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**Date:** 10/31/2012

**GAIN Report Number:**

## Costa Rica

**Post:** San Jose

### Costa Rica reopens market for chipping potatoes

**Report Categories:**

Potatoes and Potato Products

Sanitary/Phytosanitary/Food Safety

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**Report Highlights:**

After seven months, Costa Rica finally reopened the market for U.S. chipping potatoes on October 26. The importation of potatoes was banned in April, 2012 due to the disease known as Zebra chip.

## **General Information:**

### **Costa Rica reopens market for chipping potatoes.**

Costa Rica reopened the market to U.S. chipping potatoes seven months after the initial ban and four months after a protocol to address sanitary concerns related to the pest *Zebra chip* was signed between Costa Rica and the United States. Importers can now request phytosanitary import permits for chipping potatoes, most of which are imported under the CAFTA-DR tariff rate quota. However, according to importers, given the time it takes for the GOCR to issue permits and to arrange imports, it may take some time before U.S. potatoes arrive to the country.

The importation of U.S. potatoes was banned in April due to the pest *Zebra chip*. At that time, APHIS indicated to the Costa Rican authorities that *Zebra chip* should be considered a quality disease issue and that it should remove any prohibitory requirements. The value of U.S. potatoes exported to Costa Rica was \$1,519,000 in 2011. Potato exports dropped 76 percent to \$246,000 during the period January-August 2012, as compared to \$1,021,000 during the same period in 2011. Prior to the signing of CAFTA-DR, the United States did not export potatoes to Costa Rica. However, the market has grown as a result of opportunities provided by the CAFTA-DR TRQ and the high quality of U.S. chipping potatoes, which have carved out a niche market with Costa Rican processors.

Reluctance on Costa Rica's part to lift the ban required numerous meetings between USDA and Ministry of Agriculture (MAG) officials. In early June, both governments agreed to work out a bilateral protocol of phytosanitary measures that should assure Costa Rica that the risk of introduction of *Zebra chip* through the importation of U.S. potatoes is negligible.

In a follow up meeting with the Costa Rican Plant Health Department Pest Risk Analysis Specialists, APHIS negotiated and agreed on a set of phytosanitary measures. In mid-June APHIS signed a bilateral agreement with the Costa Rican Ministry of Agriculture, effectively re-opening the market for industrial use (chipping) potatoes.

Unexpectedly, Costa Rican authorities decided that the protocol had to be notified to the WTO to allow other members to comment on it. The United States objected to this procedure because the WTO does not require the notification of bilateral agreements such as the protocol in question. Nevertheless, Costa Rica provided the two month comment period and received comments from domestic producers, which further extended the time that U.S. potatoes could not enter Costa Rica. After reviewing those comments, the Ministry of Agriculture officially notified APHIS that the market for U.S. chipping potatoes is open again as of October 26<sup>th</sup>. Importers may now request phytosanitary import permits from the Ministry of Agriculture based on the phytosanitary protocol signed in June.

Importers are expecting MAG to take about 10 days to issue the phytosanitary permit (although this seems to be a longer than normal period). They also expect a period of about 8 days to arrange shipment with their supplier, another 10-12 days for ocean transit, and an estimated 8 days for the shipment to be cleared by MAG, upon arrival to the Costa Rican port.

Post expects at least some of the importers who received an allocation under the 2011 CAFTA-DR tariff rate quota (TRQ) to start the process to import their remaining allocation very soon, given the time constraints to import their quota before the end of the calendar year. Post worked to convince both the Ministry of Agriculture and the Ministry of Foreign Trade not to penalize importers with an historical record if they were not able to import their quota allocation. Under the TRQ regulations, importers with a historical record receive 80 percent of the TRQ allocation and new applicants receive 20 percent of the allocation. However, the regulation has penalties for importers who do not utilize their assigned TRQ unless the reason for not importing is considered to

be a case of “force majeure”. As a result of Post actions, a letter from the Minister of Agriculture was sent to the Minister of Foreign Trade indicating that the ban on potato imports constitutes a case of force majeure in relation to the TRQ imports and that importers should not be penalized if they were unable to import their TRQ allocation. The application period for TRQ allocations for calendar year 2012 expired on October 29.

Chipping potatoes are imported primarily under a CAFTA-DR tariff rate quota that allows duty free imports from the United States of 336 MT of potatoes during 2012. The potato TRQ grows 6 MT per year. Potatoes are considered a sensitive agricultural product by Costa Rica, and are therefore protected by high out of quota duties (45%). Potato exporters should adhere strictly to the requirements set forth in the phytosanitary import permit in order to avoid problems or delays when exporting to Costa Rica.