

US MARKET

▶ BACKGROUND

Chips remain America's favorite salty snack with sales in excess of \$6 billion. But as an industry that is over 150 years old, it falls well within the classification of being a "mature" industry. Overall, sales have been relatively flat, in both pounds and dollars, over the past several years, somewhat encouraging given its maturity, the multitude of alternate snack items and America's push to dieting and healthier eating. However, it has provided limited growth opportunities for growers of chipping potatoes. In 2001 the USPB initiated a "chipping committee", comprised of growers, to advise the USPB of activities to be undertaken to support the grower base. Activities have included the "Chip Seminar" as a means to network, increased Breeding/Variety Trial work to maintain competitiveness and add consumer benefits, and proactive communications support to combat negative press about chips and snacks.

▶ CHALLENGES

The real challenge is that with the USPB, or virtually any budget for that fact, we are not able to promote or advertise to increase the sale of potato chips. That assignment must be left to the manufacturers, and the retail accounts they sell to. Additionally, chipping potatoes, at this point, have a very limited alternate use which doesn't provide growers with an alternate customer base for their crop. Combine those challenges with increased attacks on snack foods and a very consolidated/declining buyer base, and the USPB activities must be creative and supportive for the grower base.

▶ RESOLUTION

Provide growers with an opportunity to protect and/or improve their return on investment.

The activities of the Board are conducted with the support and input of the Grower Chip Committee. The activities which are to be included in the (LRP) include:

- Chip Sector Breakout Sessions at Potato Expo/Chip Committee Meetings: These forums provide the opportunity to network with other growers and manufacturers to address common issues and develop/discuss solutions.
- Breeding/Variety Trial Work: This key project addresses consumer benefits, shifting geography or production, manufacturer needs and wants, fresh-dig versus storage, and agronomics. "Fast Tracking" new varieties was recently added to this program.
- Innovation: The USPB will pursue/investigate viable alternate uses for chipping potatoes to provide an outlet during an over-supply year, but more importantly, provide opportunity for growth.
- Create new markets for chipping potatoes: The focus is to develop export markets for chipping potatoes. Many markets—Japan, Mexico, and Korea, to name a few—have populations that like potato chips, and have chip manufacturers with gaps in their chipping potato production that the US can fulfill. Significant inroads have been made, and will remain a focus, through this LRP.
- Proactively address identified issues: This can be grower related, i.e. the "Zebra Complex" issue, or industry related, i.e. junk food claims, obesity, and acrylamide. Issues identified will be addressed through research and in concert with the Snack Food Association (SFA).
- **Actively monitor new technologies: New technologies in Research and Development may provide breakthroughs in changing the potato industry. These breakthroughs may be related to health and wellness, economics, capabilities or other related areas.**



CHIPS AND CHIPPING POTATOES

US MARKET

GROWTH STRATEGY

Create new markets for chipping potatoes

- Seek international buyers for US chipping potatoes
 - Work with International Department
 - Work on technical requirements
- Develop/pursue innovative alternate uses for chipping potatoes

Create new markets for chipping potatoes **Breeding/Variety Trial Work**

- Breeding/Variety Trial work for improved varieties that add consumer benefits
- Proactively address issues

PRODUCTIVITY STRATEGY

Enhance ability to remain competitive

- Conduct core research, consumer/market, and communicate results
- Support core breeding/variety research and communicate results
- Conduct new product research and communicate results
- Provide open forum for constructive communications
- **Seek out new technologies that improve the economics**