



March 2019 Cranberry News

CMC'S BIENNIAL MEETING RECAP: 2019 WINTER EDITION

On February 12 and 13, Committee members, industry members, and USDA and CMC staff convened in Arlington, VA for the CMC's annual winter meeting. See page 2 for the 2019-2020 Marketing Policy and the Committee's 2019 crop estimates.

To kick off this meeting, the CMC welcomed our new USDA Marketing Specialist, Jen Varela. Our previous specialist, Doris Jamieson, retired on Dec. 31, 2018.

Jonathan Decubber, an APCQ board member, presented the Quebec numbers, which continue to show conversion from traditional to organic. Of the 2.5 million bbl 2018 crop, 34% was organic. APCQ's field day is Aug. 8, 2019 and all are welcome to attend.

BCI reps spoke at length about the EU's Pesticide Review process and the Bravo MRL withdrawal timeline (pg. 3). Additionally, 2018 was an extremely eventful year for trade policy and Matt Lantz provided an extensive summary for the industry (pg. 7). Sarah Gelpi and David McCaleb of BCI spoke about ongoing marketing promotions in international target markets (pg. 5). CMC's China representative, Mabel Zhuang, was in attendance to discuss the intricacies of compliance with the Chinese NGO law (see below).

Steve Berlyn presented the recommendation from the Data Collection Review Subcommittee to break out domestic sales reporting by fresh, processed and concentrate and to produce a new cycle report showing inventory levels for those three forms.

Terry Humfeld from the Cranberry Institute updated the Committee on recently completed and ongoing health research projects.

Finally, Karen Cahill reported on social media statistics, communications and domestic marketing activities including a revised plan for 2018-2019, and a proposal for 2019-2020 (pg. 6).



2019 February Meeting materials and presentations can be downloaded at uscranberries.com > Web Resources > Annual Meeting Materials



PROCESS OF COMPLYING WITH CHINA'S NGO LAW

As reported at the August Committee meeting, the CMC has had to cease marketing activity in China until it becomes compliant with China's requirement that foreign non-governmental organizations (NGO) register with their Public Security Bureau (PSB). NGO registrations had reportedly declined in 2018 vs. 2017 and the PSB is now more actively seeking out non-registered NGOs. The CMC and other FAS cooperators are an easy target due to their high profile in the Chinese market. However, all FAS cooperators, including the CMC, will be required to comply with Chinese law by registering as an NGO.

At this stage, a small handful of cooperators with permanent offices in China have registered, but the majority of cooperators (and all of those that work through in-market representatives, as CMC does) have not yet registered.

In February, CMC submitted final, notarized paperwork to hopefully achieve compliance in the coming months. Fortunately, the costs associated with becoming compliant are MAP reimbursable. The CMC, BCI and our in-country reps are working diligently to resume marketing activities in this important target market as quickly as possible.

CRANBERRY MARKETING COMMITTEE 2019 CROP YEAR ESTIMATES

2019 Domestic Cranberry Production Estimate Updated 2/12/2019

| | 1,000 barrels |
|---|---------------|
| Massachusetts Average | 2,034 |
| New Jersey Average | 503 |
| Wisconsin Average | 5,650 |
| Oregon Average | 490 |
| Washington Average | 158 |
| | |
| 2019 Crop Year Domestic Production Estimate | 8,834 |

2019 Crop Year Estimated Carry-In, Supply, Sales/Usage & Carryout Inventory (9/01/2019 - 8/31/2020) Updated 2/12/2019

| | | 1,000 Barrels | |
|-----------|--|---------------|---|
| 1 | Estimated Carry-In | 5,562 | → From 'Total Available Supply and Sales', may be adjusted based on Committee input |
| | <i>Production & Acquired</i> | | |
| 2 | Estimated Domestic Production | 8,834 | → From Committee estimates |
| 3 | Estimated Foreign Acquired | 1,765 | → From Committee estimates |
| 4 | Total Production & Acquisitions (2+3) | 10,600 | → Sum of Estimated Domestic Production and Estimated Foreign Acquired |
| 5 | Available Supply (1+4) | 16,162 | → Sum of Total Production & Acquisitions and Estimated Carry-in |
| | <i>Estimated Shrinkage</i> | | |
| 6 | 2% of Carry-in (1) | 111 | → 2% of Estimated Carry-In |
| 7 | 4% Estimated Production/Acquisitions (4) | 424 | → 4% of Total Production & Acquisitions |
| 8 | Estimated Shrinkage (6+7) | 535 | → Sum of Estimated Carry-in Shrinkage and Estimated Total Production & Acquisitions |
| 9 | Adjusted Supply (5-8) | 15,627 | → Estimated Shrinkage deducted from Available Supply |
| | <i>Sales & Usage</i> | | |
| 10 | Fresh Fruit Sales | 340 | → From Committee estimates |
| 11 | Processing Fruit Usage | 10,000 | → From Committee estimates |
| 12 | Total Sales/Usage (10+11) | 10,340 | → Sum of Fresh Fruit Sales and Processing Fruit Usage |
| 13 | Estimated Adjusted Carry-Over | 5,287 | → Total Sales/Usage deducted from Adjusted Supply |
| 14 | Inventory as a % of sales | 51% | |

CHLOROTHALONIL'S (BRAVO) MRL FUTURE IN THE EU

On December 4, 2018, the EU notified the WTO of its intention to cancel the approval of chlorothalonil. Once this proposal has been implemented and the grace period for EU stock usage has ended, MRLs for chlorothalonil are very likely to be withdrawn, including the currently harmonized 5 ppm MRL for cranberries. In its place, a default tolerance of 0.01 ppm is expected to apply.

All active ingredients in the EU are subject to review every 10-15 years. During the chlorothalonil review, *the European Food Safety Authority identified multiple concerns, including the categorization of chlorothalonil as carcinogenic*, and the possible genotoxicity of one of its breakdown products. Under European law, substances that trigger these categories are “cut off” and cannot have their approval renewed. The findings on chlorothalonil are not specific to cranberries or cranberry MRLs, but are a general conclusion regarding the compound.

Under the worst-case scenario, MRLs could be withdrawn by October 2020, but that date, depending on circumstances and delays in voting, could be extended by several months, even up to March 2021, given how other crop protection tools in similar circumstances have been handled by the European Commission.

Importantly, unlike in 2014 when the EU removed the chlorothalonil cranberry MRL and allowed anything treated with the product prior to the change to enter the EU under the old MRL level, under new European Commission policies, imported products are subject to the established MRL at the day of entry in the EU. *All cranberry products would therefore be subject to the default 0.01 ppm MRL once the MRL is officially withdrawn.* Once the MRL change occurs, products are expected to be compliant.

The U.S. cranberry industry has submitted comments to the USDA as well as the EU directly to ensure the industry's concerns are taken into consideration. In addition, the U.S. cranberry industry is working with USDA, the U.S. Trade Representative's Office, and the U.S. Mission to the EU to explore options and seek as much of a delay as possible on the implementation date. These efforts are stressing how long

cranberry products remain in the channels of trade. BCI has also reached out to registrants in the EU on the Commission's findings, but *it is not expected that the EU will reverse its decision on chlorothalonil.*

The chlorothalonil decision came about as a result of the 2009 EU pesticide review regulation, which requires chemicals to be evaluated based on a “hazard-based” approach. Products deemed to meet certain “cut-off” hazard criteria are to be withdrawn from the market. The “cut-off” criteria can be due to human health concerns (carcinogenic, genotoxic, endocrine disruptor, others), or environmental concerns (persistent organic pollutants, persistent bio-accumulative and toxic, risk to bees, others).

The 2009 Pesticide Review policy conflicts with a 2005 EU regulation regarding the evaluations for MRLs that requires reviews be based on not only hazard, but also on risk. Risk measures how much actual exposure there is to a hazard. The WTO, to which EU member states are signatories, requires that scientific evaluations be based on risk as well.

As the EU advances their pesticide re-approval reviews based solely on the hazard-based approach, many currently approved active ingredients in the EU will not be re-approved and are expected to be withdrawn from the EU market - meaning they will not be available to EU farmers. Withdrawn products are also likely to see their MRLs eliminated. There are many agricultural groups concerned about this development.

For cranberry exporters to the EU, these withdrawals will also likely lead to the revocation of associated MRLs with those substances, resulting in the EU 0.01

ppm default tolerance being applied. Some studies estimate that 10-40% of currently approved active ingredients could be disallowed in the EU in the near future.

This will not happen at once. The EU evaluation process is based on a schedule, so the determination of whether a chemical is subject to the cut-off criteria will occur when that review is scheduled over the next decade. However, if the chemical is deemed hazardous, the product will be withdrawn at that time.

Feeling pressure on the potential international trade impact of this new policy, the EU is considering how to handle import tolerance applications for MRLs for any withdrawn chemical. Originally, the EU stated if the substance was withdrawn, it would not accept import tolerance applications, but recognizing that such a policy was likely a violation of WTO obligations, the EU is now saying applications for import tolerances can be made. It remains to be seen, however, whether such applications will actually result in import tolerances being approved.

As the CMC knows from its efforts to seek MRLs in the EU, even before this policy was enacted, often the EU seeks additional studies and finds the information submitted not sufficient to establish an import tolerance.

This issue is not unique to cranberries. The policy will affect up to 64% of all agricultural imports into the EU according to a 2017 BCI study.

Read BCI's full MRL report at uscranberries.com > Web Resources > Annual Meeting Materials

OTHER ACTIVE INGREDIENTS WITH CRANBERRY LABELS - EU UPDATE

Proposed non-renewal

- Methoxyfenozide (Intrepid): Proposed renewal limiting uses to greenhouses. Implementing Regulation expected to be published in first quarter of 2019.
- Chlorothalonil (Bravo): Proposed for non-renewal based on carcinogenic properties, genotoxicity concerns, and other environmental concerns. Implementing Regulation expected to be published March - June 2019.

Implemented non-renewal

- Imidacloprid (Admire): Approval restricted to permanent greenhouse use.
- Thiamethoxam (Actara): Approval restricted to permanent greenhouse use.
- Malathion (Malathion): Approval restricted to permanent greenhouses use.
- Propiconazole (Orbit): Non-renewal based on health concerns.

CMC BOARD OF DIRECTORS

Term of office: August 1, 2018 - July 31, 2020

DISTRICT 1 (MA, RI, CT)

Major Cooperative Members & Alternate

Lawrence Harju (Member)

George Rogers (Chair, Member)

Adrienne Mollor (Alternate)

Other Than Major Cooperative Members & Alternate

James Rezendes (Immediate Past Chair, Member)

Dawn Gates-Allen (Member)

Parker Mauck (Vice-Chair, Alternate)

DISTRICT 2 (NJ)

Major Cooperative Members & Alternate

Stephen V. Lee IV (Secretary/Treasurer, Member)

Joseph Darlington (Alternate)

Other Than Major Cooperative Members & Alternate

William R. Poinsett (Member)

Thomas Gerber (Alternate)

DISTRICT 3 (WI, MI, MN)

Major Cooperative Members & Alternate

David Bartling (Member)

Martin Potter (Member)

Jill Amundson (Alternate)

Other Than Major Cooperative Members & Alternate

Vicki Nemitz (Member)

Wayne Gardner (Member)

James Van Wychen (Alternate)

DISTRICT 4 (OR, WA)

Major Cooperative Members & Alternate

Kevin Hatton (Member)

Jack Stein III (Alternate)

Other Than Major Cooperative Members & Alternate

Ronald Puhl (Member)

Nicholas Puhl (Alternate)

AT-LARGE MEMBER & ALTERNATE

Douglas Rifleman (Member)

Michael Viano (Alternate)

PUBLIC MEMBER & ALTERNATE

Steven White, Ph.D. (Member)

Thomas O'Guinn, Ph.D. (Alternate)

CMC ADMINISTRATIVE OFFICE

Michelle Hogan (Executive Director)

Judy Mears (Executive & Financial Assistant)

Karen Cahill (Communications & Marketing)

Dotty Pipher (Programs & Administrative Assistant)

CMC CONTINUANCE REFERENDUM - MAY 2019

Per the CMC's Marketing Order, a Continuance Referendum is conducted every four years in May to ascertain whether continuance is favored by growers. The order states: "The Secretary shall terminate the provisions of this part whenever he finds by referendum or otherwise that such termination is favored by a majority of the growers: Provided, That such majority has, during the current fiscal year, produced more than 50 percent of the volume of the cranberries which were produced within the production area. Such termination shall become effective on the last day of July subsequent to the announcement thereof by the Secretary."

| Eligible Growers Voting IN FAVOR | Volume Represented by Growers Voting | Order Continues |
|--|---|-----------------|
| 50% or more | 50% or more | ✓ |
| 50% or more | Less than 50% | ✓ |
| Less than 50% | 50% or more | ✓ |
| Less than 50% | Less than 50% | ✗ |

It is important to note that, "USDA considers the results of the referendum *and* all other relevant information concerning the operation of the order and the relative benefits and disadvantages to the growers, processors and consumers in order to determine whether continued operation of the order would tend to effectuate the declared policy of the Act." Ultimately, it is the USDA Secretary who has the final say on the continuance or termination of the Cranberry Marketing Committee.

In preparation for the upcoming referendum, please make sure that the CMC has your accurate mailing address as USDA will be mailing ballots to all growers in May. Additionally, in April, we will be sending to all growers an Impact Report, which summarizes CMC activities and success stories from the past five years.

IN-HOUSE DOMESTIC MARKETING PROGRAM

The Domestic Marketing Subcommittee was formed in August to evaluate the effectiveness and value of the current plan, budgeted at \$214,000 for the 2018-2019 year. It was the consensus of the subcommittee that the current budget level does not make a big enough impact on sales, and the Committee would get a better return on its investment if the bulk of the domestic marketing budget was spent elsewhere.

The subcommittee recommended to the full Committee that the formal domestic program managed be terminated as of August 31, 2019, and that a domestic maintenance program managed by CMC's in-house staff be established in its place.

2018-2019 Domestic Program

In November, on the recommendation of the subcommittee, the full Committee voted to adjust the 2018-2019 domestic marketing program as follows: Pollock Communications will complete the #AllAmeriCRAN BBQ initiative; the 2019 SNA conference will be managed in-house for a potential \$50,000 cost savings; and the \$66,000 retail partnerships initiative was eliminated.

2019-2020 Domestic Program

At the February meeting, Karen Cahill presented several low-cost, high-impact partnership options, which she could manage internally. These partnerships would be in addition to a scaled-back domestic maintenance program of website, social media, samples and collateral.

The Committee approved a \$77,000 domestic marketing budget beginning September 1, 2019, with the exact programming to be determined at the subcommittee level.

EXPORT PROGRAM SEES PROGRESS DESPITE TARIFFS AND CHINESE COMPLIANCE ISSUES

The CMC's generic international market development program continued to make progress in markets around the world—increasing consumer awareness of U.S. cranberry products and facilitating increased export sales. In 2017/18, exports of U.S. cranberries increased 4% by volume over the year prior to reach nearly 3 million 100-lb. barrel equivalents. Meanwhile, exports to CMC's target markets increased by 124,444 barrels representing a 22% increase over the 2016/17 marketing year. Additionally, an impressive **1,754 new cranberry products were launched in target markets during the 2018 calendar year program.** These results suggest that CMC's generic activities helped generate interest in U.S. cranberries from trade and consumers alike.

The year was not without its challenges, particularly in China. This includes the implementation of burdensome tariffs and increased scrutiny on health-related claims. Additionally, many of CMC's activities in China have been put on pause while CMC works towards compliance with a Foreign Non-Governmental Organization (FNGO) registration law. Nevertheless, CMC has been working actively with local CMC representatives to address all of these concerns and keep the program moving forward.

Beyond China, in 2018 CMC successfully concluded its first year of full-scale market development programming in India—reaching more than 50 million Indian consumers through its public relations efforts. Other activities included trade shows, technical seminars, health and

| CMC Five Year Export Data Overview | | | | | | | |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|----------------------|-------------------|
| | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | % Change (Past Year) | % Change (5-year) |
| Target Markets | | | | | | | |
| Pan Europe | 852,321 | 913,201 | 1,009,212 | 947,869 | 1,108,616 | 17% | 30% |
| Germany | 301,619 | 316,575 | 375,009 | 319,421 | 380,158 | 19% | 26% |
| France | 133,594 | 144,902 | 147,754 | 182,995 | 242,724 | 33% | 82% |
| Poland | 53,692 | 79,060 | 116,073 | 129,326 | 148,438 | 15% | 176% |
| Other Europe | 359,143 | 366,430 | 363,782 | 316,128 | 337,305 | 7% | -6% |
| Mexico | 99,139 | 127,238 | 151,756 | 170,273 | 165,787 | -3% | 67% |
| China | 58,906 | 82,843 | 128,319 | 194,848 | 184,093 | -6% | 213% |
| Korea | 56,614 | 72,677 | 58,473 | 77,126 | 53,289 | -31% | -6% |
| India | 1,206 | 1,295 | 2,322 | 1,259 | 4,032 | 220% | 234% |
| Other Markets of Interest | | | | | | | |
| UK | 381,051 | 376,074 | 399,577 | 413,502 | 397,926 | -4% | 4% |
| Canada | 406,474 | 417,702 | 475,361 | 493,121 | 446,579 | -9% | 10% |
| Israel | 43,276 | 43,247 | 62,337 | 60,335 | 15,708 | -74% | -64% |
| Russia | 72,029 | 82,253 | 21,288 | 19,446 | 65,159 | 235% | -10% |
| Italy | 42,153 | 38,736 | 47,046 | 51,527 | 58,112 | 13% | 38% |
| Australia | 102,527 | 95,388 | 113,841 | 109,872 | 100,091 | -9% | -2% |
| Taiwan | 47,460 | 56,090 | 67,384 | 68,500 | 50,620 | -26% | 7% |
| Hong Kong | 16,490 | 18,001 | 28,137 | 29,191 | 10,697 | -63% | -35% |
| Japan | 30,259 | 37,809 | 25,799 | 31,881 | 38,891 | 22% | 29% |
| Vietnam | 175 | 185 | 161 | 19,452 | 3,000 | -85% | 1614% |
| Colombia | 661 | 2,434 | 5,256 | 4,872 | 9,020 | 85% | 172% |
| Peru | 7,633 | 224 | 421 | 456 | 4,524 | 892% | -41% |
| UAE | 2,983 | 5,564 | 1,807 | 6,511 | 7,543 | 16% | 153% |
| All Remaining Countries | 188,793 | 216,392 | 179,412 | 169,328 | 329,750 | 95% | 75% |
| Grand Total | 2,410,151 | 2,587,353 | 2,777,908 | 2,869,369 | 2,997,778 | 4% | 24% |

*Aggregate figures from annual CMC summer export survey

wellness seminars, restaurant and bakery promotions, and social media engagement. Now in the second full year of the India program, in 2019 CMC will continue to focus on building upon the foundation set in 2018, developing new relationships with trade partners in India, and further refining program activities to meet the needs of this dynamic market.

CMC had the opportunity to utilize funds at the end of 2018 that would have

otherwise been unspent to conduct market research studies in the UAE, Colombia, and Peru. Awareness of U.S. cranberry products is relatively low in these markets at present, but research findings demonstrate market potential and provide clear suggestions for development strategies. As funding allows, CMC will further explore these new markets along with its current targets—continuing to grow the footprint of U.S. cranberries globally.

INTERNATIONAL ACTIVITY CALENDAR

- March - April Bakery Carnival (India)
- March - April Majha House Promotional Event (India)
- March 13 - 17 AAHAR – Food and Hospitality Fair (India)
- March - April Trade Meetings (Delhi, India)
- March 18-20 FIC Trade Show (Shanghai)
- March Cranberry Menu Promotion (Ningbo, China)
- ATO Beijing Bakery Promotion (China)
- Cranberry Night at Tailor Bar (Shanghai)
- In-store Promotion (Guiyang, China)
- April 1-4 Master Bartender Competition (Shanghai)
- April - Dec. Bakery Training (Wuhan, China)
- April Retail Promotions (Delhi & Mumbai)

- April - Dec. QSP Shipment/Storage/Delivery (China)
- April - March ABC Cooking Studio Promotion (Shanghai)
- April - July Beverage Consumer Campaign (China)
- April Cooking Class (Shanghai)
- May - June Medical Patient Seminars (India)
- May - June Ice Cream Carnival Collaboration (India)
- May - Sept. Modern Retail Promotions (India)
- May - Nov. Restaurant Promotions (India)
- May Celebrity Chef Cooking Class (India)
- May - Nov. Social Media Engagement (India)
- May 6-9 China Bakery Show (Shanghai)
- May 14-16 SIAL Trade Show (Shanghai)
- May 19-21 China Bakery Exhibition (Guangzhou)
- May - Dec. Bakery Training (China)

A full international activity calendar is available at uscranberries.com > Industry > Industry News

FIVE-YEAR COMPARISON REPORT: FIRST QUARTER NUMBERS INCLUDING CY2018

CY2018 first quarter summary reports, as well as several comparison reports, can be found by clicking “Data and Reports” under the “Industry” menu on www.uscranberries.com. The chart below represents data from September 1 to December 31 of each year. A few general observations comparing the 2017 vs. 2018 Crop Years are as follows:

- Domestic production increased by 6.7%.
- Foreign acquisitions increased by 34.5%
- Total domestic sales decreased by 3%
- Export sales increased by 24%
- There was a significant decrease in ending inventory of 15.4%. Frozen decreased by 3.8%, processed decreased by 30.5% and concentrate decreased by 32.2%.

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Beginning Inventory | | | | | |
| Barrels Unfrozen: | 0 | 0 | 0 | 0 | 0 |
| Barrels in Freezers: | 2,564,083 | 2,654,030 | 2,773,027 | 4,175,273 | 2,281,453 |
| Barrels in Process Form: | 1,903,560 | 1,834,928 | 2,024,414 | 1,842,736 | 2,016,816 |
| Barrels in Concentrate Form: | 3,041,141 | 3,182,138 | 3,508,002 | 3,727,372 | 2,586,624 |
| Inventory Before Adjustments: | 7,508,784 | 7,671,096 | 8,305,443 | 9,745,381 | 6,884,893 |
| Adjustments: | -10,786 | 45,440 | -2,664 | -5,070 | 31 |
| Adjusted Beginning Inventory: | 7,497,998 | 7,716,536 | 8,302,779 | 9,740,311 | 6,884,924 |
| Sources | | | | | |
| Massachusetts, Rhode Island, Connecticut: | 1,894,288 | 2,190,416 | 2,102,566 | 1,758,592 | 2,223,862 |
| New Jersey: | 570,842 | 438,289 | 575,192 | 422,830 | 446,845 |
| Oregon: | 491,895 | 546,073 | 379,458 | 474,359 | 543,704 |
| Washington: | 149,883 | 196,085 | 159,475 | 130,684 | 180,778 |
| Wisconsin, Michigan, Minnesota: | 4,923,580 | 4,687,177 | 6,040,837 | 5,335,325 | 5,271,545 |
| Other states: | 27,308 | 131 | 217 | 196 | 0 |
| Total Domestic Acquired: | 8,057,796 | 8,058,171 | 9,257,745 | 8,121,986 | 8,666,734 |
| Foreign Acquired - Fresh: | 70,446 | 70,420 | 75,624 | 86,617 | 76,013 |
| Foreign Acquired - Processed: | 1,562,910 | 1,681,410 | 1,909,554 | 1,146,160 | 1,639,325 |
| Foreign Acquired - Concentrate: | 0 | 0 | 7,526 | 44,017 | 2,403 |
| Total Barrels Acquired: | 9,691,152 | 9,810,001 | 11,250,449 | 9,398,780 | 10,384,475 |
| Barrels in Transit: | 15,913 | 5,756 | -49,800 | 69,478 | 51,907 |
| Sales | | | | | |
| Fresh: | 258,102 | 268,600 | 288,629 | 284,632 | 280,540 |
| Processed & Sold: | 1,933,173 | 2,001,564 | 2,001,805 | 2,092,722 | 1,878,386 |
| Sold to Processors in District: | 218,948 | 200,710 | 100,725 | 227,361 | 297,797 |
| Sold to Processors outside of District: | 132,884 | 165,706 | 191,567 | 194,209 | 298,778 |
| Sold to Government: | 74,304 | 112,802 | 139,874 | 54,903 | 14,545 |
| Total Domestic Sales: | 2,617,411 | 2,749,382 | 2,722,600 | 2,853,827 | 2,770,046 |
| Foreign Sales Fresh: | 55,952 | 48,074 | 43,821 | 45,269 | 46,461 |
| Foreign Sales Processed: | 954,383 | 868,959 | 952,697 | 996,609 | 1,155,529 |
| Foreign Sales Concentrate: | 180,936 | 176,526 | 175,022 | 136,386 | 258,853 |
| Total Sales: | 3,808,682 | 3,842,941 | 3,894,140 | 4,032,091 | 4,230,889 |
| Shrinkage: | 118,776 | 717 | 18,862 | 205,473 | 428,768 |
| Total Sales & Shrinkage: | 3,927,458 | 3,843,658 | 3,913,002 | 4,237,564 | 4,659,657 |
| Ending Inventory | | | | | |
| Barrels Unfrozen: | 0 | 0 | 195 | 0 | 0 |
| Barrels in Freezers: | 7,778,447 | 8,408,856 | 9,669,940 | 8,711,001 | 8,380,293 |
| Barrels in Process Form: | 1,754,284 | 1,712,544 | 2,218,808 | 2,336,321 | 1,622,852 |
| Barrels in Concentrate Form: | 3,744,874 | 3,567,235 | 3,701,482 | 3,923,683 | 2,658,504 |
| Total Barrels in Inventory: | 13,277,605 | 13,688,635 | 15,590,425 | 14,971,005 | 12,661,649 |

BRIEF SUMMARY OF BCI'S UPDATE ON CURRENT INTERNATIONAL TRADE POLICY ACTIVITY

EU Retaliatory Tariffs

As a result of efforts from within the EU by domestic importers and end-users, a delay to the immediate imposition of a 25% retaliatory SDC tariff was secured. The tariff is subject to the outcome of EU dispute proceedings against the United States at the WTO. The tariff will enter into effect on June 1, 2021 if the WTO has yet to rule by this date.

U.S.- EU FTA Talks

A list of negotiating objectives published by USTR in late December, outlined the desire to secure “comprehensive market access for U.S. agricultural goods in the EU by reducing or eliminating tariffs” as a key negotiating objective. The Trump administration is allowed to begin formal talks with the EU as soon as mid-February; however, the two sides have yet to outline any schedule.

In preparation for the talks, cranberry industry comments were submitted to USTR requesting the elimination of all EU tariffs on U.S. cranberry exports in any U.S.- EU trade agreement, and strengthening of sanitary and phytosanitary measures to ensure that EU policies regarding the establishment and review of MRLs are science-based and least-trade restrictive.

U.S.- UK FTA Talks

The status of the UK's withdrawal from the EU remains unclear. It appears unlikely that U.S.-UK trade talks will begin for many months, if at all. The cranberry

industry has submitted comments on its priorities to the U.S. government for any future U.S.-UK FTA. The priorities include the immediate elimination of all cranberry tariffs and regulatory policies based on sound science.

EU Duty Suspensions

In early January, the EU formally announced an updated list of duty suspensions. The list included an extension of the duty suspension for SDCs through to January 1, 2023, and for frozen cranberries through to January 1, 2024. The duty suspension for concentrate is up for review later this year. These duty suspensions are separate from the EU's retaliatory tariffs imposed in response to the U.S. Section 232 action. These continue to remain in place.

China Retaliation Tariffs

Negotiations between the U.S. and China continue in an effort to calm the trade tensions. As a result, the administration did not increase its third round of 301 tariffs from 10% to 25% on January 1, as previously proposed. Existing tariffs already imposed remain in effect. Should no agreement be reached the higher tariffs will go into effect on March 1.

Japan Free Trade Agreement and TPP-11

On December 30, the TPP-11 trade agreement entered into force. The agreement, formally titled as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), includes key export markets for U.S. cranberries, notably Japan and Vietnam, as well as competitors such as

Canada and Chile.

Under the CPTPP agreement, Japan has eliminated its tariffs on fresh and dried cranberries for Canada and Chile. Other tariff lines will undergo annual reduction, and by 2023, Japan has committed to eliminate all tariff lines on cranberry imports from signatory countries.

Similarly, Vietnam has immediately eliminated its tariff on fresh cranberries, and will annually reduce and ultimately eliminate its tariffs on frozen, dried, and concentrate in years 3, 5 and 6, respectively.

The U.S. will be the only major cranberry exporter to face full import tariffs in Japan and Vietnam.

Over the course of 2018, the cranberry industry has raised concerns with the U.S. government, where appropriate, to stress the need for a U.S.-Japan trade agreement to offset some of the challenges caused by the CPTPP tariff differentials. In September 2018, the U.S. announced that talks on a U.S.-Japan trade agreement would be initiated, with talks expected to begin in the first quarter of 2019.

In preparation for the talks, the cranberry industry has submitted comments to the U.S. government requesting the administration pursue the elimination of Japanese tariffs on all U.S. cranberry exports in any final agreement, or at a minimum, commitments from Japan that match those offered to the CPTPP states.

While the announcement of U.S.- Japan trade talks is good news, it is likely that any final agreement will take months if not years to conclude, during which time U.S. cranberry exports will enter Japan at a higher tariff than competitors.

USMCA

In September, the U.S., Canada and Mexico reached an agreement on a modernized NAFTA, including original duty-free access for agricultural exports. It also includes measures to strengthen science-based sanitary and phytosanitary measures, including improvements to certification processes and improving transparency for import checks. There will be a review after six years, but the agreement will remain in place while that review is underway. The new treaty now goes to Congress and the legislatures in Canada and Mexico for approval. This process is expected to take several months.

Negotiations failed to address the U.S. steel and aluminum tariffs and the retaliatory tariff response from Mexico and Canada. This saw Canada impose a retaliatory tariff of 10% on cranberry juice drinks, and Mexico target SDCs with an additional 20% tariff. At the time of signing, senior figures in the Trump Administration indicated that the focus would now turn to addressing these tariffs following the conclusion of the USMCA negotiations, however no timeframe has yet been provided for discussions.

India Tariffs

The Indian government changes its tariffs annually, and it had previously lowered the tariffs for concentrate and dried cranberries. However, it increased the concentrate tariff from 30% to 50% in March 2018. There is currently no indication that the 10% SDC tariff would increase.

BCI will continue to monitor any and all issues that may negatively impact the industry's ability to export cranberry products.

*Read BCI's full Trade Policy report at uscranberries.com
> Web Resources > Annual Meeting Materials*



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March 2019

Cranberry News

CRANBERRIES AWARDED \$1.1 MILLION IN 2019-2021 ATP FUNDS

On January 31, the CMC was awarded \$1,139,450 by the USDA through the Agricultural Trade Promotion (ATP) program. ATP was established in 2018 to mitigate the effects of unjustified trade retaliation against U.S. farmers and exporters.

This support is vital to the cranberry industry to maintain and increase exports, which compose more than 30 percent of sales. The U.S. cranberry industry was a major retaliatory tariff target in 2018, with new tariffs impacting four of its largest markets: Canada, China, the European Union, and Mexico. The estimated impact of the tariffs already in place is \$32-38 million annually, with that increasing to \$53-69 million should all announced tariffs go into effect.

With the assistance of ATP funding, CMC will continue to expand generic marketing activities in China and India over the next three years.



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