



Overall Program

Background

US potato exports surpassed the \$1 billion level in 2007/08 and now account for 16% of US potato production. Exports of the products under the Board's programs grew 20% in volume and 36% in value during the previous five-year LRP. This amounts to net new sales of \$297 million, equal to 1.5 million hundredweight of potatoes at their fresh weight equivalent.

The international program promotes frozen, dehy, table-stock, chip-stock and seed potatoes mainly in Asia, Latin America and increasingly Africa. The focus of the international marketing programs has been on increasing awareness of these products in the foreign markets, the demonstration of the superior quality of the US products, the introduction of new products, the entry into new channels in the markets, the provision of technical expertise, the delivery of positive nutrition messages about potatoes and the overcoming of barriers to trade.

Opportunities

Worldwide trade in potatoes and products continues to grow at 6% per annum and is now valued at over \$4 billion. The US controls 25% of this trade, but has the production capacity to reach at least 50% or over \$2 billion in exports.

The world's population now stands at 7 billion, with 96% of them living outside of the United States. World population is projected to grow to 9 billion by 2050, but less than 2 billion people will live in North America and Europe. Current per capita potato consumption in these areas with the fastest growing population is much less than in the US or Europe. However, potato consumption has been increasing in Asia and Africa and is expected to continue to do so resulting in more people eating more potatoes.

Increased potato production was one of the things identified by the UN as a means of reducing world hunger due to their high nutritional content and usage of less water and land to produce the same amount of calories as grains. This presents an opportunity for increased exports of US seed potatoes and of US potatoes and products as countries develop and have an increased interest in potatoes.

The economies of the world's largest and fastest growing countries are also some of the fastest growing. Strong GDP growth in China, India, Brazil, Korea and SE Asia have resulted in changes in diets and increased demand for western style foods. This has resulted in the rapid expansion of US restaurant chains in the countries and increased demands for frozen fries and other potato products.

US processors continually lead the world in the development of new and innovative potato products. These new products expand the usage of potatoes and allow for the introduction into new channels. With proper market and technical research in the foreign markets vast new opportunities for new US potato products can be unlocked.

Challenges

US potato exports face numerous challenges and hurdles. Some of these can not be impacted by the USPB programs, such as rising US transportation costs, exchange rate fluctuations, processor globalization and foreign government support or protection of potato industries. Other issues such as consumer perceptions of potatoes, importer & distributor knowledge, foreign competition, US supply, market access barriers, insufficient technical knowledge, resistance to change and the need for new products and approaches to markets can be impacted by USPB programs and activities.

Market access barriers and regulatory restrictions have the biggest negative impact on US potato exports. The proliferation of bi-lateral trade agreements around the world has resulted in competitors now having tariff advantages vis-à-vis the United States. Continuing restrictions on the import of US fresh and seed potatoes for protectionist as opposed to legitimate phytosanitary reasons continues to prevent the US from exporting to China, Japan, Mexico, Brazil, India and many other countries. Full access to these markets would result in significant increases in exports of US fresh potatoes.

Competition continues to grow from traditional competitors such as Canada and the EU and from new exporters such as China, Argentina and New Zealand. Some of these producers have cost advantages due to lower cost inputs, proximity to the markets and government support.

US potato supply continues to be determined mainly by the demand for fresh potatoes in the United States. This has led to shortages of potatoes and products for international markets. Most US growers and shippers do not export. Foreign buyers do not properly or fully contract for their needs, but rather attempt to purchase on the spot market. International demand is not a part of grower's marketing plans and planting decisions.

Negative press and perceptions about potatoes has impacted demand in foreign markets. News about acrylamide, trans-fats and GMOs has negatively affected perceptions of potatoes. As in the US, potatoes have also been unfairly blamed and singled out for causing obesity and other health or beauty issues.

Strategies

Each product promoted requires a different set of strategies, which then must be implemented in the most appropriate way for the individual market. However, there are some broad strategies that apply to all programs.

- Increase the use of US potatoes and potato products through new channels, new applications and the introduction of new products
- Protect and grow US market share by demonstrating and promoting the superior quality, variety, versatility and availability of US potatoes and products
- Resolve market access barriers
- Increase the consumption of US potatoes by informing the consumer of the positive nutrition story of US potatoes
- In conjunction with the state potato organizations, increase the participation in export markets of US growers, shippers and processors
- Address food safety issues and create a positive image for US potatoes
- Protect US market share in established markets through maintenance programs
- Establish programs in new markets based on exit and entry criteria developed to assure the highest rate of return on investment of program dollars