



United States
Department of
Agriculture

Foreign
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Service

FACT SHEET

U.S.-Korea Free Trade Agreement

What's At Stake for Potatoes?

September 2008

The U.S.-Korea Free Trade Agreement (KORUS FTA) will provide America's farmers, ranchers, food processors, and the businesses they support with improved access to the Republic of Korea's 49 million consumers. If approved by Congress, this would be the most economically significant trade agreement for the U.S. agricultural sector in 15 years.

Under this agreement, more than 60 percent of U.S. agricultural exports will become duty free immediately. Lower tariffs benefit both U.S. suppliers and Korea's consumers. The KORUS FTA will help the United States compete against Korea's other major agriculture suppliers and help keep the United States on a level playing field with Korea's current free trade partners, such as Chile, and any future FTA partners.

Potatoes and Potato Products

With the Agreement...

Frozen potatoes (frozen fries) will enter duty free upon implementation of the agreement, eliminating the current 18-percent tariff on \$22.8 million of frozen potato imports.

Fresh potatoes for chipping will receive seasonal treatment that will be phased out over 15 years. All quantities will enter duty free during the out-of-season period (December 1-April 30), currently the period when the majority of U.S. chipping potatoes enter Korea, in effect eliminating the 30-percent applied tariff. During the in-season period (May 1-November 30), the tariff will be phased out over 15 years, with no reduction in tariff during years 1 through 7. Beginning year 8, duties shall be reduced in 8 equal annual reductions.

Fresh potatoes for table use will enter under a new tariff-rate quota (TRQ) starting with a duty-free quantity of 3,000 metric tons that will grow 3 percent compounded annually in perpetuity. The new TRQ provides access that U.S. fresh potatoes for table use currently do not have. The over-quota tariff of 304 percent is maintained.

Dehydrated potatoes will enter under a 10-year safeguard with an initial duty-free quantity of 5,000 tons that grows 3 percent, compounded annually. Korea has imported only a small quantity of pure dehydrated potatoes in the past and this significant access will allow U.S. exporters to expand the market and uses of the product.

Korean imports of U.S. mixtures containing dehydrated potatoes will see the current 20-percent tariff be phased out over either 5 or 7 years, depending upon the classification at time of import. The cumulative tariff savings resulting from KORUS FTA for frozen, table-use and chipping potatoes is estimated at \$31 million over the first 5 years of the agreement.

The Trade Situation...

For frozen potatoes, Korea is the fifth largest market for U.S. products. From 2005 through 2007, U.S. suppliers shipped an annual average 764,000 tons of frozen French fries to Korea, valued at \$564 million. The U.S. share of Korea's growing import market averaged 76 percent, but has eroded over the last several years.

For Korean imports of U.S. fresh potatoes, the average annual imports from 2005 – 2007 have been 6,800 tons, valued at \$2.8 million. Korean imports of dehydrated potatoes from the United States averaged 129 tons valued at \$259,000, from 2005 – 2007.

The Current Market Access Situation...

U.S. frozen potato products (frozen fries) are currently subject to an 18-percent applied tariff.

U.S. fresh potatoes for both chipping and table use are subject to a global WTO TRQ of 18,810 tons with an in-quota tariff of 30 percent. The out-of-quota tariff is a prohibitive 304 percent.

U.S. dehydrated potatoes are subject to a 20-ton TRQ with an in-quota tariff rate of 5.4 percent. Since this quota volume is so small and covers imports from the entire world, Korea applies the 304-percent tariff on most imports of dehydrated potatoes.

U.S. mixes containing dehydrated potato are currently subject to a 20-percent tariff.

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