

## EXPORT

### ▶ BACKGROUND

The USPB fresh export program began in July 2002 with a focus on table-stock potatoes. The introductory strategies were to build initial awareness of the availability of US table-stock potatoes and incorporate usage in western-style cuisine. Hong Kong, Taiwan and Singapore were seen to have the greatest potential for strategic implementation. Market access work was also initiated in China, Mexico and Korea. The success of this work resulted in partial access to Mexico and Korea and the implementation of market development programs.

Since its inception, the program has resulted in positive sales growth. To further develop new approaches to the markets, a research element was added. Consumer research has been conducted to better understand consumer perceptions and attitudes towards US potatoes in target countries. Additionally, the transfer of information from the USPB's domestic nutrition program into the target markets boosted the potato's image and increased demand. Export growth has been aided by the incorporation of US potatoes into local cuisine, as well as the introduction of new-to-market varieties.

To ensure this newly created demand was met, the USPB worked to develop the US potato industry's export capability and understanding. Grower/shipper involvement in exports of table-stock potatoes has increased, but still needs to be improved.

### ▶▶ CURRENT MARKETS ◀◀

#### Singapore

Consumption of fresh potatoes is increasing in Singapore. Partly fueling this increase is that more consumers are including potatoes as part of a healthier lifestyle. The growth of western-style restaurants has made an impact on consumption as well, due to the inclusion of potatoes on the menu. Integration work by the Board into local cuisine has introduced diners to the versatility of potatoes.

#### Malaysia

Over half of Malaysian consumers are trying to be health conscious and are unfamiliar with a potato's nutritional value. Overall, fresh potatoes are a main staple for Malaysian families. They are featured regularly in dishes cooked at home. Despite being more health conscious, the convenience and hassle-free cooking aspects were found to matter more to consumers than nutritional value. There are currently no tariffs on fresh potatoes, providing an excellent opportunity for US fresh potatoes to enter the market.

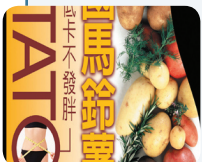
#### The Philippines

The economic growth taking place throughout Asia provides encouragement the Philippine economy will follow suit. The more western-based culture and strong ties with the US develops, imported foods from the US will continue to push consumption. At the retail sector, supermarkets and hypermarkets are expanding into the outskirts of Manila to reach higher and middle income consumers. As local potato production declines, the US will be in a good position to export US table-stock potatoes to this growing market. Initial work in this market will include introducing the trade to US potatoes and their characteristics, conducting consumer research to determine their preferences and attitudes towards US potatoes and working on achieving market access.

#### Mexico

Market access to the 26km border area for all US states was achieved in May 2003. The import protocol APHIS negotiated with the Mexican government stipulated access to the Northern states could be achieved after a one year review of shipping into the 26km border area, with eventual access into all of Mexico. As of January 2010, expansion beyond the 26km border area for US potatoes has still not occurred. The Board has promoted US potatoes in the retail sector and held technical seminars to educate handlers on how to keep the high quality of US potatoes preserved.

According to consumer research conducted, the potato is the most consumed vegetable in the Mexican diet. The image of potatoes has not been favorable with regard to perceived weight gain and as a staple



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associated with lower socioeconomic status. The image of the potato needs to be improved through work on nutrition. Access to the Northern States is of the utmost importance to expanding exports.

## Indonesia

In 2005, the Indonesian government increased the tariff on fresh potatoes from 5 percent to 25 percent in an effort to protect domestic growers. However, in 2009, Indonesia will reduce the fresh potato tariff to 20 percent and in 2010 the tariff will fall to 10 percent. Despite access restrictions, Indonesia continues to look promising for fresh US potato exports. As the economy continues to grow and tourism increases, it will become a more viable market. Initial work in this market will include introducing the trade to US potatoes and their characteristics and conducting consumer research to determine their preferences and attitudes towards US potatoes.

## Taiwan

Fresh US potato exports to Taiwan have grown significantly since the market was opened in 2001. The Board has worked with retailers, chefs, foodservice outlets and Taiwanese consumers to build a base of knowledge about US potato quality, nutrition and uses. While US suppliers have made good inroads into the market, competition from other countries as well as Taiwanese potatoes can be intense. The USPB discontinued its table-stock program in the market in FY09; unfortunately sales have slipped since then. The Board needs to work with US shippers and Taiwanese importers to further distinguish US potatoes from the competition and continue to grow demand for specialty potatoes.

## ►► MATURE MARKETS ◀◀

### Hong Kong

Since the table-stock program's implementation in the Hong Kong market, the Board has worked to educate importers, retailers, HRIs and consumers about US potato varieties and their characteristics. As a result of the program, the United States held a 33.4 percent market share of imported potatoes in FY08. Because of the Board's success in this market, Hong Kong buyers have established a supplier base and import many different varieties of US potatoes. There are no phytosanitary or other barriers to limit imports of US potatoes to Hong Kong. The Board will finish any current program work in this market and will monitor the market in future years to determine if there are any changes in the market.

## ►► POTENTIAL MARKETS ◀◀

Untapped markets remain for US table-stock potatoes. Below are some of the markets identified by initial research. Further research will be needed to determine where the best potential lies.

### Russia

Russia is ranked as the world's second largest potato producer behind China, however, roughly 90 percent of the potato production occurs on small family farms or garden plots with low yields. Estimates of per capita potato consumption in Russia range from 230-264 pounds per year, with table-stock potato consumption accounting for 40-50 percent. Potato imports have increased over the last 10 years, with the majority of potato imports occurring from January to June when Russian potatoes run out due to poor storage. The Board will continue to work on establishing an import protocol to allow for more regular and consistent issuance of import permits for US potatoes.

### China

China has the largest population in the world and is the world's largest potato producer. Even though China has its own local production, inefficiency is rampant, and quality is very poor. US fresh potatoes are still not allowed into China. Efforts to remedy this could take years, but the potential demands that access be pursued.

### Central America

The enactment of the Central American Free Trade Agreement (CAFTA) should improve US access to Central America (Costa Rica, El Salvador and Guatemala). Initial research shows improving market access, an increase of interest in US foods and a developing retail sector. Despite the FTA and increased interest in table-stock potatoes, phytosanitary and other restrictions are still in place to protect local growers.

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## Vietnam

The economy in Vietnam continues to increase, tourism has rebounded and new western-style supermarkets are developing, providing more opportunities for US fresh potatoes to enter the market. Logistical constraints, market demand and competition still need to be determined.

## Thailand

Table-stock potato production in Thailand is limited both in scope and in seasonality. Food suppliers, retailers, and restaurateurs would like to source US-style potatoes for their outlets. As the supermarket and grocery retail industry in Thailand continues to expand, US table-stock potatoes will have more opportunity in this market. Thai tariffs on potato products are among the highest in the world. Thailand maintains a very small tariff rate quota (TRQ) on fresh and seed potatoes of 302 MT, with an in-quota tariff of 27 percent and an over-quota tariff of 125 percent. Until the US – Thailand FTA is in place, US imports will continue to be at a considerable disadvantage.

## Korea

In the past several years, the Korean market has been “technically” open to fresh imported potatoes, yet phytosanitary issues and problems with the issuance of import permits severely restricted US exports. Though local Korean production exists, it remains inconsistent and unable to fill all demands. There is a growing interest in US table-stock product stemming from past program work, which could lead to strong demand from western-style restaurants, traditional markets and mass catering.

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## ▶ CHALLENGES

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In some USPB target markets, potatoes are rarely consumed and not thought of as being nutritionally sound. Rice is the traditional ingredient and staple for most Asian countries and, to some extent, Latin America. Consumer perceptions and attitudes towards potatoes and each target market's lack of education on variety and availability are challenges to increased sales of US table-stock potatoes.

Additionally, the US industry is not always familiar with the markets, the needs of overseas customers or sometimes the process of exporting. The US industry needs to fully understand and then be able to meet the individual market demands. The USPB has also been challenged with finding supplies for export markets. Because many of the trade leads and requests from export markets are spot purchases, there has been limited supply available to meet those needs.

In both foodservice and retail, maintaining the US potato's high quality can be difficult. But, proper storage and handling are essential to ensure potatoes remain fresh, presentable and edible. Retailer marketing is also important but proving to be complex, depending on the country. Where potatoes are not a staple in diets, presentation and display is more commodity-based, rather than variety focused. Displays of US potatoes are mixed in with local production or ones from other countries.

The greatest challenge that exists for fresh table-stock potatoes is full market access. Mexico and Korea are two markets with excellent potential, but only limited access. Thailand and the Philippines also offer good prospects if complete access can be achieved. The complete and unfounded ban on the import of fresh US potatoes to Japan; China and India block access to a large share of the world's population and require continued and long term effort.



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## RESOLUTION

### *Identify new markets through research*

As some of the current target markets mature, it will be necessary to implement maintenance plans there and move on to new markets. Through research, the USPB will be able to identify new markets offering long-term growth potential for US table-stock potatoes. Guidelines for moving out of and into new markets are appended.

### *Increase demand in retail and foodservice sectors*

The retail and foodservice sectors offer great growth potential in current markets. Through introducing new varieties to consumers, integrating potatoes in local and western cuisines and educating the consumers and trade; demand, distinction and awareness will be created for US potatoes.

### *Obtain market access for current and future markets*

In order for US potatoes to be exported and sold internationally, market access must be achieved. This includes opening new markets and improving access to current markets.

### *Leverage other USPB programs and experience*

The USPB aims to create synergy through transferring ideas, information and materials between its domestic and international programs. Adding the nutritional aspect to the international program development has been one such transference, thus far. It has proven successful as international consumers become more health conscious. Other aspects that can be shifted from domestic to USPB's international markets are results from research, US food applications and trends (retail and foodservice), as well as presentation and marketing concepts ("Best in Class" and packaging). Additionally, attitude and usage perceptions in target markets can be applied in the USPB's domestic program to target ethnic populations here in the US.

### *Potato Profile Management*

Promoting potato nutrition is the primary reason the USPB was founded. Potatoes have taken a hit with regard to the perception of how healthy they really are. From numerous diet crazes to controversial research findings, it is important to manage the image of the potato through constant education and promotion.

### *Increase US fresh industry involvement & preparedness in exports*

The USPB can create demand internationally for US fresh potatoes, but if the demand is not supplied, then the efforts are done in vain. The US industry needs to be equipped to take advantage of these opportunities. The USPB serves as a resource to the industry for US growers/shippers to get involved in exporting. However, the effective way to increase industry involvement in exports is through the state potato organizations assisting their growers and shippers to take advantage of the USPB programs and created opportunities. Recommendations on how the USPB and states can work together to assist growers and shippers increase exports is appended.

# TABLE-STOCK POTATOES EXPORT

## GROWTH STRATEGY

## PRODUCTIVITY STRATEGY

### *Develop and increase markets for US table-stock exports*

- Identify new markets through research
- Increase demand in retail and foodservice sectors
- Obtain market access for current and future markets
- Leverage other USPB programs and experience
- Potato profile management

### *Increase US fresh industry involvement in exports and industry preparedness*

- Develop market specific entry/exit strategies
- Develop export capabilities in all sectors of the fresh industry
- Act as a resource to the industry
- Develop defined partnership roles with state potato organizations to boost export sales via growers and shippers
- Work closely with other USPB program areas