



Maximizing Return on Grower Investment

“What’s News?”

First Quarter 2008

New Nutrition Campaign: Announcing “Potatoes...Goodness Unearthed™”

- Though potatoes are consumed in-home by 79 percent of US households 1.8 times per week, per capita consumption has steadily declined during the past 10 years, as have many fresh produce items
- The Fresh Demand Working Group (FDWG), a group of grower/shippers, state industry organization leaders, staff and members of the USPB Domestic Marketing Committee and staff and members of United Potato Growers of America (UPGA), convened during late 2006 to develop strategies to reverse the decline in fresh potato consumption
- It should be emphasized the FDWG is neither a USPB nor a UPGA driven group, but rather the collective and equal input of all stakeholders in the US fresh potato sector
- In researching consumer perceptions about fresh potatoes, it was learned potato messaging needed to highlight the nutrition facts of potatoes, but also go beyond the facts and connect the goodness of potatoes in a way relevant to consumers’ lives today
- The FDWG recently announced the adoption of a new industry-wide message linking potato goodness with today’s consumers
- “Potatoes...Goodness Unearthed™” is the culmination of several months of in-depth consumer research by a leading New York City based international branding agency, whose previous work included the recently adopted “Fruits and Veggies, More Matters™” for the Produce for Better Health Foundation
- This new message also represents industry input and ideation, all designed to help consumers connect with the core nutrition message “potatoes are good for you”—a message creating a new attitude and giving consumers a new way of looking at potatoes to which they have always related—potatoes are a healthy, nutritious, good tasting, nurturing food
- Plans are underway to launch a far-reaching consumer campaign January 15, 2008
- The FDWG will continue to work closely with the USPB to develop campaign materials for fresh grower/shippers to take to their retail marketing partners for a coordinated, industry-wide campaign
- “Potatoes...Goodness Unearthed” will also be incorporated into the current USPB Best In Class (BIC) and BIC Fast Track programs to retail partners and consumer communications programs
- Research and anecdotal accounts continue to show people love potatoes despite an onslaught of flawed and negative information from sources like low-carbohydrate dieting
- This new nutrition campaign seeks to create a consumer message across all potato varieties, products and uses
- “Potatoes...Goodness Unearthed” is intended to become a long-term, comprehensive, industry effort to establish a lasting identity for potatoes in the minds of consumers, just as “Pork. The Other White Meat®”, “Cotton. The Fabric of Our Lives®” and other commodity promotion programs have sought to create strong bonds with consumers
- Individual companies and state organizations can continue to build on this “goodness” message to develop their own unique



marketing programs

- “Potatoes...Goodness Unearthed” will deliver a base level nutrition message and consumer recognition all organizations can build on in their own programs to increase consumption of US fresh potatoes and potato products

For more information, or to receive the Campaign Signature art files and design guidelines, or to request review of proposed marketing materials, contact David Fairbourn at david.fairbourn@uspotatoes.com or 303-873-2331.

Nutrition

The goal of the USPB's nutrition program is to keep the good nutrition of potatoes in front of consumers

The *HEALTHY MR. POTATO HEAD™* three-year campaign is completed—with 356+ million consumer impressions for the nutrition message of potatoes

The UN declared “International Year of the Potato” is delivering both the healthy potato message and ideas on the many delicious ways potatoes are prepared around the world

USPB is seeing serious traction in the nutrition opinion leader program, with online and print stories by Registered Dietitians touting the good qualities of potatoes

Scientific research, with good news about potatoes, is continually released to the media

NEWS! This Quarter:

- The UN's “International Year of the Potato” was previewed during the summer and launched in October. A second media wave is scheduled in January featured a micro-site on the Food Network's home page, a satellite media tour with two popular chefs, and a color, full page feature in newspapers. Additional feature stories in magazines and online are beginning to appear
- The Potato Underground www.potatounderground.com, the USPB's online blog, is creating excellent pick-up of potato nutrition and recipe stories, including demonstrations of innovative and easy cooking techniques. These stories are appearing in online nutrition and cooking sites, plus of course, traditional print media

For more information, contact Linda McCashion at lindam@uspotatoes.com or 303 873-2326.

Foodservice

With the goal of increasing the number of Healthy Potato sides and salads in restaurant chains, the USPB has held two custom seminars at the Culinary Institute of America (CIA) in Napa Valley, CA. Chefs attending, to-date, represent restaurants with \$29 billion in sales and 40,000 units. Thirty percent of those attending are adding new potato items to their menus. Another chain has two items in test market

The foodservice program also includes continuing publicity in foodservice media and attendance at key chef conventions

NEWS! This Quarter:

- A third CIA custom seminar for chefs took place in September 2007. USPB is following up and offer assistance in developing new menu items. The CIA posted program concepts on its Pro Chef web site www.ciaprochef.com
- A second potato innovation brochure is in production – using the best potato menus and preparation techniques of the seminars and in restaurants
- The “50 States of Potatoes” recipe contest for chiefs is underway

For more information contact Linda McCashion at lindam@uspotatoes.com or 303 873-2326.

International Marketing Overview

- US exports continued to grow during 1st quarter (Marketing Year July – September) 2007 compared to previous period in 2006
- Exports of dehydrated potatoes were up 15% by volume and 12% by value, led by continued growth to Japan, Korea and the Philippines
- Exports of frozen potatoes increased 385% by volume and 39% by value, led by significant gains in SE Asia and Central America
- Exports of fresh potatoes (including both table and chip-stock) increased 6% by volume but were off 15% in value, based on strong exports to Mexico and Taiwan
- Potato solutions were provided to institutional food service operators in Japan at the Food Systems Solution Show in Tokyo which attracted more than 30,000 visitors. A wide variety of frozen and dehydrated potato products from the US were displayed, along with numerous menu ideas and samples for the visitors to taste

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Domestic Marketing Overview

The US Potato Industry is huge, competitive and diverse – but regardless of the segment – it's consumer driven!!

- Through the first three quarters of 2007, ending September 30, sales of bagged potatoes, through supermarkets, experienced a .5% decrease in dollars, and a 1.0% decline in pound sales. While russets continue to represent the largest portion of the market, they were the only major variety to experience both a dollar and pound decline. Reds, whites, golds, organics and specialties, such as fingerlings, all had pound increases. Additionally, four-pound and under bag sizes were up 12.4% in dollars and +5.3% in pounds
- Frozen potato foodservice dollar sales for the first nine months of 2007 were +8.1%, however, pounds were flat in this huge segment of the potato business. QSR traffic, and fries, continue to lead the way
- Refrigerated potato pound retail sales were +62% in 2005, +23% in 2006, and the trend continues — +5.4% for the first nine months of 2007. Dollars were also up an impressive 13.8%. Refrigerated mashed potatoes, which meet the consumer's need for convenience, continues to be the key driver of this category
- Chips, nine months YTD, are -2.1% dollars and -4.1% pounds through supermarkets; dehy is +2.8% dollars and -2.5% pounds
- The full Nielsen Supermarket Data Set, and IFMATRAC Frozen Foodservice Data are available to the industry. Contact macjohnson@uspotatoes.com

The domestic marketing program is designed to help the industry understand the consumer and support the industry's ability to respond to the changes that are taking place.

Table-Stock – International

The USPB works to increase the export of fresh table-stock potatoes through efforts to open foreign markets. Unjustified phytosanitary barriers restrict access to US potatoes in many markets such as Mexico, Japan and China.

In markets where the US can ship, such as Taiwan, Hong Kong, Malaysia and Singapore, consumers are being taught the excellent nutrition from US potatoes and how they can incorporate them into their diet through uses in Western, as well as local cuisines.

NEWS! This Quarter:

- Numerous in-store promotions featuring US table-stock potatoes were carried out at retailers in Hong Kong, Mexico, Taiwan and Singapore
- Nutritional information on US potatoes was highlighted in a number of consumer magazine articles and web-sites in Mexico, Singapore and Malaysia
- Support was provided to USDA APHIS for bi-lateral SPS meetings with government officials from Korea, Taiwan and Japan
- Efforts continued to create political support, both in the US and Mexico, for further opening of the Mexican market beyond the 26 kilometer frontier zone
- A preliminary report on the Board's research visit to Russia was provided to the industry
- Two new menu items, using US table-stock potatoes, were developed and featured on a restaurant menu in Singapore
- A trade lead from Singapore, for US Russet and colored potato varieties, was distributed to the industry
- Fourteen retail stores were found to be using proper storage and handling for US potatoes in Hong Kong, Singapore, Malaysia and Mexico
- The USPB participated in the Wine and Gourmet Asia Show held in Hong Kong in November

Table-Stock - Domestic

Increasing demand for fresh potatoes, by responding to the consumer, is the goal of the Domestic Table-Stock program through Best In Class. The implementation of the "Best Practices" programs has produced positive results with all USPB retail partners. The program is supported with research and two training programs available through the USPB to help grower/shippers take their accounts to the next level

NEWS! This Quarter:

- Reminder, the new fresh potato nutritional label went into effect January 1, 2008. **Please call the USPB at 303-369-7783 for a CD outlining new packaging claims and the nutritional label**
- COOL (Country Of Origin Labeling) goes into effect September 2008. There has been some confusion and misunderstanding about the implications etc., among shippers and retailers. USPB has asked for help from the NPC and United Fresh Fruit and

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Vegetable to help us support the industry. But in the meantime, on any packaging (poly, paper, cartons) orders you might have in process, add "Product of USA"

- Making fresh potatoes more convenient for today's time starved consumer will support getting them back on the table. The USPB new products team, Turover-Straus, has developed three (3) product concepts that include packaging ideas and seasoning packets to make potatoes a "turn key side dish". The concepts will be refined and presented to fresh shippers in 2008

Table-Stock – Retail

- The USPB has been working with major retailers across the US to implement the 6 "Potato Best Practices": **merchandising, pricing, promotion, assortment, communication** and **packaging**, to prove that by using these Best Practices (BPs), they can grow sales —and it's working. Our three "Best In Class" accounts have consistently been outperforming their competition, in both dollars and pounds
- The program now goes into "overdrive" with "Best In Class Fast Track". Six (6) new retail partners have signed up – we'll work with about 10% of their stores, prove that our program works – then it's up to the retailer and their suppliers to roll the program out. The retailers are excited and ready to get started 1st Quarter 2008
- The USPB offers two training courses to help you help your accounts respond to the consumer.
 1. Best In Class, and
 2. Category Management and Development
- Both are one-day classes recommended for key sales and marketing shipper staff. 20 +/- people per class are needed to make it cost effective
- We'll also be offering a 3rd class, 1st quarter 2008, "Introducing a new item to a retailer", a how to class to help improve your chance for success. **For details, contact Carroll Graham at 303-369-7783 or carrollg@uspotatoes.com**

Frozen – International

The USPB is working to expand the sale of frozen potato products through new products and channels, and establishing US fries as the standard in developing markets. Demand is also being built through the inclusion of frozen potatoes into the local cuisine and the delivery of a positive nutrition message for potatoes in all markets.

NEWS! This Quarter:

- Veggie mashed potatoes were placed on the menu in a number of restaurants in Japan based on seminars given in August
- The USPB gave a 2-1/2 hour session on potatoes at an international nutritionist conference in Korea
- Three types of US frozen potato products are now being sold through an online home shopping service in Korea
- A Reverse Trade Mission brought 10 international visitors from Southeast Asia and Mexico to Washington State, as well as California, to understand potatoes first hand through a potato harvest, packing and processing tours and US potato trend presentations and demos
- Pizza Etang, a delivery pizza restaurant in Korea with 203 stores, launched a new pizza with frozen US red skin dice as the main topping
- A leading food manufacturer launched 2 new ready-to-eat chilled sauce products -- a black noodle sauce using US frozen dices and a bacon cream cheese spaghetti sauce using US frozen mashed potatoes. These two new products were launched in most of the major retail stores, about 300 nationwide in Korea
- The USPB's new marketing program for frozen potatoes in Central America was initiated with the hiring of a representative
- Two chef seminars, held in Malaysia, focused on the benefits of frozen potatoes, including their versatility and compatibility with a variety of local flavors such as peanut dipping sauces
- Training was provided to the USPB's new representatives in Thailand and the Philippines
- Input is being provided to USDA in response to Taiwan's efforts to establish new MRLs for all food products
- In Mexico, a new channel was developed as a chain of shoe shops with a foodservice area within the stores began to sell fries in their stores
- New retail recipes using frozen potatoes in China were developed to be used during future retail demos and promotions
- In Malaysia, a cinema company with 31 outlets started to sell US frozen potatoes as a trial at two (2) of their cinemas. They are

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presently testing straight cuts & wedges. Response, to-date, has been encouraging

Chip-Stock – International

Internationally, the USPB is working to educate chip manufacturers and build a greater understanding of US chipping potato varieties, characteristics and technical requirements.

NEWS! This Quarter:

- Three US growers joined a USPB trade mission to Japan to meet with chip manufacturers and USDA officials
- Chip-stock samples were sent to chip manufacturers in Thailand and Malaysia
- An additional chip manufacturer in Malaysia began importing substantial quantities of chipping potatoes from the US
- Extensive work was directed towards expanding market access for US chipping potatoes to Japan

Chip-Stock – Domestic

Through a 20-member grower Chip Committee, USPB is supporting industry efforts to improve grower returns through education, networking, and new variety trials and development. Internationally, the USPB is working to educate chip manufacturers and build a greater understanding of US chipping potato varieties, characteristics and technical requirements.

NEWS! This Quarter:

- The 2008 Chip Seminar will be held in Orlando, FL, March 5–8, at the Wyndham Orlando Resort. This is a tremendous opportunity to network with fellow growers and customers and get the latest information about what's going on in the chip industry. **For more information, contact Sarah Mahler at 303-873-2334 or sarah@uspotatoes.com**
- Meeting date for the Chip Committee is scheduled for March 5, 2008, Orlando, FL (front end of Chip Seminar). Mark your calendars today! Summer Meeting 2008 will be held on the front end of the NPC Summer Meeting, date and location to be announced
- Major projects are underway to develop alternate uses for chipping potatoes and to develop a new market that will keep them off the fresh market. Several new ideas have been developed and have undergone testing. Several concepts were consumer focus group tested in late September and November 2007; results were positive. Concepts will be taken to processors 1st Quarter 2008
- The Chip Committee has approved the extended cold storage chipping potato study test, along with stem end research. Additionally, we're taking a proactive step in "fast tracking" chipping varieties with good potential. The committee also approved continued "Zebra Complex" studies. All these activities are designed to help chippers provide the consumer with a great end product

Dehydrated – International

The USPB is increasing demand of US dehy in international markets through general education of the foreign trade and technical training. Additionally, considerable time is being devoted to increasing the use of dehy in US government funded international food aid settings.

NEWS! This Quarter:

- The annual dehy industry meeting was held in Washington and included a presentation by the American Institute of Baking (AIB) on the benefits of utilizing dehy in muffins and frozen dough
- A tasting and technical presentation was held for members of the Japanese food industry press, highlighting the benefits and usage of dehydrated and frozen US potatoes in veggie mash recipes, noodles and baked goods
- Starbucks Japan introduced three (3) new sandwiches in over 700 outlets utilizing US dehy in the sandwich bun
- Potato noodles made with US dehy were launched at retail in Japan
- Sav-On, a convenience store chain in Japan, launched two flavors of "potato gratin"
- The PVO, Africare, requested an additional 80 metric tons of dehy for its USAID Title II program in Burkina Faso
- USPB staff attended the Alliance to End Hunger meeting in Des Moines and Africare Annual Dinner in Washington, DC
- A training for PVO staff, USAID personnel and other food assistance community members, on the benefits and uses of dehy in international food aid, was held in Washington, DC in conjunction with USAID and World Vision

- Assistance was provided to an importer from Russia interested in purchasing US dehy
- The USPB had a booth at the Snack Manufacturers Annual Convention in Mexico; both dehy and chip-stock were displayed
- A Potato Lentil refrigerated, ready to “heat and eat” soup, containing US dehy, was launched in Korea
- Two new baked products made with dehy (flakes, slices and shreds) launched by Bigot Tokyo
- Breadline, a bakery in Jakarta, launched “sweet buns” utilizing dehy flour
- The USPB had a booth and gave a technical seminar at the Mexican Bakery Association’s Convention in Mexico City

Dehydrated – Domestic

The USPB retained the American Institute of Baking (AIB) to help us help the industry. When the USPB asked the dehyers how we could help support their sales efforts domestically, it was virtually unanimous --- and it was in the area of high volume bakery applications. Work has been underway for several months, and AIB made their first presentation to dehyers at the October 29, 2007, industry meeting in Pasco, WA

- Muffins were presented using various levels of dehy. The consumer benefit – “significant reduction of fat, without a sacrifice in taste”. Final work and report is being prepared. Anyone who has had a big muffin at your favorite coffee shop or at the airport, and has looked at the nutritional label, knows this could be a big idea
- Phase 2 project: frozen doughs. Work is still underway, but this is a huge market. Report should be complete 1st Quarter 2008

Seed – International

The USPB seed export program is working to increase demand for US seed potatoes in world markets through research, market development and market access work.

NEWS! This Quarter:

- A new US exporter, based in Maine, began shipping US seed to Brazil and Uruguay
- Sales of US seed were made to new buyers in Sri Lanka and Nicaragua as a result of the reverse trade mission held in the 1st quarter of Marketing Year 2007-2008
- Seed potatoes were shipped to Honduras, Uruguay, the Dominican Republic (DR) and Nicaragua for variety trials to be conducted this winter
- Work continued on gaining proper market access for US seed potatoes to the DR
- USPB staff worked with USDA to get containers of US seed released by customs inspectors in Nicaragua