

May 21, 2020

The Honorable Sonny Perdue  
U.S. Secretary of Agriculture  
1400 Independence Avenue, S.W.  
Washington, D.C. 20250

Dear Secretary Perdue:

The U.S. potato industry is facing an unprecedented crisis related to the coronavirus pandemic. As we have discussed with the Department of Agriculture (USDA) at length over the past two months, the threat to family farms in the potato industry due largely to the closure of the food service sector may last well into 2021 if aggressive actions are not taken.

Specifically, over 1.5 billion lbs. of fresh potatoes-for-processing and potato products are trapped in the supply chain with no likely customers. This oversupply has impacted both the 2019 and 2020 crop for U.S. family farms that grow potatoes. Some of these farms will have no ability to sell their 2019 or 2020 crop.

We appreciate the recent USDA announcement of a \$50 million surplus commodity purchase for potatoes under Section 32 authority. Additional larger purchases of fresh, frozen, and dehydrated potatoes in the future, coupled with a meaningful direct payment program will provide these farms with an opportunity to maintain their livelihoods.

Unfortunately, the Coronavirus Food Assistance Program (CFAP) announced yesterday does not meet the goal for our industry of a meaningful direct payment program. In the interest of ensuring it does provide value for our growers, we have the following questions and recommended enhancements to meet that goal.

- **What factors were used to determine that potatoes are ineligible for Category 1 payments under the CFAP?**

Several potato producing states had growers who suffered a significant price loss during the specified January-April time period, particularly if their primary market was food service. Specifically, in Idaho the carton price dropped from \$19.00 to \$11.00 (42%) and Washington state saw a drop from \$17.50 to \$13.00 (26%) based on USDA AMS data. Certain potatoes-for-processing experienced a 100% loss in value during that time period. As you have likely seen, the result was growers giving away their potato crop.

- **It appears that USDA may have only considered fresh (retail) market data for potatoes to determine a 5% price loss rather than the processed (food service) side of the industry that operates largely on a contract basis.**

As we have discussed on multiple calls and communications with USDA, the food service (potatoes-for-processing) side of our business is 60% of the overall industry and is the portion most vulnerable to the pandemic. If the processing side of the industry and also seed potatoes was not considered, then USDA did not review the most vulnerable and impacted sector and the program does not address it.

- **For Categories 2 and 3 in the CFAP, why is the payment rate for potatoes so much lower than for other comparable commodities?**

As identified by USDA, sweet potatoes have a \$0.18/lb payment rate under Category 2 and a

payment rate of \$0.04/lb under Category 3. Both rates are 400% larger than for potatoes (\$.04/\$.01 per lb respectively). In general, the cost of production and the market price for these two commodities are extremely comparable but the payment rates are grossly disconnected.

- **The contract nature of the food service side of the potato business makes it highly unlikely that Category 2 can be utilized by our growers. Why is unusable product that leaves the farm treated so much differently than unusable product that remains on the farm?**

Contract potato producers (those most vulnerable to this crisis due to the food service shutdown) have been told that a substantial portion (or all) of their crop will not be used. This product is unlikely to ever leave the farm, making it eligible only for Category 3. However, that payment rate is much lower than Category 2. This creates a huge disparity for these producers. The only difference appears to be in the transportation of the crop beyond the farm gate. However, transportation does not account for a 400% differential in payment between Category 2 and Category 3.

Given these examples, it appears that there are significant infirmities in the CFAP as announced yesterday. In anticipation that these errors were caused by the consideration of data that does not accurately reflect the crisis in the majority of the potato industry, we respectfully ask USDA to take the following urgent actions to provide relief to our family farmers:

1. Make potatoes eligible for Category 1 payments at a meaningful level, subject to requirements of verifying economic losses in a manner consistent with the seed, fresh and the contract nature of the processing sides of the potato industry.
2. Raise the payments for potatoes in Category 1, Category 2 and Category 3 to levels that are consistent with the payment levels of other commodities and no less than \$.04 per lb.

Looking forward, this crisis is impacting both the present year (2019) crop and the upcoming (2020) crop. We want to work with USDA to ensure that relief is available for producers that may have their 2020 crop impaired. This is becoming increasingly likely and these producers may suffer impacts that last well into the Fall of 2021.

Thank you for the urgent consideration of these issues and the goal of providing meaningful relief for the growers in America's potato industry.

Sincerely,

National Potato Council

Association of Virginia Potato and Vegetable Growers

Colorado Potato Administrative Committee

Idaho Potato Commission

Maine Potato Board

Montana Potato Improvement Association

Nebraska Potato Development Division/Potato Certification Association of Nebraska

Northern Plains Potato Growers Association

Oregon Potato Commission

Pennsylvania Co-Operative Potato Growers

Potato Growers of Michigan

United Potato Growers of America

Washington State Potato Commission

Wisconsin Potato and Vegetable Growers Association