

# AMERICAN POTATO TRADE ALLIANCE

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November 15, 2013

Ms. Jane Doherty  
Director of Sanitary and Phytosanitary Affairs  
Office of the US Trade Representative  
600 17<sup>th</sup> Street  
Washington, DC 20508

Dear Ms. Doherty:

This document is in response to the US Trade Representative's (USTR) request for assistance in identifying significant sanitary and phytosanitary (SPS) barriers to US exports for inclusion in the 2014 SPS Report.

The following comments submitted by the American Potato Trade Alliance (APTA) pertain to significant SPS barriers for US processed potatoes, especially frozen fries (HS 2004.1) and dehydrated potatoes (HS 1105.2/2005.2) to Japan, Korea, China, Taiwan, and Hong Kong.

APTA was formed in 1997 and includes potato grower organizations from Idaho, Washington, Oregon, Maine, and Wisconsin; two national potato organizations; six major potato processing companies; an exporting company; and several quick service restaurants. The purpose of APTA is to utilize the entire potato industry value chain – from grower to end-user – in an effort to speak with a unified voice in order to increase processed potato exports by eliminating trade barriers. This and other APTA submissions are complementary to the National Potato Council's (NPC) submissions regarding traditional, SPS, and technical barriers to trade.

Exports make up an ever-growing percentage of US potato production, accounting for 17% of total production and over 20% of frozen potato product sales. In marketing year 2012-13 (July-June), US exports of frozen potato products to the world were worth \$1.3 billion and US dehydrated potato exports were worth \$495.6 million

Despite an active APTA trade policy program designed to eliminate obstacles in foreign markets, a number of significant trade barriers remain for APTA's products. This submission is one of three submitted by APTA. APTA respectfully requests that the information in all three submissions be included in USTR's final reports.

Sincerely,

/s/

Matt Lantz  
APTA Administrator

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YUM! BRANDS INC. (KFC, PIZZA HUT, TACO BELL)

J.R. SIMPLOT CO. \* CONAGRA FOODS/LAMB-WESTON INC. \* MCCAIN FOODS INC. \* KELLOGG'S \* BASIC AMERICAN FOODS INC.  
IDAHOAN FOODS \* NATIONAL POTATO COUNCIL \* IDAHO POTATO COMMISSION \* MAINE POTATO BOARD \* OREGON POTATO COMMISSION  
WASHINGTON STATE POTATO COMMISSION \* WISCONSIN POTATO & VEGETABLE GROWERS ASSOC.\* PACIFIC VALLEY FOODS

## **JAPAN**

### **I. Pesticide Policies**

Japan's pesticide registration system, while based on science, has been lengthy, previously taking 18 months to two years for new MRLs to be established.

APTA welcomed Japan's announcement in May 2013 that it will now commence its domestic MRL review process while the product is being reviewed in the US or another foreign market. This announcement should cut up to a year off review times, which is welcome news.

While this is a positive development in Japan's MRL review process, APTA respectfully requests that USTR and USDA continue to engage with Japan to encourage additional resources to expedite pesticide reviews.

APTA also remains concerned that Japan's sanctions policies can cause major trade disruptions. Although the US potato industry has not had a MRL violation since 2008, the industry is aware of such violations on other US industries. While in recent years, Japan has improved its policies regarding a single violation by taking action only against the individual shipper, increased testing of the entire industry can begin with second violations.

APTA continues to prefer the sanctions to only be leveled against the individual violator. Should industry-wide testing be required, it should only be after multiple violations when a public health risk is possible.

### **II. Estimate of Potential Increase in Exports if Barriers Were Removed**

Japan is the largest export market for US frozen fries, valued at \$310.5 million in marketing year 2012-13. Additionally, US exports of dehydrated potatoes to Japan were valued at \$50 million in 2012-13.

A pesticide residue violation could severely affect US potato exports to Japan. In order to sustain 2%-3% annual growth, APTA seeks transparency and efficiency in Japan's food safety regulations, and requests that the least trade-restrictive actions be applied for pesticide residue violations.

## **SOUTH KOREA**

### **I. Pesticide Maximum Residue Level Standards**

South Korea currently has a national MRL list and then defers to Codex and other systems when no national MRLs are established. There is no default MRL.

In May 2012, the Korean government announced that it will transition to using only its own national MRLs. This policy is expected to be implemented fully sometime in 2016.

As this will be a major regulatory adjustment, APTA respectfully requests that the US government engage with Korea to ensure the transition is transparent and there is sufficient time to establish the Korean national MRLs needed for potatoes prior to the implementation of this new system.

### **II. Estimate of Potential Increase in Exports if Barriers Were Removed**

South Korea is the fifth largest export market for US frozen fries and one of the fastest growing markets thanks to the US-Korea Free Trade Agreement. US frozen fry exports to South Korea amounted to \$79.5 million in marketing year 2012-13 (July-June), while US dehydrated potato exports were approximately \$9 million over that period. An MRL violation could be problematic to this important market.

## CHINA

### **I. Documentation Issue: Frozen Fries/Dehydrated Potatoes**

Since 2002, US fry and dehydrated shipments to China are required to have a USDA Agricultural Marketing Service (AMS) Certificate of Quality and Condition for processed products. This document replaced China's inappropriate requirement for a phytosanitary certificate for processed potato products.

This document serves little purpose, is unnecessary, and is increasingly expensive to obtain. No other export market officially requires this type of documentation. For these reasons APTA seeks the immediate elimination of this certificate requirement for processed potato exports to China, without the substitution of another document.

### **II. Application of International Standards**

Because of the growing importance of the Chinese market, APTA requests that the US government work with the Chinese government to encourage the development of food importation regulations based on international standards. This will be critically important in the years ahead as China overhauls its food safety system.

China is also establishing new pesticide MRLs. While APTA is pleased China has developed a system for setting modern MRLs, there are many products approved for use in the US that are still missing Chinese MRLs. This affects all US commodities, not just potatoes. Expanded engagement with the Chinese government on their MRL transition to ensure trade is not affected and Chinese MRLs are established at acceptable levels would be appreciated. APTA would also like to see an official document saying that China will either consider or defer to Codex MRLs when no Chinese MRL is in place. This policy has been referenced several times by Chinese officials, but to date, no official document has been found stating this position.

APTA requests that the US government continue to cooperate with the Chinese government to ensure Chinese food import policies are transparent, consistent, based on sound science, and as least trade-restrictive as possible.

### **III. Estimate of Potential Increase in Exports if Barriers Were Removed**

China is a major market for the US processed potato industry. In the 2012-13 marketing year (July-June), US frozen potato exports to China were valued at \$94.5 million, making it the fourth largest export market. Additionally, US dehy exports to China reached \$10 million during this period.

Developing the Chinese market remains one of APTA's highest priorities. Should China's importation become more transparent and be based on meet WTO standards, it is expected that this market could grow to \$125 million within five years.

## **TAIWAN**

### **I. Pesticide Standards**

In January 2009, Taiwan began to increase pesticide residue testing on imported products. This policy had an immediate impact as shipments were quickly detained because of pesticide residue violations. Although APTA members have not had product detained because of pesticide residue violations to date, Taiwan took action on imports of other US horticultural products in June 2010, November 2012, and again in summer 2013 due to pesticide residue violations.

Taiwan's actions are challenging for several reasons.

First, Taiwan has a limited list of pesticide MRLs, and many more crop protection products are registered in the US than in Taiwan. While this situation has improved in recent years as Taiwan has established additional potato MRLs, there remain about 30-40 US MRLs that do not have corresponding MRLs in Taiwan.

Additionally, Taiwan is working from an outdated MRL priority list, which was last submitted by the US government in 2000.

APTA recognizes and appreciates USDA efforts in gathering additional MRL needs in fall 2013 for an updated submission to Taiwan and requests that such efforts be continued to encourage Taiwan to establish as many national MRLs as possible, including the remaining potato MRL priorities, to avoid trade disruptions.

Taiwan should also consider refraining from detaining loads of US products when the violation is within a US MRL until permanent pesticide tolerances can be established.

### **II. Estimate of Potential Increase in Exports if Barriers Were Removed**

Taiwan is an important export market for US processed potatoes. In 2012-13 (July-June), the US exported \$47.4 million worth of frozen fries and \$5.6 million worth of dehy to Taiwan. Avoiding a supply issue because of a pesticide residue violation would save APTA members millions of dollars annually.

## **HONG KONG**

### **I. MRL Transition**

Hong Kong is in the midst of a transition to a “positive” pesticide MRL list, which is scheduled to go into effect on August 1, 2014.

APTA has submitted several rounds of comments to Hong Kong regarding the transition and identified numerous potato MRLs that were missing in the provisional MRL list. As a result of this effort, numerous potato MRLs have been included in Hong Kong’s national MRL list, but there remain 18 potato MRLs that are missing and need to be addressed in Hong Kong.

APTA requests that USTR, USDA, and pesticide residents continue to engage with Hong Kong during this transition to seek the remaining MRLs prior to Hong Kong’s implementation date.

### **II. Estimate of Potential Increase in Exports if Barrier Was Removed**

In marketing year 2012-13 (July-June), Hong Kong imported approximately \$30 million worth of US frozen fries. Navigating Hong Kong’s MRL transition will likely result in additional sales of \$5 million.