Export Market

Background

The growth strategy for the international seed program during the previous Long Range Plan was to increase demand for US seed potatoes in world markets by continuing with market access efforts, conducting market development programs and gaining better performance in existing markets.

With the Memorandum of Understanding (MOU) between APHIS and states in the progress of being signed and enacted the US industry took the first step towards uniting under a national umbrella for seed potato exports. The MOU will allow APHIS to negotiate market access with other countries for the US system as a whole. Increased market access is necessary for US seed exports to be viable around the world. From FY07 to FY10 market access work increased access to Honduras, Brazil, Taiwan and Thailand. Access to new markets such as Egypt will continue to be sought and improved access to currently opened markets such as the Dominican Republic and Uruguay will continue to be pursued.

To gain acceptance of US seed potatoes in a new market the following activities were carried out; variety trials, grower and importer visits to the US and US grower visits to target markets to promote US seed potatoes and make commercial contacts. Without these activities there would be no interest in US seed potatoes and varieties and registration requirements could not be met. From FY07 to FY10 market development programs convinced 4 new importers to purchase US seed potatoes for importation, encouraged 7 new exporters to begin exporting their seed potatoes, helped to get US varieties registered in Brazil and Nicaragua and resulted in new varieties being grown in target markets. All target markets have seen an increase in purchases of US seed potatoes during this process.

The seed export program is vital to the US seed growers to sell their potatoes in international markets. The US has a very small market share behind traditional exporters such as Canada and the EU who have been in the international markets much longer. Further market development has been geared towards increasing market share. Additionally niche markets are assured through exporting licensed varieties that were developed in the US breeding system. Because the seed program has been limited to four target markets in any year, maintaining market share in mature markets has been difficult. Since program discontinuation in Honduras at the end of FY08 exports of US seed potatoes have decreased by 75% from 100 MT in FY08 to 25MT in FY09.

Challenges

Market access barriers remain the single largest impediment to increased seed potato exports. With limited or no access in many markets with high potential US seed potato exports will remain small. Market access issues continually need to be addressed in both mature and potential target markets. The Board has worked with the US industry and USDA/APHIS to resolve access issues, but 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.

Despite previous efforts in target markets to promote US seed potato varieties, there are still a lot of growers and importers that are not aware that seed potatoes are available from the US. Because other export countries have been exporting seed potatoes for some time foreign growers and importers are familiar with their varieties and processes. Potential buyers still need to be educated about US seed potato varieties that will produce greater yields in target markets. They also need to learn about the US seed certification and sizing system. The fact that most international markets use single drop as opposed to cut seed is a big impediment to US exports. If growers in the target markets can be shown how to successfully use cut seed, demand for US seed will expand dramatically.

The US 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 obstacles for US growers entering international markets. Although the US potato industry has grown significantly in its export preparedness, it still needs considerable information and guidance in taking advantage of seed export opportunities.

As US seed potato markets mature the Board must scale back program work to begin work in new and promising markets. Although relationships have been built and commercial sales have been made in mature markets having the Board's presence remains vital to maintaining market share. The Board must continue to communicate with current US seed potato buyers as well as conduct market visits when necessary.

Resolution – Strategies

Open new markets and expand current markets for US seed potatoes by overcoming market access barriers

Addressing market access is one of the main components of the International seed program. Working with FAS, the National Potato Council and foreign government officials to obtain greater access is vital to increasing US seed potato sales.

Increase demand for US seed potatoes in targeted markets

In order to increase foreign importers' and growers' knowledge of US potatoes the full development program needs to be implemented, which includes variety trials, seed tours, variety registration, creating educational materials and conducting market visits. Trials are conducted in target markets to prove the viability of US seed potatoes, market visits are conducted for US growers to learn about the market and the seed tour is hosted in the US to show foreign buyers quality US potatoes and production practices first hand. The testing and introduction of the use of cut seed in the target markets will be pursued.

Conduct a market maintenance program with the local trade in markets that meet the exit plan criteria

Maintaining commercial relationships with international buyers can be difficult because of language and distance barriers. As target markets develop and mature, it is still necessary to maintain a US presence, while moving on to new markets. Market maintenance will consist of continuing communication with current US seed potato buyers as well as market visits when deemed necessary.

Research new market opportunities for possible inclusion in the program

As markets mature and relationships are built it is important to look at new markets to continue to increase US seed potato exports. In-depth research is required to identify true market potential and barriers to trade in new markets. Research will focus on potential new markets for seed potatoes and help determine which markets would provide the best return on investment.

Develop an export readiness program for US growers

To help increase the number of US growers exporting seed potatoes and to help them understand the mechanics of exporting seed potatoes the USPB will continue to inform and educate US growers on seed sales opportunities abroad and how to take advantage of them. The Board will continue to conduct domestic outreach to educate the US seed industry on international needs and demands and to remove uncertainty about export procedures. Domestic outreach will be achieved through a variety of communication tools, including public relations with US growers, publication of articles, updating of seed information in marketing materials and on the Board's international seed website, developing a seed export curriculum for seminars and trips to speak with growers.

Seek regulatory changes in the US and internationally that level the playing field for US growers.

International trade in seed potatoes has traditionally been based on European certification, generations and sizing. The US system puts US growers at a disadvantage in the international markets based on size requirements and generation definitions. To level the playing field changes must be made to the import requirements in the international markets as well as the grading and inspection processes in the US for exports. Work towards an international system that more fairly reflects all countries' system through the UNECE and other international bodies must be pursued. The development of an export tag based on UNECE standards as part of the APHIS MOU will also be pursued.

Target Markets

Growth Markets

Nicaragua

Nicaragua produced 39,124 MT of potatoes in 2008, most of which were domestically consumed. Potatoes are considered a staple food and are consumed by the population at large. Typically, Nicaraguan producers import seed potatoes from Holland, the US and Guatemala. Nicaragua imported over 700 metric tons of US seed potatoes during 2009-10 and has the potential to import up to 2000 MT. The registration of new US varieties will increase opportunities for US seed exports to Nicaragua.

Brazil

Brazil has a vibrant agricultural sector, driven by increases in both productivity and in cultivated area. Brazil produces 2.5 to 3 million metric tons of potatoes per year. Brazilian growers plant potatoes in about 20 different regions scattered through the southern and central parts of Brazil. About 70 percent of production is for the fresh market, 10 percent for seed and 20 percent for processing. Chip-stock growers use both imported and domestically produced seed. Seed potato imports must meet the Government of Brazil's seed potato standards. Seed arriving at the port is held up for about 10 days for Ministry of Agriculture inspection, this alone adds to costs but more troublesome to importers and growers are the very stringent standards and the unpredictable nature of the inspection process. In the 2007/2008 marketing year the US exported the first commercial shipment of US potatoes to the Brazilian market. Brazil has the potential to be a good market for chipping and fresh market seed potato varieties from the United States if potatoes are allowed to enter the country according to the agreements.

Sri Lanka

Sri Lanka's traditional potato growing areas are in the cool highlands. Space is very limited in the highlands and there is a desire to extend planting into the coastal areas of the country where there is flat land. Most potatoes are consumed as table-stock as there are no potato chip producers nor frozen processors. Potato production in Sri Lanka is approximately 55,000 metric tons. Sri Lanka imports a relatively high proportion of its seed potato needs. This market has been historically supplied by the Dutch but also with small amounts from Germany, Scotland, Australia and India. Most potato farmers grow potatoes in very small fields often just garden sized plots of one tenth of an acre or less. Remaining market access issues include unreasonably low virus levels and allowable seed generations. The Sri Lankan government requires one year of data in 3 growing regions over 2 planting seasons to register varieties. One variety that the US produces, Granola, is already registered.

Egypt
Agriculture is the mainstay of the economy. Potatoes represent an important part of Egyptian agriculture and are now produced year-round thanks to technological advances utilized by large farms. Potatoes are an essential ingredient in Egyptian cuisine and are one of the most affordable vegetables due to the large cultivation area devoted to potatoes. Local production of potatoes in 2003 was approximately 2 million MT increasing to 3 million MT in 2008. Local production is shared between retail and ndustrial use with the bulk of fresh potatoes sold on the retail market and the remainder processed. The government encourages farmers to cultivate potatoes and to export them. There are good opportunities for US seed potatoes to be used in the Egyptian market. Progress has been made, but a final import protocol for US seed potatoes to enter Egypt is still not in place. US seed potato variety trials are now being allowed and begin in January, 2011. 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 potatoes to enter this market.

Sub-Saharan Africa
The countries of Sub-Saharan Africa are some of the poorest and most politically unstable in the world. Political unrest, drought and rising world commodity prices have caused the region to suffer economically and the need for food assistance has grown dramatically. The USPB 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 (over 200,000 MT per year for the past five) 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 have been shown to be high yielding under tropical conditions in Central and South America. Market access for US seed potatoes to countries in Sub-Saharan Africa is uncertain. In moving forward market access will have to be established for the targeted markets and then broadened over time.

Maintenance Markets

Dominican Republic
The agricultural sector depends on exports of sugar, coffee and tobacco. Farmers suffered as a result of a series of tropical storms in 2007 and 2008 but output recovered in 2009. Domestic potato production in the Dominican Republic fluctuated between 2003 and 2008, from a high of 95,000 MT in 2007 to a low of 33,000 MT in 2008. Potato imports are a small fraction of domestic production volume but showed strong growth, increasing from 1,900 MT in 2003 to 5,100 MT in 2008. In 2009/10 the Dominican Republic purchased approximately 160 MT of chipping seed and 400 MT of fresh market seed from the US for a total of 560 MT. US seed has roughly a 15% market share.

Uruguay
Uruguay has been importing US seed for seven years with seed sales steadily increasing. For 2009/10 the US exported about 725 MT of seed potatoes. Uruguay plants roughly 9,000 hectares (22,230 acres) of potatoes per year and consumes about 48 kg per person per year. They have a need for about 15,000 to 18,000 MT of seed per year. Roughly 3,000 MT are imported and the rest is “National” seed. The US’ largest competitors for seed potato market share are Canada, Benelux and Chile. Canada is the largest supplier. Canada’s quality of seed potatoes vs. the US is inferior as noted by Uruguayan growers. There are now two importers that source US seed. One importer is interested in getting all of his growers to switch to 100% US. US seed potatoes are allowed to enter the market, however low tolerances on powdery scab limit US exports to the market.

Honduras
Fresh potatoes are common vegetables in the Honduran diet, are used in many meals year-round and Honduran consumers usually buy them every week. Between 2003 and 2008 the local production experienced moderate growth. In this period the stated goal of the government and Honduran potato growers was to reduce the volume of imported potatoes and increase domestic production's share of the potato market in Honduras. Honduran potato exports fluctuated and finally halted in 2008, because the main focus became to supply the local market with fresh potatoes in order to reduce imports of fresh potatoes. The climate in Honduras is suitable for potato production with two growing regions. Honduras imports seed mostly from Holland and produces largely yellow-flesh potatoes and a small amount of chip-stock for El Salvador.

Panama
Domestic crops include rice, corn, potatoes, beans and beef. Local production of potatoes is important for the agricultural sector in Panama and locally produced potatoes can be found year-round. Potatoes are a very popular commodity for Panamanians, as potatoes are a regular part of the Panamanian diet. The local production is sold entirely in the local market and there are no potatoes exported. The highlands of the Chiriquí province, located west of Panama City, offers a suitable climate for growing potatoes, as it has a less humid and fresher climate than urban regions. Panamanian growers do not produce enough potatoes to fulfill local demand. As Panama does not have a significant potato processing industry, the local production is sold fresh to the retail, food service and institutional channels. Local potato production accounts for 88% of the total potato demand in Panama. The potato market is anticipated to keep growing at levels commensurate with the anticipated population growth. Panama has been a successful market for US seed potatoes. Commercial shipments have been increasing; full market access was achieved in August 2004.

Potential Markets

Argentina
The Argentine economy is in the midst of a strong recovery, though much slower rates of growth are expected in the medium term. Agriculture accounts for about 10% of GDP. Argentina's fertile soils have traditionally made it a leading agricultural power. Market access for US seed potatoes is pending in Argentina. The USPB sees potential for US 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
The majority of Thailand's domestic potato production is used for chip manufacturing. Thailand imports table-stock potatoes but controls levels through quotas. In October 2009 an import protocol for US seed potatoes from four states was completed. A visit to the remaining regions of the US in July 2010 resulted in access for another 10 states. 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. However, imports of seed potatoes into Thailand are still restricted by a quota. When this restriction is relaxed as it should be, Thailand will be a very good market for US seed potatoes.

Guatemala
The agricultural sector accounts for one-quarter of GDP, two-thirds of exports, and half of the labor force. Fresh potato production reached 443,400 MT in 2008. Total fresh potato consumption showed an increase from 2003 to 2008. Guatemala is Central America's leading potato producer and potatoes are the most important vegetable product in Guatemala. The highlands of central and western Guatemala provide ideal conditions for potato cultivation. Most potatoes produced in the country are consumed locally as demand for the product is high. Fresh potatoes account for approximately 60% of potato sales. The remaining 40% is used in the food service industry and in processed products like mashed potatoes, chips and snacks. Consumption of fresh potatoes is expected to increase between 2009 and 2011.

Cuba
Cuba's economy should see modest growth in 2010. The agricultural sector is highly inefficient, mainly because the best land is owned by state farms which allow it to remain idle. In 2009, the government began to decentralize agriculture, including the leasing of idle state land. Farm output during 2010 continues to lag behind government targets. Cuba currently imports large quantities of seed potatoes from Canada, but does not yet allow seed potatoes from the US.

North Africa
The USPB has received interest from growers in Algeria, Tunisia and elsewhere in North Africa and sees potential for US seed potato exports. Markets access, logistical constraints, market demand and competition still needs 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 opportunity for US potatoes to enter these markets. One opportunity is for US seed potatoes in the September – December window that the EU has a hard time meeting. There is also the opportunity to grow out US seed in these countries for export to Sub-Saharan Africa.

Seed Potatoes
Export Market

Growth Strategy	*Productivity Strategy*
Introduce US seed potatoes to world markets and increase demand in targeted markets • Overcome market access barriers • Increase demand through market development activities directed toward the trade • Conduct a market maintenance program in markets that meet the exit plan criteria • Research new market opportunities for possible inclusion in the program	***Increase US seed grower involvement in exports*** • Develop an export readiness program for US growers • Seek regulatory changes that level the playing field for US growers