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Committee on Sanitary and Phytosanitary Measures

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**US INTERNATIONAL TRADE COMMISSION (USITC) REPORT, "GLOBAL  
ECONOMIC IMPACT OF MISSING AND LOW PESTICIDE  
MAXIMUM RESIDUE LEVELS (MRLS), VOL. 2"**

SUBMISSION BY THE UNITED STATES OF AMERICA

The following document, received on 3 March 2021, is being circulated at the request of the Delegation of the United States of America.

1.1. The United States would like to call attention to the recently released second volume of the US International Trade Commission (USITC) report entitled, "Global Economic Impact of Missing and Low Pesticide Maximum Residue Levels". The Office of the United States Trade Representative (USTR) requested this assessment to gain a greater understanding of existing and emerging challenges to the current international and country-specific frameworks for MRLs and determine whether current frameworks provide adequate support for agricultural trade. More details on the background of this report and on the first volume can be found in the US submission to the WTO SPS committee in November 2020 ([G/SPS/GEN/1842](#)).

1.2. The second volume covers costs and effects of missing and low MRLs on US producers and includes nine case studies for US specialty crops; empirical and simulation gravity models to assess the impact of low and missing MRLs on trade, production, and farm income; a supply response analysis; and a farm income statement analysis. The following are the key findings of the second volume.

1.3. The costs and effects of low or missing MRLs can vary widely by country and crop. MRL violations and testing can be particularly challenging for exports of specialty crops. Noncompliance with MRLs in foreign export markets presents a highly risky scenario that can substantially reduce a farmer's profitability. Missing or low MRLs have significant impacts on farmers by disrupting their Integrated Pest Management (IPM) programmes as pesticides are an important component of many IPM programmes.

1.4. The gravity trade models show that MRLs have affected bilateral trade through: a) the heterogeneity (divergence) in MRLs between importing and exporting countries; and b) the stringency of MRLs in the importing country. MRL heterogeneity deters bilateral trade for the majority of the 30 largest crops (based on average annual value of trade and domestic shipments) included in the analysis, including a variety of fresh fruits and vegetables, grains, and oilseeds. For the majority of crop types, stricter MRLs in importing countries are associated with lower imports.

1.5. In their report, the USITC modelled a hypothetical scenario wherein the European Union reduced by 90 percent all of its MRLs for three broad crop groups: tropical fruit, temperate fruit, and beans and peas. This modelling exercise demonstrated that such a change would have potentially significant impacts on EU members and their closest trading partners. However, other countries may be able to mitigate the effects of the changes by shifting their trade patterns towards other partners.

1.6. The supply response analysis, which considers producers' reactions to changes in global prices for their crops, indicates that MRL changes in export markets alone would likely result in relatively modest production impacts, particularly if these industries are able to adjust by shifting export destinations in a global market. The farm income statement analysis shows that changes in MRLs in

export markets (and MRL removals in particular) can have a range of effects that can impact a farm's production, costs, and profitability.

1.7. The United States views the USITC report as an important contribution to the Committee's ongoing discussions around MRLs and welcomes comments from Members on ways in which to continue and enrich this important conversation.

1.8. USITC is an independent, non-partisan Federal agency in the United States. The second volume is accessible at <https://www.usitc.gov/publications/332/pub5160.pdf> and we encourage Members to review the full report.

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