



NATIONAL POTATO COUNCIL

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April 10, 2017

The President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

The potato industry is strongly supportive of improving the conditions for trade that we confront with Canada and Mexico. These enhancements should be additive to the successes that U.S. potato growers secured in the 1993 North American Free Trade Agreement (NAFTA).

Two of the most valuable markets for U.S. potato exports are those in NAFTA. Canada is the second largest market for potatoes with over \$315 million in exports annually. Mexico is currently the third largest market for potatoes, receiving over \$253 million annually primarily in frozen processed products. These two countries respectively comprise 17.8% and 14.3% of total U.S. potato exports.

Despite the current size of these two valuable markets, exports could be substantially larger if improvements were made. The potato industry believes that potato exports to Mexico could grow to \$500 million annually with full unrestricted access for all U.S. fresh and processed potatoes. Those same conditions would produce exports of Canada of \$300 million annually. These increased sales would generate additional jobs on-farms, in agricultural processing, in transportation and other related sectors. As potatoes are produced in 35 states these new U.S. jobs would occur throughout rural America.

It should be noted that if the U.S. were to withdraw from NAFTA outright, the current zero tariffs on processed potato exports to Mexico would immediately revert to the Most Favored Nation rate. Tariff rates would increase from zero to 50-70% depending upon the applied quota, and the resulting negative economic impacts would be substantial. Without the zero duty, our foreign competitors would take most of the market share in Mexico. We must maintain the current zero-duty benefits afforded in NAFTA as the U.S. considers its overall approach to this agreement. The loss of over \$500 million in sales to Mexico and Canada would negatively impact U.S. jobs.

As we look forward to a new agreement, it would be of great benefit to incorporate an enhanced Sanitary and Phytosanitary (SPS) chapter in NAFTA which strengthens the foundation of sound science in the importing countries consideration of import petitions. The U.S. potato industry is currently restricted from receiving full access to Mexico for fresh potatoes due to an unscientific and inconsistent application of SPS standards. For example, Mexico refuses to acknowledge the presence of pests and viruses in their country yet cites

the presence of those same pests and viruses as a reason to refuse market access for US potatoes. A strong phytosanitary chapter in a renegotiated NAFTA could provide opportunities for a resolution of the current application of non-science based requirements for fresh potato exports to Mexico. This “SPS Plus” concept was originally included in the Trans-Pacific Partnership agreement and a similar enhancement to NAFTA could substantially reduce the impediments from non-tariff SPS barriers.

In Canada, long-standing antidumping actions in British Columbia have chilled the opportunities to expand that market. Canada’s current system for challenging antidumping duties is flawed and weighted completely against those seeking to export potatoes to Canada. Anti-dumping duties must be based on solid economic analysis conducted by neutral third parties and not by those claiming to be affected. Such unfounded barriers should be eliminated within the agreement.

The Canadian system of “ministerial exemption” restricts free commerce for potatoes based on unnecessary requirements to demonstrate a shortage of domestic product before U.S. product is allowed to enter any province. Some modifications to the Ministerial Exemption system have been negotiated and implemented but the requirement to identify a domestic shortage prior to any export shipment restrains trade in potatoes and other U.S.-produced agricultural products.

The potato industry supports the Administration’s interest in improving the terms of trade for the U.S. under NAFTA and understands that the negotiation may begin in the next few months. It is hoped that the aforementioned improvements will be included in any final agreement between the parties.

Thank you for your consideration of these recommendations.

Sincerely,

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

John Keeling
Executive Vice President and CEO

Cc: Senate Finance Committee
Senate Agriculture, Nutrition and Forestry Committee
House Ways and Means Committee
House Agriculture Committee