

Transport Topics **Online**

Updated:

Canadians Fill French-Fry Void as Mexican Levy Hits U.S. Goods

By Eric Miller, Staff Reporter

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[\(Click here for this week's cartoon: "Welcome to Mexico."\)](#)

A sharp decline in the export of U.S. frozen processed potatoes to Mexico — primarily driven by retaliatory Mexican tariffs — has resulted in a corresponding loss of business for U.S. refrigerated motor carriers that service the Mexican market.

Nationwide revenues from U.S. frozen processed potatoes shipped to Mexico, primarily French fries, declined by more than 50% in 2009, to \$31.4 million from \$64.3 million in 2008, according to Elise Cortina, executive director of the Frozen Potato Products Institute.

The 20% tariffs on frozen potatoes, implemented in March 2009 by the Mexican government after the Obama administration shut down a pilot program permitting Mexican trucks to make deliveries in the U.S. interior, also has caused a sizable shift of frozen potato production and distribution from the United States to Canada, Cortina told Transport Topics.

"Exports of frozen product from the U.S. to Mexico are down significantly from the levels they were at before the retaliatory tariffs," Cortina said. "Conversely, exports from Canada to Mexico have increased significantly."

John Keeling, executive director of the National Potato Council, said the Mexican government targeted the tariffs on 89 products so they would do the most harm to U.S. commerce and at the same time do the least damage to Mexican consumers.

Unfortunately for U.S. exporters, the plan, approaching its first full year of operation, is working, Keeling said.

Facing pressure from industry trade associations ranging from pork producers to cosmetics products manufacturers, U.S. Trade Representative Ron Kirk said last month that he has been asked by President Obama to work with Congress and the [Departments of Commerce](#) and [Transportation](#) to find a solution to the cross-border trucking problem.

A group of 56 members of Congress sent a letter to Kirk and Transportation Secretary Ray LaHood last week, urging the administration to quickly resolve the trucking dispute, Reuters reported.

LaHood told a Senate committee March 4 that finalizing a fix to the cross-border controversy was taking a long time because "there's a lot of moving parts," but that DOT was "very near" a proposal that would address Congress' concerns about safety.

Much of the resistance to opening the border to trucking — which was required as part of the North American Free Trade Agreement that slashed tariffs between the United States, Mexico and Canada — has been driven by the [Teamsters](#)

union, which claims it will lead to an influx of Mexican drivers to U.S. fleets.

The damage from the Mexican retaliation has not been limited to the potato industry. It clearly has created challenges for refrigerated motor carriers such as C.R. England, the largest refrigerated hauler in the United States, with 2008 revenues of \$873 million.

England's revenues for hauling frozen fries to Mexico were sliced nearly in half in 2009, compared with 2008, according to Dave Akers, vice president, Mexico, for the Salt Lake City, Utah, motor carrier.

"Year-over-year volumes decreased 33% and non-fuel revenues nearly 45%," Akers told Transport Topics.

By comparison, Akers said the company experienced year-over-year revenue growth in shipping fresh potato products to Mexico, and that other agriculture products included in the Mexican tariffs did not result in "any significant year-over-year fluctuation."

"In other words, the Mexico tariffs only had impact at England for transportation of frozen processed potato products," Akers said. "That impact, however, was significant and equates to hundreds of loads annually per individual shipper."

While several refrigerated carriers did not return phone messages, others said they were aware of the industry-wide challenges the Mexican tariffs caused.

"We used to receive maybe 30 loads a month of frozen potatoes," said Armando Meza, a marketing executive with Frio Express, a Mexican-based refrigerated carrier that partners with large U.S. trucking companies. "Now, we receive zero. So the tariffs have had a big impact."

Dan Bell, vice president of logistics for Dallas-based refrigerated carrier [Stevens Transport](#), said his company's small Mexican frozen fries business has vanished since the tariffs were implemented.

"The business in general has been impacted quite a bit," Bell said. "All the reefer carries haul frozen potatoes. We may not be hauling the same lanes or for the same customer, but all of us are hauling some French fries."

Bell said that Stevens had been reducing its frozen potato business with Mexico for the past two years. "But when the tariffs came along, it pretty much wiped out the little bit we had left," Bell said.

Bell said the Mexican tariffs were among the hot topics of discussion at the Food Shippers of America conference in Orlando, Fla., last month.

Keeling, the potato institute executive, said the tariffs on frozen potatoes were bound to hit U.S. carriers hard, since Canadian producers and distributors are located within 80 miles of the U.S. border.

Senior Reporter Sean McNally contributed to this story.