

**NATIONAL POTATO COUNCIL**  
**2014 REPORT ON SANITARY AND PHYTOSANITARY MEASURES**

The National Potato Council (NPC) represents the interests of all commercial potato growers in the United States. The Council assists its potato growers in addressing market access issues for both fresh and processed potatoes in export markets. In this endeavor, the Council coordinates trade policy objectives with the support of the United States Potato Board and key state potato organizations. Through this coordination the potato industry focuses efforts on priority markets where opportunities are greatest.

U.S. exports of all potatoes and products were valued at \$1.8 billion from July 2012 to June 2013. Exports now account for 17% of total U.S. potato production. Exports grew for all products, including the largest sector, frozen potato products. Fresh and seed potato exports have done well as the result of increased access, however access to many foreign markets continues to be restricted by a range of trade barriers described herein. Increased access for fresh potatoes to Mexico, Japan, China, the Philippines and Indonesia would result in a significant increase in exports, potentially doubling current levels.

The U.S. potato industry requests increased bilateral and multilateral pressure to achieve liberalization, particularly in the fast-growing markets within Asia and Latin America. The U.S. potato industry continues to support comprehensive trade agreements in agriculture that result in strong market access gains for U.S. exports of fresh and processed potatoes.

This report is one of three submitted by the NPC, and deals exclusively with sanitary and phytosanitary (SPS) issues facing U.S. potato exports in key export markets. It should be considered in conjunction with the NPC's submissions for the standard-measures and traditional trade barriers.

A separate page is provided for each country in which trade barriers exist.

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**ARGENTINA**

**I. Phytosanitary Import Ban (Standards)**

Argentina denies access for U.S. seed potatoes because of unclear phytosanitary reasons. The U.S. potato industry remains interested in exporting seed potatoes to Argentina, and requests that the U.S. government seeks to advance this opportunity at the next U.S.-Argentina plant health bilateral.

**II. Estimated Increase in Exports (less than \$5 million)**

Given the large potato processing industry in Argentina, an immediate \$3 million market for U.S. seed potatoes could be realized if the phytosanitary ban on seed potatoes is lifted.

## BRAZIL

### **I. Phytosanitary Import Standards**

Brazil is a potentially strong market for U.S. seed potato exports. The market officially opened in 2004, but since that time, exports have continued to be plagued by a series of challenges and setbacks. Several loads of U.S. seed potatoes were rejected upon arrival in Brazil in 2013 due to concerns over the presence of a fungal plant pathogen. There is a tolerance for the presence of this pathogen, but the Brazilian government took a very strict line when considering the shipment. The U.S. potato industry is concerned such issues may continue in the future.

There is a lack of transparency in Brazil's import requirements for seed potatoes, and shipments are sometimes stopped in ports which require "fees" to allow them to enter. If those fees are not paid, unexpected problems such as soil or pests are found in the shipments.

These actions are not unique to U.S. seed potatoes. In recent years, Brazilian potato growers had to approach their government regarding the release of all detained seed potatoes for fear the planting season would be missed.

Brazil needs to establish transparent import requirements for seed potatoes based on sound science and international SPS principles.

### **II. Estimated Increase in Exports (less than \$5 million)**

Given the large potato industry in Brazil, an immediate \$3 million market for U.S. seed potatoes could be realized if the phytosanitary import requirements were adjusted to allow trade.

## CANADA

### **I. Trade Barrier Description**

#### **A. Phytosanitary Issues: Proposed Import Standards**

Canada has implemented modifications to the existing import standards for potatoes from the United States. There are no clear phytosanitary reasons why changes to the current import requirements are justified. The proposed changes apply to bulk loads originating from “regulated” areas in both the United States and Canada. The changes include significant increases in the requirements for Canadian companies receiving and processing or repacking bulk loads from the designated areas. The regulated areas in Canada established by the rules are unlikely to be areas making any bulk shipments. The regulated areas established by the rules for the United States mandate the application of the new standards to all loads originating in the United States. This will add significant costs to the U.S. loads and come exactly when the requirements of the Ministerial Exemption agreement between the United States and Canada would have eased the impact of Ministerial Exemptions on U.S. shipments.

The U.S. potato industry welcomes Canada’s recent decision to deregulate Soybean Cyst Nematode (SCN: *Heterodera glycines*) in Canada. Previously, Canada placed restrictions on U.S. imports from states that have SCN, despite the fact that SCN is known to exist in Canada and there are no internal controls to limit its spread. The deregulation of SCN has reduced, but not eliminated, the impact of the proposed import standards.

In September 2012 Canada also announced the discovery of additional fields of potato wart in Prince Edward Island. This is a very serious fungal disease of potatoes, and the U.S. potato industry requests that USDA’s Animal and Plant Health Inspection Service (APHIS) do everything in its power to ensure that the Canadian Food Inspection Agency (CFIA) is controlling the spread of this disease so it does not find its way to the United States. Discovery of potato wart in the United States would threaten **all** U.S. fresh potato markets. These markets are currently worth \$196 million.

Canada has proposed changes to Directive 06-04 that would dramatically change its current system for certifying seed potatoes domestically. These would also force changes in the phyto-sanitary certification process for seed shipped from Canada to the U.S for re-certification and for commercial planting. In separate comments filed with CFIA on the proposed rule to modify Directive 06-04, both APHIS and NPC indicated that CFIA had not adequately consulted with USDA on changes to the requirements for Canadian seed entering the United States and that therefore the portions of the proposed rule that impact Canadian seed exports to the United States should be withdrawn. Canada did not provide either a process or acceptable information that meets its burden to demonstrate the equivalency of the proposed directive to the current requirements. The changes proposed by CFIA have far reaching implications on the ability of APHIS to adequately manage the risks associated with seed potato shipments from Canada. In particular, the elimination of official third party inspections at shipping point is in conflict with long standing practice in the United States.

**B. Canadian MRLs**

Canada is in the process of moving away from its 0.1 ppm general (default) pesticide tolerance and replacing it with new national maximum residue levels (MRLs). Canada is within its rights to take this action; however, given the amount of trade with Canada, the NPC continues to urge Health Canada's Pest Management Regulatory Agency (PMRA) to implement the policy in a way that avoids trade disruptions.

PMRA has stated that it will maintain the default tolerance while additional MRLs are being established. To date, this policy has been maintained. The NPC welcomes this policy and is seeking to have as many potato MRLs in Canada established as possible.

The NPC urges USTR, USDA, and EPA to remain engaged on the Canada MRL transition to ensure trade barriers do not inadvertently emerge from Canada's transition.

**II. Estimated Financial Impact (\$100 million)**

Canada is the largest export market for U.S. fresh potatoes. In 2012-13, nearly \$103 million worth of fresh potatoes were exported to Canada. Should either a quarantine or MRL issue emerge as a significant trade barrier, much of this market could be adversely affected.

## CHINA

### **I. Fresh Potato Market Access**

Market access for fresh potatoes from the United States is one of the National Potato Council's highest international priorities. States including Washington, Oregon, and Idaho are strategically located to benefit from access to China for fresh potatoes.

APHIS and industry first requested market access for fresh potatoes in July 2000. In response, the Chinese quarantine division (AQSIQ) agreed to conduct a required pest risk assessment (PRA). For the past 13 years there has been minimal progress from China on this request.

The subsequent decade-plus delay in progress was not due to legitimate concerns over pests, but instead based upon the political decision by China to extract concessions from the United States on Chinese priorities. In recent years China directly linked access between commodities and has refused to make progress unless their agenda is met. Such a policy not only undermines the bilateral relationship but is inconsistent with the commitments China made upon its accession to the World Trade Organization (WTO) in 2001. On the rare occasions when China did ask for information on pests and provided a pest list, academic research indicates that many of the cited potato pests are present in China and not under official control.

Finally, in October 2013 AQSIQ provided to APHIS its PRA for U.S. fresh table stock potatoes from the Pacific Northwest. While this is a long awaited step forward in the fresh potato market access request, there is still much to be addressed prior to opening the market.

The NPC is pleased by the progress in the last month, and thanks APHIS for its efforts to date to open the market to U.S. fresh potatoes. Industry believes there is still a long way to go, and asks that APHIS and USTR to continue to engage with China to ensure a market access agreement based on sound science is negotiated in the coming year.

### **II. Estimated Increase in Exports (\$30 million)**

Although China is the leading producer of potatoes, Chinese production is for local consumption only and is primarily consumed in fresh form. Meanwhile, China is the fastest growing major market for the U.S. processed potato industry. The NPC estimates that once the fresh potato market opens, sales would quickly reach \$5 million and grow to \$30 million within five years.

## COSTA RICA

### I. Phytosanitary Standards on Fresh Potatoes

In April 2012, Costa Rica announced it was banning imports of Nicaraguan fresh potatoes due to the presence of zebra chip, a disease that causes striping of potatoes. Within two weeks, Costa Rica also banned the import of U.S. fresh potatoes due to the presence of the disease in the United States. This action immediately affected sales of product contracted to Costa Rica.

Throughout May and June 2012, APHIS worked with Costa Rica to temporarily establish a market access protocol that would allow the importation of chipping potatoes destined for potato chip plants while Costa Rica conducted a pest risk assessment. The agreement was signed in early June 2012. APHIS and the industry believed that the issue was at least temporarily resolved and shipments could commence.

Unfortunately, for several months thereafter Costa Rica refused to issue import permits to allow access for U.S. chipping potatoes, claiming that public comment was needed before the agreement could be signed and notified to the WTO. Domestic Costa Rican processors, USDA, and industry officials pressed for the issuance of the import permits during this time to no avail. Finally, in November 2012, over four months later and after much of the season had passed, import permits were granted. By that time, these actions had cost the U.S. potato industry and an individual shipper over \$1 million.

U.S. chipping potato exporters were excited to export their product in 2013 now that the market had been reopened. Unfortunately, in September 2013, Costa Rica legitimately reported excess soil in some shipments and claimed to find the presence of zebra chip disease in others.

Costa Rica announced that in addition to rejecting the shipments, they would close the entire market for U.S. potatoes due to the zebra chip find. This was not the least trade restrictive action they could have taken. Costa Rica did not provide details of the zebra chip identification or testing methods. The U.S. industry strongly questions this find, as the potatoes in question had followed the zebra chip protocol and when brought back to the United States and tested by a lab at Oregon State University, they were found free from zebra chip. Moreover, the shipments were destined for immediate processing into potato chips and posed NO quarantine threat to Costa Rica even if the pathogen had been present.

To further compound the challenges in Costa Rica, the government a week later rejected a shipment that had just arrived in port for a pesticide residue violation. Pesticide records clearly show that not only was the pesticide in question not applied to the fields from which the potatoes originated; it had not been applied in the region, or for the last several years. U.S. Embassy officials in San Jose stated they had never heard of a pesticide residue rejection of a shipment of U.S. produce in Costa Rica previously.

As a result of these actions, U.S. potato growers have lost millions of dollars, as have their importers.

All of these challenges occurred at the same time as last year's delay in issuing import permits. This is also when Costa Rica has domestic potatoes coming into the market. The U.S. potato industry questions the veracity of all of these incidents and believes they are driven by an agenda to protect the Costa Rican potato industry.

This is not the way a Free Trade Agreement partner of the United States should behave. The NPC requests APHIS's immediate assistance in reopening the Costa Rican market to U.S. chipping potatoes under the protocol developed in June 2012. Additionally, Costa Rica still needs to complete its pest risk assessment for all fresh potatoes, including table stock.

Costa Rica should be held to a higher standard; one that takes the least trade restrictive actions and is not influenced by the presence of domestic competitive product.

**II. Estimated Increase in Exports (\$5 million)**

Costa Rica's actions have cost a single shipper over \$1 million in sales. Fresh potato exports to Costa Rica were growing rapidly until these actions took place. The industry expected exports to Costa Rica would reach over \$5 million once stabilized market access was achieved.



## DOMINICAN REPUBLIC

### **I. Phytosanitary Import Ban**

The United States currently exports seed potatoes to the Dominican Republic (DR) under an import permit system. This system is frequently problematic as the phytosanitary requirements change from permit to permit. The U.S. potato industry seeks a signed seed potato market access agreement for all U.S. seed potato producing states to ensure that DR quarantine regulations are standardized.

After several years of negotiations, in June 2010, DR quarantine officials traveled to the United States to review the U.S. seed and chipping potato industries. The pre-condition for this trip was that the officials would use a regional approach. This meant a visit to an individual state would result in an entire region being approved for export. In the past, the DR sought to only approve states visited. Even after multiple exchanges since the visit, the U.S. potato industry is still waiting for final approval of market access for all seed producing states from this regional approach. DR officials have not responded to repeated requests from USDA/APHIS, including a May 2013 letter, for an update on this issue.

Although in the fall of 2012 import permits were granted without incident for the first time in many years, the underlying issue is not resolved and additional challenges could emerge if the signed market access agreement is not published.

The NPC requests that USDA press the DR quarantine division to complete the market access requirements for U.S. seed potatoes and approve all of the seed potato producing states in all regions visited in 2010.

### **II. Estimated Increase in Exports (less than \$5 million)**

Seed potato exports will be able to reach over \$5 million once stabilized market access is achieved and additional states are approved. There is also a quota issue that needs to be addressed; a detailed summary of this issue can be found in the NPC's National Trade Estimate tariff/quota submission.

## EGYPT

### **I. Phytosanitary Import Ban: Seed Potatoes**

Egypt is one of the largest importers of seed potatoes in the world and is the U.S. potato industry's highest priority for seed potato access. After the Egyptian government and Egyptian growers first expressed an interest in importing U.S. seed potatoes in 2009, APHIS forwarded a draft market access protocol for consideration by Egyptian authorities. Since that time the U.S. potato industry has worked cooperatively with APHIS and in an effort to open the Egyptian market for U.S. seed potatoes.

In March 2010, the United States and Egypt held their first plant health bilateral. Market access for U.S. seed potatoes was high on the USDA agenda. Unfortunately, due to a reordering of Egyptian market access priorities, these talks failed. The United States and Egypt re-engaged later in 2010 and in early 2011, and a second set of plant health meetings were held in Cairo in August 2011. Again, an agreement was not signed, but progress was made and serious discussions occurred. In June 2012, Egypt finally released a draft pest risk assessment on U.S. potatoes. USDA, working with the industry, responded with comments that month.

Following several exchanges with Egypt on the draft PRA and market access agreement, in June 2013 the U.S. industry hosted Egyptian officials in the United States, where they visited growing areas in two states and reviewed the industry's production practices. APHIS and industry expected to sign the market access protocol during this visit, only be told at the last moment by Egyptian officials that it was not possible. The officials also insisted on several additional visits to the United States to complete their review and hinted at linkage between the U.S. seed potato market access request and an Egyptian potato request.

In September 2013, Egypt notified the WTO of its annual seed potato import requirements. That announcement stated that the previous year's seed potato import requirements would be extended for a year. Unfortunately, importation of seed potatoes are only allowed from countries approved by Egypt and the United States is not included on this list.

The continued Egyptian delays are not acceptable. There are competitive forces within Egypt who are trying to counter U.S. market access. This issue should not be politicized, and market access should be granted on sound science.

The U.S. potato industry requests that USDA continue to engage with Egyptian officials to finalize U.S. seed potato market access to Egypt by the 2014 growing season. The industry also appreciates the assistance of the USDA officials in the U.S. Embassy in Cairo and at APHIS on this issue.

### **II. Estimated Increase in Exports (\$15 million)**

The U.S. potato industry expects seed potato exports to Egypt could grow to \$15 million in a matter of years.

## HONDURAS

### **I. Phytosanitary Standards on Fresh and Seed Potatoes**

In the summer of 2013, the government of Honduras held a shipment of U.S. chipping potatoes due to a reported nematode find. The nematode was ultimately discovered to be not a quarantine pest, but the Honduran government held the product for so long seeking testing in the United States and Panama, that the quality of the potatoes suffered greatly. Moreover, the potatoes were going for immediate processing, so posed no quarantine threat.

Ultimately, the Honduran government allowed the shipment to enter, which was welcomed by the processor and the grower, but the delays cost both significantly.

Timely identification of potential pest finds and recognition of the true risk of a product destined for processing should be stressed to the Honduran government.

### **II. Estimated Increase in Exports (\$5 million)**

Seed and fresh potato exports to Honduras will reach over \$5 million once stabilized market access is achieved.

## INDONESIA

### **I. Phytosanitary Issue: Fresh Potato Market Access**

The U.S. fresh potato industry is increasingly interested in Indonesia as an export market. Processed potato sales to Indonesia are increasing and fresh potato shipments throughout Southeast Asia are growing.

In the spring of 2011, the U.S. potato industry requested that APHIS seek market access for U.S. fresh potatoes to Indonesia. A letter was forwarded to the Government of Indonesia requesting what steps would need to be taken to open the market. Nearly three years later, a clear response has not yet been received.

With its large population and growing economy, the U.S. potato industry is very interested in exporting fresh potatoes to the market, and seeks transparent guidelines necessary to open the market in the next year.

### **II. Import Permit System**

The U.S. potato industry is also very concerned with Indonesia's implementation of its new import permit system. The new regulations apply not only to fresh potatoes but also frozen fries and dehydrated potato products.

Since the implementation of the import permit system in September 2012, the Indonesian government has issued a number of regulations revising the requirements to ship to the market. Although many of the problematic requirements, including mandatory import allocations for fresh horticultural products, have been addressed in the most recent regulations issued in September 2013, many restrictive requirements remain. These include the requirement to apply labels in the Indonesian language prior to export as well as the requirement for technical surveys conducted by approved private sector authorities. Both requirements are simply not practical. Additionally, the most recent regulations include a stipulation that fresh horticultural products cannot be imported after six months from the date of harvest.

A more detailed review of this issue can be found in the NPC's related submission for the Report on Technical Barriers to Trade.

The U.S. potato industry thanks USTR and USDA for their ongoing efforts on this matter, and requests that the WTO case and other bilateral efforts continue to be pursued to ensure that trade to the market is not adversely affected.

### **II. Estimated Increase in Exports (\$25 million)**

Indonesia is a promising market for U.S. potatoes, with frozen fry and dehydrated potato exports reaching \$21.8 million in marketing year 2012-13. This market will grow to more than \$30 million in potato products, assuming market access for fresh potatoes is granted and the new import regulations are implemented in such a way not to affect trade.

## JAPAN

### I. Phytosanitary Issues

Currently, Japan restricts entry for U.S. fresh potatoes. For more than 50 years, Japan denied access to fresh potatoes. The one exception for market access is U.S. chipping potatoes destined for processing immediately upon arrival in Japan. A processing protocol for chipping potatoes was put in place in January 2006. These chipping potatoes are only allowed to arrive between February 1 and July 31 and can only come from a limited number of U.S. states.

The requirements for market access are very strict, despite the fact the potatoes are destined for processing. The U.S. potato industry agreed to this limited access to advance market access, but after eight years of shipping, it is time for the United States and Japan to revisit the potato market access issue.

There are several issues associated with chipping potato market access that need to be improved:

**Overland Approval to New Facilities:** In June 2011, the Japanese government approved a second potato processing facility for receiving U.S. chipping potatoes. This plant was in the Kagoshima Port area, and its approval has doubled the capacity of Japanese processing for U.S. chipping potatoes. Kagoshima does not have an international port and so currently U.S. potatoes must be transported on a feeder vessel. The U.S. potato industry and Japanese processors remain extremely interested in overland approval for the potatoes from the entry port to the facility. At bilateral discussions in August 2013, Japan indicated that approval could occur for all overland routes, (not just to the Kagoshima factory) but this has not yet occurred. This is the highest priority for the U.S. potato industry for the 2014 shipping season. Overland approval will allow for shipments to occur more economically and will clear the way for additional non-port processing facilities (see immediately below).

**Additional Processing Facilities:** Exported U.S. chipping potatoes must go to approved processing plants in Japan, which have put in place an extensive waste management system. To date, only two plants in Japan have been approved to import. One of the industry's highest priorities to expand the market is to have additional processing facilities in Japan approved. Shipments will not significantly expand until this occurs and overland transportation routes are approved. Additional plants should be approved as requested in the future and waste management requirements should be reasonable.

**Idaho Reinstatement:** The 2006 import protocol for chipping potatoes was suspended in April 2006 when potato cyst nematode (PCN) was found in a field in Idaho. Unlike other trading partners, such as Korea, Mexico, and Canada, which have traveled to Idaho, reviewed the official control area, and have reinstated outside this area, Japan continues a ban on all Idaho potatoes and has refused to even travel to the region to review the extensive work that has been undertaken to establish official control. The reinstatement of Idaho (outside the PCN control area) as an approved state to export chipping potatoes to Japan is a high priority for the U.S. potato industry.

**Expanding the Shipping Window:** In June 2011, Japan announced it would expand the shipping window to include the month of July. This was welcome news and significant exports occurred in July 2011 and the two years since. The industry is also interested in expanding the window further to include January. There is no scientific reason not to allow January shipments.

**Full Fresh Potato Market Access:** Japanese prohibitions of U.S. fresh/chipping potatoes are not based on sound science and should be removed. The National Potato Council urges the U.S. government to continue to make this issue a high priority in U.S./Japan bilateral agriculture negotiations.

## **II. MRLs**

In May 2006, Japan implemented its own “positive” pesticide maximum residue level (MRL) list. No exports to Japan can exhibit pesticide residues that exceed Japan’s new levels. Fortunately, through a three year transition period, the U.S. potato industry was able to obtain virtually all pesticide MRLs needed.

The U.S. potato industry is now concerned with the amount of time it is taking Japan to establish new MRLs for recently approved crop protection products. The NPC welcomed the news from May 2013 that Japan will now commence its domestic MRL review while a product is being reviewed for use in the United States or another market. Although a very positive development, which could save as much as a year in review time, the industry would still like to see additional Japanese resources dedicated to MRL evaluations.

## **III. Estimated Increase in Exports (over \$50 million)**

Japan is the largest export market for U.S. frozen fries. In marketing year 2012-13, U.S. exports of frozen potatoes to Japan were \$326 million, and dehydrated potatoes were \$50 million.

Exports of fresh (chipping) potatoes to Japan were \$8 million during the February-July 2013 shipping season, which is approximately the same value as the previous year. Opening of the market to fresh potatoes could increase sales by \$10 million the first year and \$50 million in three years.

A pesticide residue violation could severely affect U.S. potato exports to Japan.

## KOREA

### **I. Phytosanitary Restrictions**

In August 2012, Korea closed its market for fresh potatoes from the Pacific Northwest due to the presence of zebra chip in the region. The industry also learned that several other states had been closed in 2009 without USDA or industry knowledge due to another questionable pest find. This essentially closed the Korean market to U.S. fresh potatoes in the year when the U.S.-Korea Free Trade Agreement has been implemented and significant increases in exports were expected.

Korea's concerns over zebra chip in fresh potatoes are unfounded. They do not have the vector, and the disease cannot be spread without both the vector and the potato plant. Sprout-inhibited fresh potatoes destined for consumption or processing are not a phytosanitary threat.

In late September 2012, Korea reopened its market for U.S. chipping potatoes destined for processing. The NPC appreciates USDA's efforts to keep the market open. In September, 2013, Korea extended the chipping potato program for another year, but stated that changes are anticipated for the 2014 crop. Exports of U.S. table stock potatoes are prohibited. The U.S. potato industry requests that USDA continue to engage Korea on this issue to keep chipping potato market access open and to reinstate table stock.

Korea also needs to reinstate the Midwestern and Northeastern states it prohibited in 2009 due to a questionable pest find. The pest in question, potato spindle tuber viroid (PSTVd) has not been detected in U.S. potatoes for over 20 years.

Finally, several other states including California, Colorado, and North Dakota are seeking market access to Korea. These states should be evaluated and approved in 2014.

### **II. Estimated Increase in Exports (\$25 million to \$50 million)**

Current U.S. shipments of all potato-related products to Korea are valued at \$98 million. The majority of these exports are frozen potatoes, valued at \$79.6 million in marketing year 2012-13. This is a strong market for U.S. fry exports because of the high concentration of U.S. Quick Service Restaurants (QSRs).

The closure of the market will cost the U.S. potato industry at least \$7 million in sales, and will put several U.S. potato farmers who have risked exporting to Korea in a dire financial situation. This issue needs to be resolved immediately.

## MEXICO

### **I. Phytosanitary Restrictions**

Expanding fresh potato market access into Mexico is the U.S. potato industry's highest international market access priority. In March 2003, through a bilateral agreement, U.S. fresh potato market access was granted to the border region of Mexico (to an area within 26 km of the U.S.-Mexico border). In 2013, that border restriction is still in place, and fresh potato exports to that region reached \$41 million, making it the second largest fresh potato export market in the world.

While the U.S. industry considers access to the border region important, the 26-km border restriction is not based on any phytosanitary justification. It was a political concession agreed to by USDA and the U.S. potato industry to reopen the Mexican market. In exchange for this concession and a commitment to open the U.S. market for Mexican avocados, Mexico committed to open its market for U.S. potatoes to the Northern States of Mexico by 2005 and to discuss access to the rest of Mexico in 2006. The United States opened its market for Mexican avocados and shipments have exceeded \$2 billion since then. Mexico has not opened its market for U.S. fresh potatoes.

In 2011, a North American Plant Protection Organization mediation panel heard the Mexican and U.S. cases on expansion. In July 2011, the panel found many of Mexico's arguments against expansion to be invalid. The panel found only six pests of concern to Mexico. Considering pests and Mexico's domestic policies, U.S. pest finds are well below one half of one percent of shipments.

Throughout 2013, the U.S. government has stressed the importance of expanded market access at the highest levels. Mexico published a potato regulation in the fall of 2013 and is seeking comments. The NPC will provide feedback.

The U.S. potato industry appreciates the resources dedicated to opening the Mexican market for U.S. potatoes and looks forward to providing its healthy product to Mexican consumers throughout the country.

Expanded Mexican access would change the face of the U.S. potato industry.

### **II. Estimated Increase in Exports (\$100 million)**

The market for U.S. fresh potatoes in Mexico is significant, reaching \$33 million in 2012-13. It is estimated the market could grow to at least \$100 million annually with removal of all phytosanitary restrictions and if expansion was allowed throughout Mexico. Such changes could significantly assist U.S. potato growers.



## NICARAGUA

### **I. Import Permit Requirement**

Under the terms of the U.S. fresh potato agreements with Nicaragua, Nicaragua requires a phytosanitary certificate for the import of U.S. fresh table stock and seed potatoes. However, in recent years Nicaragua has also mandated that an import permit be obtained from the Nicaraguan government for each shipment, even though this requirement is not included in the terms of these agreements.

To further complicate the issue, Nicaragua has consistently refused to issue import permits for U.S. potatoes. On these occasions, importers are told import permits will not be issued by the government when domestic supply from Nicaraguan growers is in the market. This is not a legitimate reason to prohibit U.S. potato imports and the NPC requests that USTR and USDA to challenge these policies to ensure Nicaragua upholds the terms of their agreements with the United States.

A more detailed summary of this issue can be found in the NPC's submission for the Report on Technical Barriers to Trade.

### **II. Estimated Increase in Exports (\$5 million)**

Seed and fresh potato exports to Nicaragua will reach over \$5 million once stabilized market access is achieved.

## **PHILIPPINES**

### **I. Phytosanitary Issues**

In March 2009, at the request of the U.S. potato industry, APHIS initiated a market access request for U.S. fresh potatoes to the Philippines. After several rounds of letters, a visit by a Philippine delegation in July 2012, and talks at the March 2013 bilateral in Manila, a market access agreement was signed June 13, 2013.

The NPC thanks USDA for their efforts in opening this new market to U.S. fresh potatoes and requests that initial shipments to the market be monitored to ensure that there are no unexpected barriers to trade.

The NPC also thanks the Philippine Bureau of Plant Industry (BPI) for their sincere engagement on this issue.

### **II. Estimated Increase in Exports (\$15 million)**

Market access for all U.S. fresh potatoes could result in up to \$15 million in annual sales to the Philippine market.

**SRI LANKA**

**I. Seed Potato Market Access**

Sri Lanka remains a high priority for U.S. seed potatoes. The Sri Lankan potato industry imports significant amounts of seed potatoes from Europe, close to \$1 million annually, and is interested in U.S. product.

After several years of negotiations, in 2010 it appears that Sri Lanka has agreed to adjust some importation terms to allow for U.S. seed potatoes to enter the market more easily. Unfortunately, with the change of personnel in Sri Lanka, the old requirements have slipped back into the issued import permits.

Although exports occurred in 2013, Sri Lanka needs to uphold its agreement from 2010 and no longer include required seed potato generations or sizes, which are non-quarantine issues.

**II. Estimated Increase in Exports (\$5 million)**

Sri Lanka could be a strong market for U.S. seed potatoes if the import permits were adjusted to allow for more reliable access. The industry estimates that the market could grow to \$5 million within a matter of years.

## TAIWAN

### **I. Phytosanitary Restrictions**

Taiwan requires a certification that fields that include potatoes shipped to Taiwan are free of “late blight.” No other market requires such actions. During the January 2011 talks, Taiwan reiterated its requirement, but expressed flexibility regarding how the inspection occurred. The U.S. potato industry has been working with APHIS to address this issue, but has had little success. This field inspection requirement for late blight needs to be addressed at the next bilateral so additional shipments to Taiwan can occur.

### **II. Sanitary Issue: Maximum Residue Levels**

Taiwan has a limited pesticide MRL list and refuses to defer to Codex standards when no MRL exists in the market. The United States has over 100 MRLs established for potatoes, Taiwan has approximately one third of that. Such a situation makes exporting to Taiwan a risk. Many U.S. commodities are in this situation.

Even though Taiwan has established additional MRLs in the past three years, many potato MRLs remain missing. Taiwan’s actions in June 2010 through 2013 regarding U.S. fruit residue violations have caused concern throughout the U.S. horticultural industry.

The NPC requests that USDA continue to work with Taiwan to quickly establish as many national MRLs as possible, including the remaining potato MRL priorities, to avoid future trade disruptions.

### **III. Estimated Increase in Exports (\$10 million)**

Improvement of access for fresh potatoes could take exports from \$8.5 million to \$10-\$15 million over the span of a few years.

## URUGUAY

### **I. Phytosanitary Issue: U.S. Seed Potatoes**

In January 2009, the government of Uruguay rejected 60 containers of U.S. seed potatoes due to the presence of powdery scab. This pest is reportedly a “quarantine pest” in Uruguay, although there is a tolerance for the disease. Eventually, some of the loads were reconditioned and salvaged, but many were lost.

In July 2009, APHIS and the U.S. potato industry hosted senior Uruguayan officials in Colorado to seek to adjust Uruguay’s unreasonable powdery scab tolerance. Uruguay committed to adjusting the tolerance and changing the classification of the pest from quarantine to non-quarantine. Although this change has technically occurred, the newly proposed levels remain unacceptable and Uruguay has yet to respond to U.S. requests for further changes.

Although shipments occurred each year since then without incident, the shipments needed to be sourced from certain areas, while other shippers were precluded from shipping due to the lack of resolution on this issue.

Uruguay needs to adjust its powdery scab tolerance to an acceptable level to allow importation of U.S. seed potatoes.

The U.S. potato industry appreciates the 2012 pre-testing agreement signed between USDA and Uruguay, but notes that the acceptance of this agreement does not preclude the need for adjusted powdery scab standards.

### **II. Estimated Increase in Exports (\$5 million)**

Uruguay could be a strong market for U.S. seed potatoes if the powdery scab tolerance were adjusted to more realistic levels. The market could grow to \$10 million in a matter of years.