



NATIONAL POTATO COUNCIL

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The Honorable Dave Camp
Chairman
House Ways and Means Committee
1101 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Camp:

On behalf of the US potato industry, I am writing to provide comments for the "Hearing on President Obama's Trade Policy Agenda." The National Potato Council represents the interests of the nation's potato producers and is a strong supporter of multilateral, bilateral, and regional trade negotiations that seek liberalized and fair access for US fresh and processed potato exports.

Free Trade Agreements: Exports are critical for the US potato industry. From July 2009-June 2010, the US potato industry exported \$1.2 billion worth of potato products to our trading partners. Frozen potatoes, including fries, were the largest export category, but all categories of potatoes, including fresh, and dehydrated potatoes were exported.

During the 2000's, the National Potato Council worked closely with US negotiators to obtain significant tariff reductions in each of the three pending free trade agreements with Korea, Panama, and Colombia. A brief summary of the benefits US potatoes will receive from each agreement is included below.

Korea FTA: Korea is the third largest fry export market with \$42 million in annual sales. (Total potato exports are \$56 million). The US has an 81% frozen fry market share. In the Korea FTA, Korea agreed to immediately eliminate the 18% fry tariff once implemented. Korea also agreed to establish duty-free quotas for other US potato products, opening these markets for the first time for US farmers. Similar concessions were provided to Europe in the Korea-Europe FTA, which will be implemented later in 2011. Passage of the Korea FTA is required to expand the Korean market and maintain market share against competitors.

Panama FTA: Panama is a \$5 million market for US potatoes. In the FTA, Panama agreed to establish a duty-free quota on US fries that will be eliminated in five years. Panama has many quick service restaurants and continues to grow as a market for US potato exports. Canada has already signed a FTA with Panama, which will be implemented soon. This will hurt US market share should the US-Panama FTA not also be implemented quickly.

Colombia FTA: Although currently a \$2 million market for US potatoes, the Colombia market is growing. It will expand further with the implementation the US-Colombia FTA. In the agreement, Colombia conceded to immediately eliminate ALL major potato tariffs on US product. Such a reduction will make it easier to export to Colombia and compete with Canada, which has completed its FTA with Colombia. Currently, US potato products face a 20% tariff in Colombia.

Passage of each of these agreements, will lead to additional US potato exports, which will lead to additional rural American jobs. I would be pleased to expand on the concessions achieved and benefits from of any of these agreements.

Trade Dispute Management: Obstacles to the Mexican market continue to be a serious issue. Mexico is the third-largest market for US potatoes behind Japan and Canada. For the US potato industry to flourish, it is imperative that these obstacles must be overcome.

Mexico Trucking Dispute: Since March 2009, US potato growers have seen revenues from exports to Mexico decline by nearly \$68 million. The reason was first a 20 percent retaliatory tariff from March 2009 – August 2010 and then a 5 percent tariff from August 2010 to the present. The World Trade Organization (WTO)-sanctioned tariffs were imposed as a result of the unwillingness of the US to live up to its obligations as outlined in the North American Free Trade Agreement (NAFTA). The US Department of Transportation (DOT) released a “concept document” on January 6, 2011, that can serve as a starting point for discussions to resolve the issue with the Mexican government. It is important that efforts continue toward a resolution while there is momentum to do so. The alternative would mean continued tariffs that total \$2.6 billion in value across the entire US economy, hindering the ability for US producers to compete with their global competitors.

Fresh Potato Access: Presently, US potato exports are allowed only within a 26-kilometer deep area along the US-Mexico border. This is despite a 2003 signed market access agreement that called for increased access to the five northern Mexican states the next year and for consideration of full access in the following year. WTO commitments require countries to apply uniform rules to both imports and domestically produced agricultural products. The US potato industry believes that Mexico is in direct violation of this “national treatment” standard. On February 11, 2011, USDA indicated that the US and Mexico have agreed to pursue resolution of the issue through mediation. USDA further expressed interest in beginning the mediation process as soon as possible. Upon resolution of this ongoing dispute, it is expected that US fresh potato exports to Mexico will be \$150 million, a significant increase over the current \$30 million level.

The US potato industry looks forward to working with trade officials both in the US and elsewhere to expand trade opportunities for US potatoes through free trade agreements and expanding access to existing markets.

Sincerely,
John Keeling

A handwritten signature in black ink that reads "John Keeling". The signature is written in a cursive, flowing style.

CEO and Executive Vice President
National Potato Council