



3103 10th Street, North, Suite 300
Arlington, Virginia 22201

December 1, 2025

Ms Jennifer Thornton
General Counsel
Office of the United States Trade Representative
Submitted via comments.ustr.gov

Re: Request for Comments on China's Implementation of Commitments under the Phase One Agreement (Docket Number USTR-2025-0007)

Dear Ms Thornton,

The following is a submission on China's Implementation of Commitments under the Phase One Agreement as requested by the Office of the United States Trade Representative. These comments are on behalf of U.S. Wheat Associates (USW).

USW represents the interests of wheat farmers across the United States in building, developing, and maintaining export markets around the world.

Open markets and fair trade are critical to the U.S. wheat industry as approximately half of U.S. wheat production is exported each year. U.S. farmers have a competitive advantage in producing wheat and the United States is one of the largest exporters of wheat in the world. Ensuring a fair playing field for U.S. producers facilitates wheat exports, which bring billions of dollars in economic activity across the wheat value chain.

In the most recent 2024/25 marketing year (MY), the United States exported 21.1 million metric tons (MMT) of wheat, valued at around \$5.5 billion. The United States was the 4th largest exporter of wheat in MY2024/25.

China is the world's largest wheat producer, holds the world's largest wheat stocks, and can be a top-3 importer of wheat due to its significant domestic demand. China can be a significant importer of U.S. wheat and has in year's past been a top-five trading partner. Between MY2020/21 and 2024/25, China imported 550,000 MT, 3.4 MMT, 1.1 MMT, 1.5 MMT and 2 MMT of U.S. wheat, respectively. In marketing year 2024/2025, the export value of the Chinese market for U.S. wheat was \$571 million.

With respect to wheat, China's commitments under the Phase One Agreement included:

1. Commitments to engage cooperatively on sanitary and phytosanitary (SPS) issues (Chapter 3, Annex 1);



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2. Commitments to conform with the panel report in the *China-Tariff Rate Quotas for Certain Agricultural Products* (DS517) and address longstanding issues regarding administration and transparency in its tariff rate quota (TRQ) system for wheat (Chapter 3, Annex 14);
3. Commitments to its WTO obligations regarding domestic support programs and policies (Chapter 3, Annex 15).

The Phase One trade deal between the United States and China was an important milestone in the bilateral relationship and included critical provisions of importance to U.S. wheat farmers and industry. If adhered to, these provisions should have improved China's compliance with its WTO accession protocol and the WTO agreements. However, while U.S. wheat export flows to China have improved since the Phase One Agreement took effect, and China now regularly fills its TRQ, its behavior and cooperation related to specific aspects of the deal remain unfulfilled. The below sections highlight specific examples of where China's policies have not complied with the spirit of the Phase One Agreement regarding TRQ administration, market price support, and SPS cooperation.

TRQ Administration and Transparency

Upon its accession to the World Trade Organization (WTO), China was obligated to establish a 9.636 MMT TRQ for wheat with an in-quota tariff of one percent and an out-of-quota tariff of 65 percent. 90 percent of this quota is allocated for import through STEs with the remainder, or 963,600 MT, established for the private sector.

Prior to the Phase One Agreement and DS517, China consistently underutilized its wheat TRQ. Before 2020 when the Phase One agreement was signed, the total wheat TRQ fill rate never exceeded 44.6 percent, despite local prices that were well above world prices, a situation that would incentivize imports.



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China Imports from World
Product Group: WTO-Wheat (ex. seed);
Annual Series

Partner Country	Unit	Annual Series (UOM1: T)						Sum
		2015	2016	2017	2018	2019	2020	
World	T	2,972,744	3,374,280	4,296,486	2,877,558	3,204,806	8,151,217	24,877,092
France	T	4,997	0	0	0	481,013	2,383,499	2,869,509
Canada	T	991,922	858,818	522,930	1,381,922	1,663,007	2,297,231	7,715,830
United States	T	602,849	862,402	1,555,231	361,292	236,063	1,651,383	5,269,219
Australia	T	1,255,078	1,369,070	1,899,280	490,630	182,749	1,221,598	6,418,404
Lithuania	T	0	0	0	0	196,681	333,347	530,028
Kazakhstan	T	117,899	283,971	300,871	542,639	398,428	192,336	1,836,144
Russia	T	0	0	17,966	101,076	46,865	71,599	237,506
Hungary	T	0	19	208	0	0	224	451
Denmark	T	0	0	0	0	0	0	0
Mexico	T	0	0	0	0	0	0	0
Slovenia	T	0	0	0	0	0	0	0
South Africa	T	0	0	0	0	0	0	0

	<i>China Wheat Imports from World (MT)</i>	<i>China wheat TRQ</i>	<i>Fill rate</i>	<i>U.S. wheat exports to China (MT)</i>
2024	11,007,647	9,636,000	114.2%	236,063
2023	11,877,742	9,636,000	123.3%	1,651,383
2022	9,873,857	9,636,000	102.5%	2,726,484
2021	9,711,384	9,636,000	100.8%	625,606
2020	8,151,217	9,636,000	84.6%	925,205
2019	3,204,806	9,636,000	33.3%	1,901,864
2018	2,877,558	9,636,000	29.9%	602,849
2017	4,296,486	9,636,000	44.6%	862,402
2016	3,374,280	9,636,000	35.0%	1,555,231
2015	2,972,744	9,636,000	30.9%	361,292

Source: Trade Data Monitor



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After the Phase One Agreement and since 2021, USW has been encouraged by the more extensive use of both the STE and non-STE portion of the TRQ. Overall in some recent years, fills rates have exceeded 123 percent of the total allocated quota. In addition, when the STE portion of the TRQ has not been used, USW understands that at least some portion has been reallocated to non-STE. This occurred in CY2020-2023 at a rate of 673 MT, 1082 MT, 2,500 MT, 217 MT, respectively.

However, USW continues to question compliance with the ongoing dispute settlement case (DS517) brought against China regarding its improper administration of TRQs, especially China's compliance with information requests regarding TRQ allocation/reallocation as stipulated in their accession agreement. Ongoing concerns are highlighted below:

- *Allocation:* The practical outcomes of the system remain opaque even though allocations are occurring by January 1 and the rules for the STE and non-STE shares are the same. TRQ quantities for non-STE appear to be fixed from year to year. And neither the rationale for specific allocations nor the volumes provided to specific companies is transparent. Further, in practice non-STE cannot receive a portion of both the STE and non-STE TRQ; and non-STE applying for the STE TRQ only receive a fixed allocation of 689 MT.
- *Reallocation:* As noted above, reallocation has occurred in recent years, but not in CY2024 or 2025. Total volumes for reallocation remain small at less than 0.03 percent of the total STE portion. When reallocations occur, the rationale for reallocating specific quantities has not been made public. Specific allocations for specific non-STE are also not publicized.

The outcomes of these developments since the adoption of the DS517 panel report in 2019 and the Phase One Agreement in 2020 is a system that has allowed more imports under both the STE and non-STE TRQ, but that continues to operate opaquely and favor STE's access to imports over the private sector. While the private sector reports that the system works imperfectly, they also report that the level of TRQ provided to them continues to be less than their import needs. They also continue to report that the rationale for decision-making regarding allocations and reallocations remains unclear.

In 2025, China's calendar year imports are estimated to fall to 6 MMT as the market manages as much as 14 MMT of unconsumed 2024 imports. Actual imports for the calendar year through October 2025 are just over 3 million metric tons. This raises concern that China may revert to past tendencies to fail to make unused quota available to private companies and to publish notifications of available TRQ for auction. According to the Phase One Agreement, any reallocations and announcements should occur by January 1, and no notifications have been made yet signaling an auction.



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Domestic Subsidies

USW strongly supported the dispute launched by USTR against China's market price support programs on September 13, 2016. The action is the most significant taken by the U.S. government to date in addressing the imbalances caused by agricultural subsidies that violate WTO commitments. USW supports efforts by USTR to ensure China's compliance with the DSB ruling through fundamental reform of its subsidy program.

The Phase One agreement included language that reaffirms and holds China to its WTO commitments and, specific to domestic support, requires China to "respect its WTO obligations to publish in an official journal its laws, regulations, and other measures pertaining to its domestic support programs and policies."

On June 6, 2025 Chinese officials announced an MSP for 2025-26 of RMB 2,380 per MT with 13 MMT purchased in the provinces of Henan, Anhui, Hebei, and Shandong. This support price works out to about \$9 per bushel, compared to an August farm-gate price in the U.S. of \$4.84. China continues to use a minimum support price to set a floor on domestic wheat prices, which incentivizes overproduction and encourages market distortions, such as the manipulation of the market through opaque TRQ administration. China's accession agreement allows it to subsidize wheat up to 8.5 percent of the value of production; based on our calculations, the support price alone could subsidize around 22 percent of the value of production in 2025.

China has set an artificial limit of 37 MMT on its wheat procurement. This greatly exceeds China's wheat procurement in recent years (in 2025, the state procured 13 MMT to date at the support price). However, China argues that this limit is in compliance with its WTO commitments because it has fixed the quantity of eligible production (QEP) at that amount. This would artificially lower the support level calculated using the Agreement on Agriculture Annex 3 methodology. These changes would not alter farmer planting decisions, because China has never procured anywhere close to this level of wheat. This theoretical limit still allows China to maintain its high support price and distort markets accordingly. China acknowledges in its WTO notifications that it more than doubled its domestic support limits in 2017-19 using appropriate notification methodology by notifying total production in the provinces where market price support operates, but subsequent notifications only notify eligible production as 37 MMT.

Accounting manipulations regarding China's support calculations raise serious questions regarding commitments to its WTO obligations and the Phase One agreement. Reforming these programs and broader manipulation would help address China's enormous stock overhang, which USDA estimates at over 120 MMT, resulting in a stocks-to-use ratio of 85 percent.



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Sanitary and Phytosanitary (SPS) Measures

China's government agencies constantly introduce new regulations and update existing regulations, including those dealing with toxins, pesticide usage, and maximum residue limits (MRLs). The government does this while also aggressively protecting Chinese agricultural production and responding to consumer driven concerns about food safety.

Under the Phase One Agreement, China and the U.S. committed to not "apply sanitary or phytosanitary measures in a manner which would constitute a disguised restriction on international trade" and "engage each other cooperatively on agriculture-related technical, and sanitary and phytosanitary, measures." U.S. wheat continues to have ongoing issues with certain SPS measures that are restrictive to international trade and for which there has been limited cooperation to resolve. These issues are included below.

Ergot

Ergot is a wheat fungus that above certain levels can become a human health concern. However, China applies an unreasonably stringent ergot level, combined with unclear regulatory implementation that has discouraged the U.S. wheat industry from supplying spring wheat to Chinese importers.

The U.S. standard for ergot wheat is 0.05 percent. China applies a 0.01 percent limit which is among the strictest limits in the world. Such a strict limit in raw wheat does not serve to further human health and ignores a flour mill's ability to process and manage ergot.

TCK

The General Administration of Customs of the People's Republic of China (GACC) maintains a list of over 80 quarantine pest items, including *tilletia controversa* Kuhn (TCK) and Karnal bunt (KB). Despite a bilateral agricultural cooperation agreement signed between China and the United States in 1999, China disregards the terms of the agreement, which allows TCK levels of up to 30,000 spores per 50 grams in a composite sample collected, inspected, and certified by USDA's Federal Grain Inspection Service (FGIS) or its officially designated inspection agent.

The U.S. conducted research in conjunction with Chinese scientists that resulted in the agreed upon spore level. Secondary research, in which China voluntarily elected not to participate even at the invitation and encouragement of the U.S., confirms that in environments similar to those of China's agricultural areas, TCK cannot be established.

Deoxynivalenol (DON)

In 2004 the Ministry of Health implemented a requirement limiting the mycotoxin deoxynivalenol (DON) in wheat to 1.0 part per million (ppm). This is one of the strictest specifications in the world and the tightest requirement among Asian markets. China's concern is with the level of DON in foodstuffs for human consumption. However, Codex recommends a



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tolerance of 2.0 ppm in wheat for milling and food consumption. The U.S. does not place a limit on DON in wheat, but the FDA has established an advisory level of 1.0 ppm in finished food products. This FDA policy takes into account that cleaning and milling wheat can reduce the presence of DON by around 50 percent, so 2.0 ppm wheat can usually be milled into processed flour with a DON level below 1.0 ppm. However, China's regulatory requirement forces contract language to show 1.0 ppm maximum. In years where DON is widespread, U.S. exporters can only supply wheat with low DON levels at a much higher price that may not be competitive with other origins or China's domestic wheat.

Conclusion

When China joined the WTO, it agreed to certain obligations regarding the functioning of its agriculture sector and that sector's exposure to the international marketplace. Since China's accession, it has failed to fully abide by its commitments and various efforts have been made by the United States to enforce these multilateral obligations. Unfortunately, many of these obligations remained unfulfilled at the time that the Phase One Agreement was finalized, and that agreement was an important milestone in holding China accountable to these obligations.

Unfortunately, five years after the conclusion of the Phase One agreement, many of the commitments captured in that agreement specific to the wheat sector remain unfulfilled. While China has made progress by allowing full use of its state trading enterprise TRQ since 2021, the administration of that quota and the roll of the private sector in the overall TRQ process remains unfulfilled. In addition, China continues to use market price supports well above international prices coupled with an artificial and unattainable wheat procurement limits that continue to distort markets.

China could become a large and consistent market for U.S. wheat if it fully adheres to its obligations under the WTO, the Phase One Agreement, and allows increased private sector participation in its economy. Further, if China abides by its domestic support commitments and resolves its SPS issues with the United States, China would be a more market oriented, resulting in less distortions in the global marketplace. These outcomes would have positive spillovers for global markets and could induce more production of wheat in the United States on acres where we have a comparative advantage.



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U.S. wheat has had a presence in China since 1982 and appreciates the relationship and connections it has to the Chinese market. We call for continued dialogue and cooperation between the U.S. and China to encourage full compliance by China with its WTO commitments and its obligations under the Phase One Agreement.

Sincerely,

A handwritten signature in black ink, appearing to read "Dalton Henry", written in a cursive style.

Dalton Henry
Vice President of Policy and Communications
U.S. Wheat Associates