPHIQ) of the Council of Agriculture inspects fresh produce, meats and pet food. All imported agriculture products must comply with the “Plant Protection and Quarantine Act”. The Act controls plant diseases and pests and prevents their</p> |

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| | <p>spread. Regulations under this act including “Quarantine Requirements for The Importation of Plants or Plant Products into The Republic of China” and “Quarantine Requirements for Enterable Plants or Plant Products under Precautionary Requirements” state the quarantine requirements for imports to Taiwan. In addition, the Council of Agriculture (COA) is the statutory body responsible for animal and plant quarantine. The COA’s Bureau of Animal & Plant Health Inspection & Quarantine (BAPHIQ) takes charge of the functions similar to USDA’s Animal & Plant Health Inspection Service (APHIS) and the Food Safety Inspection Service (FSIS).</p> |
| Food Labeling Requirements | <p>Since Taiwan’s “Act Governing Food Sanitation” went into effect in March 1995, Taiwanese authorities have strictly enforced food and beverage labeling requirements. Improper or altered labels risk rejection by local inspectors at the port of entry. Processed food products or food additives imported into Taiwan for retail sale must have a Chinese language label. In 2002, Taiwanese customs allowed Chinese labels to be affixed in government-approved logistics centers or government approved self-managed bonded warehouses prior to customs clearance. Currently, nine facilities are qualified to provide this service. The Agricultural Trade Office in Taipei maintains a list of these facilities for US exporters. The Chinese labels must declare information including product name, weight, volume or quantity of the contents, food additives, manufacturers and importer names, telephone number, detailed address and food expiration date.</p> |

Fresh Cranberry and Blueberry Imports to Taiwan During 2008

Commodity: Cranberry and Blueberry 2008 (in Tons ‘000) (2003-2008)

| Trade Status | Main Competitors | Market Share % | Domestic Production |
|---------------|----------------------|-----------------|---------------------|
| Accepted | Chile (27.7%) | 68.6% | - |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| .26 | .18 | 34.8% | - |
| | Domestic Price Range | | |
| | US\$9.5- US\$19.90 | | |

| Non-Tariff or Facts | Description |
|---------------------------------|---|
| US Positive Market Share | The consumption of cranberries and blueberries is relatively low in Taiwan. On the other hand, manufactured cranberries and |

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| | <p>blueberries products have better market awareness in Taiwan. Over the review period, US imports accounted for the largest share of the imported cranberries and blueberries market. In 2008, cranberries and blueberries imported from the US accounted for 68.6% of the market share, a total of 181 tons. Due to limited sales volumes, price differences among import origins are not significant for cranberry and blueberry sales. As the trend towards a healthier lifestyle increases, the future market growth of cranberries and blueberries can be expected. After a declining trend in US imports between 2003 and 2005, the market share of US imports increased (from 2006 to 2008). This can be attributed to an increased recognition of the health benefits of cranberries and blueberries among local consumers. Growth potential and market opportunities for the US imports can be expected.</p> |
| Customer perception of imported cranberries and blueberries | <p>Cranberries and blueberries are mainly imported from the US. Since Taiwanese consumers are not familiar with cranberries and blueberries, there is no specific perception among different origins. In general, consumers perceive the US imports to be a better quality at a reasonable price.</p> |

Fresh Cherry Imports to the South Korea During 2008

Commodity: Cherry 2008 (in Tons '000) (2003-2008)

| Trade Status | Main Competitors | Market Share % | Domestic Production |
|---------------|--------------------|-----------------|---------------------|
| Accepted | Chile (34.9%) | 52.7% | - |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 10.1 | 5.3 | -9.43% | - |
| | US Price Range | | |
| | US\$5.10 - US\$8.7 | | |

| Non-Tariff or Facts | Description |
|---------------------------------------|---|
| US Cherries Decrease in Demand | <p>The US was the major source of cherry imports to Taiwan and accounted for 5,339 tons, or 52.7% of total market shares in 2008. US imports experienced heavy competition from other countries including Chile, New Zealand, and Australia, which have the advantage of cheaper product costs. In general, the prices of US cherries are 10-15% higher than other countries' imports. US imports experienced a decrease over the review period, mostly due to price competition from other countries, especially Chile. Considering the economic recession, consumers are shifting demand away from higher priced US cherries. Currently, Chile is the second largest cherry exporter to Taiwan with 34.9% of the market share. Opportunities for US producers</p> |

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| | lie in lowering pricing or differentiating US cherries from those of other countries. |
| No Production of Cherries in Taiwan | <p>In Taiwan, there are no locally-grown cherries due to the weather conditions. All cherries are imported from other countries and sold at high prices compared to other fruits that are available locally-grown. As a result, Taiwanese consumers consider cherries to be a luxury fruit.</p> <p>Generally, local consumers do not have a different perception towards different countries of origin. Quality and price are more important to consumers. As long as products are reasonably priced and good quality, Taiwanese consumers will buy them regardless of the product origin.</p> <p>Imported cherries from the US are more popular in the market than cherries from any other country. Although other imported cherries can also be bought to the market, cherries from the US dominate the domestic market in Taiwan. Generally, cherries from California have a high level of sweetness and are reasonably priced since they are produced on a large scale. As a result, they have become the most popular variety in Taiwan.</p> |

Fresh Pears Imports to Taiwan During 2008

Commodity: Pears 2008 (in Tons '000) (2003-2008)

| Trade Status | Main Competitors | Market Share % | Domestic Production |
|-------------------|----------------------|-----------------|---------------------|
| Accepted | South Korea (78%) | 13.5% | 138.48 |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 11.5 | 88.7 | -9.3% | 2.11% |
| US Price Range | Domestic Price Range | | |
| US\$1.5 - US\$2.2 | US\$2.70 – US\$4 | | |

| Non-Tariff or Facts | Description |
|-------------------------------------|--|
| Consumer Perception of Pears | <p>In Taiwan, European pears and Asian pears are both imported. Asian pears are mainly from South Korea and Japan. These varieties are very similar in taste to locally grown pears.</p> <p>European pears are different from locally grown pears. In general, Taiwanese consumers consider European pears and Asian pears as totally different kinds of fruit.</p> <p>Consumer perception of pears varies according to the different varieties. Consumers perceive locally grown Asian pears to be fresher and more reasonably priced. Consumers are generally indifferent among European pear varieties.</p> |
| US Pears Market Share | <p>In 2008, the US ranked second in the total pear imports into Taiwan, with about 1,500 tons and a share of 13.5%. Over the review period from 2003 to 2008, US imported pears declined at</p> |

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| | <p>a CAGR of 10.8%. This was because Taiwan deregulated its import limitation after joining the WTO and more Asian pears were imported into Taiwan. Imported Asian pears with similar taste to locally grown varieties are more popular in retail market, since local consumers are not yet accustomed to the taste of European pears. The imported varieties of pears from the US are not as popular as the locally grown pears and Korean pears. The potential for US pears seems limited in the current market.</p> |
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Fresh Pears Imports to Taiwan During 2008

Commodity: Potatoes 2008 (in Tons '000) (2003-2008)

| Trade Status | Main Competitors | Market Share % | Domestic Production |
|--------------------|----------------------|-----------------|---------------------|
| Accepted | China (12.5%) | 34.4% | 59.7% |
| Total Imports | Total US Imports | CAGR% US import | CAGR% Domestic |
| 48.8 | 88.7 | 21.47% | 5.10% |
| US Price Range | Domestic Price Range | | |
| US\$1.10 - US\$6.6 | US\$0.50 – US\$2.80 | | |

| Non-Tariff or Facts | Description |
|---|--|
| Consumer Perception of Potatoes | <p>The US is the biggest source of fresh, frozen and dehydrated potatoes to Taiwan. Imports reached 10,600 tons of fresh, 23,000 tons of frozen and 1,100 tons of dehydrated potatoes in 2008. The US occupied 99% of the imports of fresh potatoes to Taiwan. The US, Canada and Belgium also accounted for a significant share of the total import market for frozen potatoes. The US and Germany were the two largest sources with a combined 90% market share of dehydrated potatoes. In general, people in Taiwan have a positive perception of US potatoes, although the price of the US fresh potatoes is more expensive than local potatoes. In addition, almost all local potatoes in Taiwan are fresh.</p> |
| US is Taiwan's Main Source of Potatoes | <p>The US was the biggest foreign source of potatoes to Taiwan in 2008, with a general increasing trend of import volumes displayed over the historical period. Although the position of US potatoes will remain dominant from 2009 to 2011, the market share of the US frozen potatoes is expected to decrease because the price from other countries, such as Belgium, is cheaper. Compared with US potatoes, local potatoes are considered much more affordable to consumers. Most local potatoes are available fresh, while only a negligible amount of local potatoes are made into frozen and dehydrated potatoes.</p> |

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