



---

**TESTIMONY BY  
ERIC HALVERSON  
BLACK GOLD FARMS  
ON BEHALF OF THE NATIONAL POTATO COUNCIL AND THE UNITED FRESH PRODUCE ASSOCIATION  
TO THE  
SENATE AGRICULTURE, NUTRITION AND FORESTRY COMMITTEE**

**PUBLIC HEARING ON  
OPPORTUNITIES IN GLOBAL AND LOCAL MARKETS, SPECIALTY CROPS, AND ORGANICS;  
PERSPECTIVES FOR THE 2018 FARM BILL  
July 13, 2017**

---

Chairman Roberts and Ranking Member Stabenow, thank you for holding this important hearing in preparation for the 2018 Farm Bill. I am Eric Halverson of Black Gold Farms and am testifying today on behalf of the National Potato Council and the United Fresh Produce Association.

Black Gold Farms is a fourth generation, family-owned farming organization started in North Dakota's Red River Valley more than 80 years ago. We now have operations in Florida, Indiana, Louisiana, Maryland, Michigan, Minnesota, Missouri, North Carolina, North Dakota and Texas.

The National Potato Council (NPC) represents ninety-five percent of the potato growers in the U.S. who collectively produce a potato crop valued at nearly \$4 billion a year at the farm gate. United Fresh Produce Association represents growers, shippers, processors and sellers of a wide variety of fruits and vegetables, including potatoes, across the country.

The potato industry, and many other organizations representing fruit and vegetable commodities, have been a long-time cooperator with the Foreign Agricultural Service (FAS) of the Department of Agriculture (USDA) on the Market Access Program (MAP), the Technical Assistance for Specialty Crops (TASC) program, the Quality Samples Program (QSP) and related programs that substantially improve our ability to compete in foreign markets. Specifically for the potato industry, these activities are conducted through the National Potato Promotion Board under the trade name Potatoes USA.

The potato industry joins our counterparts in the produce sector in strongly supporting the enhancing of these vital programs in the next Farm Bill. The recent study by Texas A&M indicating a 28 to 1 return on investment provided by USDA's export promotion programs should offer ample validation that increased

future funding will immediately generate results for farmers and consumers. As a potato producer and marketer my comments are largely focused on potatoes. I would like the Committee to understand that the benefits from these export programs also are utilized by many other commodities in the specialty crop family.

## **INTERNATIONAL MARKET FOR POTATOES**

In general, one of every five rows of potatoes that are produced in the United States are destined for export markets, which has allowed more family farms to stay in business. The industry would not be where it is today in terms of total exports without the foundation of partnership funding that MAP, QSP, TASC and related programs provide.

Our competitors in foreign markets aggressively promote their potatoes often with programs that have substantially larger resources. Additionally, various market support programs lower the cost of production for foreign potatoes to levels that American producers cannot match. Coupled with favorable exchange rates due to a strengthening dollar, foreign government investment in agricultural production and promotion make for an increasingly competitive international marketplace for fresh and processed potatoes.

Despite these competitive challenges, U.S. potato exports returned to positive growth during the July 2015-June 2016 marketing year, overcoming the obstacles of lost sales due to the U.S. west coast port shutdown and the strong dollar, to reach their second highest level on record. Total U.S. potato exports for market year 2015/2016 grew 4% in value to \$1.7 billion. Growth was led by increasing exports of frozen potato products, which jumped 11% by volume, as well as by an 8% surge in the volume of fresh potatoes. Positive growth was also seen in potato chip exports, which increased 3% and seed potatoes, up 6%. The only category to decline was dehydrated potatoes, which were down 3%.

## **MARKET ACCESS PROGRAM**

These results would not be as positive without the support of USDA's export programs and MAP in particular. It should be noted these programs are cost-sharing. The potato industry matches its MAP funding substantially greater than 1-to-1 and that ratio may be larger for other specialty crops. Coupled with USDA's rigorous oversight of each cooperator's plan execution, we believe that MAP is an outstanding, transparent public-private partnership.

In terms of specific results, exports to potato-industry target markets in Asia, Mexico and Central America outpaced export growth to the world, rising a collective 10% by value last year. This demonstrates that the foundational work carried out by Potatoes USA in cooperation with FAS added value and created demand for U.S. products through training, technical support, promotional support and ideas for innovative usage.

In many cases restaurants, food manufacturers and retailers switched back to U.S. product this year after being forced to switch to alternative sources due to the west coast port issues the previous year. Given the higher price of the U.S. product, this is a real testament to the marketing and promotion programs being conducted and to the high quality of U.S. potatoes and potato products.

For example, the Potatoes USA international foodservice program inspired culinary professionals around

the globe to offer more U.S. potatoes on their menus in more ways than ever before. Seminars, technical support and technical training for foodservice staff and suppliers created loyalty to the U.S. brand, while promotions and competitions stimulated new potato dishes and sales.

As a result, during marketing year 15/16, nearly 40 new foodservice operations and/or importers and distributors purchased U.S. potato products for the first time; a record-setting 260 new menu items or applications were developed and featured at foodservice outlets; 26 alternative channels were tapped; and approximately two dozen foodservice promotions were conducted that increased sales by at least 25%.

### **TECHNICAL ASSISTANCE FOR SPECIALTY CROPS PROGRAM**

The TASC program serves a complimentary but distinctly different function than MAP. It was designed to address relatively short term, high impact impediments to specialty crop exports, such as sanitary and phytosanitary barriers to trade. As with the other programs I mentioned previously, TASC has a broad level of support among specialty crop industry stakeholders.

One of the main ways the potato industry has utilized TASC is in providing resources for plant health officials from the foreign markets to come to the U.S. for an inspection as part of the process of opening the market to U.S. fresh and seed potatoes. APHIS does not have funding for this nor do many of the foreign markets we are targeting for potato exports.

The ability to access TASC for this purpose led directly to the opening of the Vietnamese market to fresh potatoes from the U.S., the opening of the Philippines to fresh potatoes, the opening of Brazil to seed potatoes, and the opening of the Dominican Republic to seed potatoes. There have also been related visits from China, Korea, Japan and Egypt that are still in progress.

The potato industry has also used TASC for an extensive research project at a number of different universities on a disease affecting our industry called Zebra Chip. With the TASC resources, we have been able to interact with foreign plant health officials in making the scientific case that Zebra Chip poses little or no threat to importing countries, even if fresh or chipping potatoes are infected with it when exported. This helped to reopen the Korean market for chipping potatoes and played a key role in reopening Costa Rica to chipping potatoes.

### **QUALITY SAMPLES PROGRAM**

Potatoes USA uses the Quality Samples Program (QSP) to introduce foreign growers, processors, and manufacturers to the benefits of using high-quality US potatoes. This QSP funding enabled our industry to introduce US potatoes to more than a dozen markets in our last fiscal year which provided samples of US seed potatoes for propagation, chipping potatoes for processing and dehydrated potatoes for ingredients. Our industry leveraged the benefits of using just over \$120,000 in QSP funds in fiscal year 2016 to send potatoes to 14 markets which resulted in specific benefits to our growers, processors, and exporters.

Highlights of our successes include:

- QSP funded 10 varieties of US seed potatoes that were grown in field trials across Guatemala, which led to the commercial export of US seed potatoes from California, Idaho, and Washington to Guatemala.
- When Costa Rica re-opened its market to U.S. chipping potatoes, industry used QSP funds to reintroduce chipping potatoes resulting in just under \$220,000 in commercial exports.
- A one-season field trial in Senegal, using US seed provided through QSP funding, resulted in the first commercial sales of approximately \$150,000 of exported seed thus far, which is expected to grow exponentially in the second half of 2017.
- Potatoes USA used QSP funds to ship U.S. dehydrated potato samples to utilize in an educational campaign in the Philippines that resulted in eight companies launching a new product using U.S. dehydrated potatoes within six months after the campaign.
- QSP funding was used to provide samples of dehydrated potatoes to suppliers in Vietnam that resulted in the first successful commercial shipment.
- In Mexico, QSP funding supplied samples for technical trade education events, which resulted in U.S. dehydrated potato exports to Mexico jumping 12% by volume to 19,104 metric tons and 9% in value to \$27.5 million during the first nine months of the 2016 marketing year.

## **THE U.S. CANNOT FALL BEHIND IN PURSUING TRADE AGREEMENTS**

These valuable Farm Bill programs obviously work in concert with U.S. trade policies that reduce tariffs and non-tariff barriers in key export markets. Simply put, the U.S. cannot afford to fall behind in its pursuit of trade agreements that benefit American agriculture.

This was highlighted last week when the European Union and Japan announced the completion of their free trade agreement that will fill a void left by the stalled Trans Pacific Partnership (TPP) ratification. With over \$325 million in sales of US potato products, Japan is the single largest export market for US potatoes. However, European potatoes are a growing competitor in the market.

Japan currently applies an 8.5% tariff on frozen fry imports. This tariff was scheduled to be eliminated on U.S. fries within five years under the TPP. Although specifics are not yet known about the EU-Japan agreement, it is safe to assume that Japan has agreed to eliminate their tariff on European fries and thereby disadvantage U.S. exporters who remain burdened with the 8.5% tariff. This is particularly alarming because sourcing decisions for fries can be made based on a difference of cents.

It is vital that the Administration and Congress work to conclude a similar agreement that maintains the competitiveness for U.S. potatoes and other specialty crops in the Japanese market.

On a related note, Canada and Mexico are extremely valuable export markets for potatoes. Though we respect the desire of various parties to update the 25-year-old North American Free Trade Agreement

(NAFTA), the current agreement has been extremely beneficial to the U.S. potato industry. Canada is currently the second largest export market for U.S. potatoes with over \$315 million in exports annually. This is up 189% from the \$109 million worth of potatoes exports to Canada in 1993, the year prior to NAFTA's implementation.

The Mexico figures are even more dramatic. Mexico is currently the third largest market for U.S. potatoes, receiving over \$230 million in U.S. potato products annually. Mexico is the industry's second largest fry export market after Japan, generating over \$135 million in sales in 2014. In 1993, prior to NAFTA, the US exported \$21 million worth of potatoes to Mexico, so the market has grown more than 1,000 percent since NAFTA went into effect.

Therefore, the potato industry is taking great interest in the NAFTA renegotiation and urging the Administration not to allow any backsliding on either tariff or non-tariff barriers. In addressing concerns about the agreement from other sectors, these ongoing benefits for agriculture should not be eroded.

## **CONCLUSION**

Chairman Roberts and Ranking Member Stabenow, we respect that the committee is just beginning the process of considering all the various programs under its jurisdiction. As that review continues, the National Potato Council and the United Fresh Produce Association would be pleased to provide additional information as to the substantial beneficial impact of these valuable programs.

Consistent with the Coalition to Promote U.S. Agricultural Exports, we strongly urge the committee to devote increased resources to MAP, QSP, TASC and the other export promotion programs. Thank you again for the opportunity to provide our perspective on the importance of these programs to the economy of the United States and the potato industry.