

EXPORT

▶ BACKGROUND

The USPB seed export program was initiated in 1996. Since then, the program has developed into one that has put US seed potatoes on the world stage, promoting high quality and multiple variety availability, via a “recipe” created to ensure success. The “recipe” of market development activities, variety trials and seed tours has contributed to increased grower involvement and commercial sales.

Early controversies and lack of USPB resources for commercialization led to a Grant Program for US seed growers. By mitigating grower risk, the Grant Program has increased grower involvement. Additionally, grants leveraged USPB dollars and effort for effective capitalization of export opportunities.

After several years, it has become apparent long-term expectations are required in order for the program and participating growers to be successful. The breaking of traditional trade ties between importer and foreign export company takes time, but can be done. Even as foreign competition plays a role in seed exporting, it is not a formidable barrier. Many times in the past few years, buyers of imported seed commented the US has excellent/superior quality. Price remains a barrier for all US exports, though this is slowly changing due to favorable exchange rates. Given commercial demand, which has increased in the past three years, and a system that facilitates trade, this barrier can be overcome.

US seed potatoes are already distinct with their high quality, reputable growing techniques and certification process. It is with these factors the US Potato Board has been able to grow the program, as well as market share, in most target countries. Participating growers have begun to reap the rewards exporting has to offer with regard to diversifying their businesses and increasing profit margins. It is hoped, as this Long Range Plan is implemented, more producers will take advantage of the research and resources available to continue building a strong seed industry and increase exports of US seed potatoes around the world.

▶▶ MARKETS ◀◀

In the past five years, through variety trials, seed tours and market development, the Board has implemented programs in target countries throughout Latin America. Some still need development and market access work on behalf of the USPB and USDA. Others are mature and need to be handed over to the US industry.

▶▶ MATURE MARKETS ◀◀

A mature market is one where commercial sales are being made and Phytosanitary barriers have been resolved. The USPB will monitor any access and Phytosanitary issues that may arise.

Panama

Panama has been a successful market for seed potatoes. Commercial shipments have been increasing, full market access was achieved in August 2004 and the US is Panama’s largest trading partner. The US has now gained 52 percent of the market share in the few short years since the program was implemented and has now transitioned Panama over to the US industry.

Honduras

The US Potato Board has sponsored trials in Honduras six times in seven years. The 2001 trials established Cal White as a variety with commercial potential. Since that trial, Cal White has been successfully commercialized. In 2007, the US and Honduras signed a seed potato market access protocol. This protocol formalized market entry requirements for US seed, which will assist US shippers. Although the USPB has seen some success in this market and has gained 22 percent of the market share, Honduras is a volatile market and has had many ups and downs since the program was initiated in 2000. Growers in this market only bring in US seed when the Dutch cannot supply their needs.

Uruguay

Uruguay is one of the largest importers of seed potatoes in Latin America. After seven years of working to open this new market for the US, the USPB program has helped to establish an import protocol and has moved from product introduction into commercial sales. The US exported 875 MT



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of seed potatoes to Uruguay in 2007/08, with more demand than the US was able to meet. US seed potatoes also increased their market share from 2 percent in 2004/05 to 18 percent in 2007/08.

Dominican Republic

The Dominican Republic represents the majority of US seed sales to the Board's target markets. Past variety trials have identified table-stock and chip-stock varieties that will grow well in the market, giving Dominican grower's confidence in US seed potato varieties. Despite being a mature market, the Board will need to continue work on negotiating an import protocol.

►► CURRENT MARKETS ◀◀

Nicaragua

Nicaragua cropped up as a developing market in the 2005/06 year when it was willing to implement an import protocol with the US for seed potatoes. A protocol was signed in January 2006 and seed shipments have progressed with little or no incident.

Sri Lanka

Sri Lanka imports approximately 6,000–7,000 metric tons of seed potatoes per year. Due to the favorable exchange rate the US dollar has over the Euro, high prices on seed potatoes from Europe to Sri Lanka and Europe's unwillingness to send seed due to Phytosanitary rejections, the US is poised to be competitive. Negotiations by USDA with the government of Sri Lanka resulted in an agreement on the entry of US seed based on shipment rather than area freedom for Colorado potato beetle. However, actual exports have been delayed by the import permit issuance process and problems with seed generation definitions.

Brazil

In past years, the USPB has conducted a seed potato program in the Brazilian market. Brazil has been one of the hardest markets to open for US seed potatoes. Trials, development work and seed tours have all assisted in convincing some in the Brazilian seed potato industry of the high quality of US seed potatoes. The registration process is long and tedious, however, in March 2007, the US succeeded in getting four additional seed potato varieties registered. The Board will need to continue work in the Brazilian market to prove the viability of US seed potatoes.

Egypt

Egypt produces 2.5 million metric tons of potatoes each year and imports 75,000 MT of seed each year, providing a good opportunity for US seed potatoes to be used in this market. The Board has received interest in US seed potatoes from Egyptian government officials, importers and growers. The European Union is currently the major seed potato supplier to Egypt; however, as the market grows and the demand for potatoes and potato products increases, there will be an opportunity for US seed potatoes to enter this market.

Sub-Saharan Africa

The Board has been contacted by a number of PVOs working in sub-Saharan Africa about increasing food security in the region through increased potato production. The issues raised by the PVOs are the lack of good seed potatoes, the lack of agronomic expertise and the lack of storage for the potatoes. In all the current potato growing regions in Africa, the lack of proper storage results in spoilage of the crop after harvest and shortages of potatoes during parts of the year. The EU currently exports substantial quantities of seed potatoes to Africa, however the full demand is not met, and the quality of the European seed is not as high as what could be obtained from the United States. The US has many potato varieties that would be well suited for these markets. The Board received a special Emerging Market Program grant to carry out a US seed potato trial in Sub-Saharan Africa.

►► POTENTIAL MARKETS ◀◀

The USPB has identified markets which it sees as potential markets for US seed potatoes. These markets represent probable sales, but are currently stalled by market access issues. Working through the SPS Initiative, USPB has made efforts to resolve these concerns.

Argentina

Although market access is pending in Argentina, the USPB sees potential for seed potatoes in this market. With close to 40 million people, Argentina has one of the largest middle classes in South America. The growth of the Argentinean middle class has driven significant expansion in the food and beverage industry, the fastest growing sector of the economy. Because local production satisfies the majority of Argentinean demand for fresh potatoes, exporting US seed potatoes could be the perfect fit.

Thailand

Thailand does not currently have a formal import protocol for importing US seed potatoes. Thai farmers need access to quality seed potatoes in order to supply processing potatoes to the snack food manufacturers. Because there is no domestic supply of quality seed potatoes, manufacturers import and distribute seed potatoes from overseas suppliers. Because Thailand maintains a very small tariff rate quota (TRQ) on fresh and seed potatoes of 302 MT, with an in-quota tariff of 27 percent and an over-quota tariff of 125 percent, US seed potatoes cannot be competitive. Until the US-Thailand FTA is in place, US imports will continue to be at a considerable disadvantage.

North Africa and the Middle East

The USPB has received interest from growers in the North Africa and Middle East regions and sees potential for US seed potato exports. Markets access, logistical constraints, market demand and competition still need to be determined. The European Union is currently the major seed potato supplier to these markets; however, as the markets grow and the demand for potatoes and potato products increases, there may be an opportunity for US potatoes to enter these markets.

► CHALLENGES

For the past three years, the Board has been able to address access issues with the assistance of the US industry and cooperation from USDA. Obtaining market access for seed potatoes is very difficult and time consuming. The possibility of the transfer of plant diseases is very real. Additionally, the less developed status of the target markets creates impediments to negotiations.

The lack of federal oversight of US seed certification, and the loose relationship between APHIS and state programs are two concerns hindering further market access efforts.

The industry is still not widely geared to market to international audiences. Bagging, sizing and varieties adaptable to extreme growing conditions are three of the main attributes in demand on the international market. Many of the targeted markets seek to capitalize on privately held varieties.

The US industry still struggles to understand and implement plant variety protection (PVP). US seed potato growers need to develop an eye for promising varieties and become innovative in marketing them. Distinction and diversity go a long way in foreign markets. With the seed industry in the early stages of becoming stronger, nationalized and gearing itself towards exports, the USPB still has a lot of work to do to help this effort along.

► RESOLUTION

Establish Criteria for Classifying Existing Markets

It is difficult to determine whether a target market is mature or developing. In order to do so, criteria must be established in order for the USPB to best utilize its resources. These criteria will also assist in working to transition the market(s) over to the US industry or obtain better performance in existing markets.

Better Performance in Existing Markets

If the market is classified as mature, is there a way that better performance from US seed potatoes can be gained? In order to gain further market share, can fresh table-stock public varieties be replaced with new, protected ones, thereby matching US domestic production for exports? Niche markets can be assured through exporting licensed varieties that were developed in the US breeding system.

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Market Development Program in Targeted Markets

Depending on the new target market, it may be necessary to implement the full recipe of the program, which includes variety trials, seed tours and market visits. A country's requirements for variety registration and/or to prove viability of US seed potatoes to growers; there will be the litmus test as to whether this recipe should be implemented.

Continue with Market Access Efforts

With the Memorandum of Understanding (MOU) between APHIS and states in the progress of being signed and enacted, the US industry is taking the first step towards uniting under a national umbrella for seed certification. This MOU will create a competitive advantage by allowing APHIS to negotiate market access with other countries by ensuring direct oversight of certified seed to be exported. Increased market access is necessary for US seed exports to be viable around the world.

Continue grant program and communication efforts that encourages and assists grower participation in seed exports

As target markets develop and mature, it will be necessary to maintain a US presence, while moving on to new ones. It will be required that growers who have commercial sales service these markets, while the USPB utilizes its resources elsewhere. US growers are encouraged to take advantage of the Grant Program. This program has proved successful by allowing producers to defer some of the risk to the USPB when exploring markets. Exports have increased because of this program, as well as other educational endeavors, such as the International Potato Symposium, trade missions and export readiness training. The USPB seeks to continue to inform and educate US growers on seed sales opportunities abroad and how to take advantage of them.

Encourage the creation of a seed export entity

The seed industry would benefit from an export entity by creating one source for importers to go to for buying US seed potatoes. Additionally, the entity could contribute to specific US breeding programs that will select traits in varieties that are adaptable to target market growing conditions. The entity could then buy rights to those varieties, license them to members for production, while marketing and creating demand in target countries.

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GROWTH STRATEGY

Increase demand for US seed potatoes in world markets

- Gain better performance from mature markets
- Implement full market development program, where required
- Continue with market access work

PRODUCTIVITY STRATEGY

Increase US seed grower involvement in exports

- Inform and educate US industry about export opportunities
- Encourage the shift to protected varieties for export by US growers
- "Team Seed" utilized to implement export program
- Encourage the formation of a US seed potato export entity
- Continue grant program that encourages and assists grower participation in seed exports
- Address systemic industry issues through the Industry Improvement Plan, including advocating that the Memorandum of Understanding between APHIS and the states be signed
- Work with international standard setting bodies to protect US interests