
LEARNING FROM SUCCESS

**A STUDY OF THE UNITED KINGDOM
FRESH POTATO MARKET**

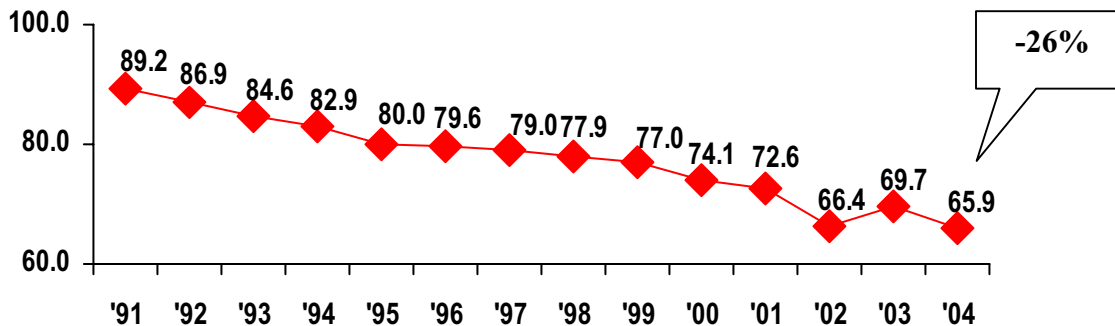
By:
TIMOTHY L. O'CONNOR, M.B.A.
PRESIDENT & CHIEF EXECUTIVE OFFICER
UNITED STATES POTATO BOARD
JANUARY 2006



NEW FRESH POTATO PRODUCTS INCREASE DEMAND AND SALES

The US potato industry, particularly the fresh grower/shipper segment, faces a significant demand issue; in-home per-capita potato consumption has declined at an average rate of two percent per year for the past thirteen year period of 1991 – 2004. Retail sales data analysis quantifies this decline in demand as an annual revenue loss of \$121,500,000 to the US potato industry, and a total loss of \$1.58 billion during the period 1991-2004¹.

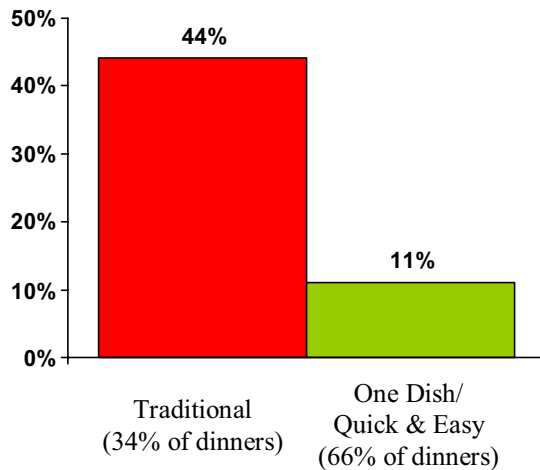
Annual In-Home Potato Servings Per Capita (Excluding Chips)



National Eating Trends (NET): Years Ending November

This erosion is the result of consumers tying the potato to traditional meal types and traditional cooking methods which have both declined sharply as the baby boomers have aged, the number of households with children decreased, and cooking skills declined. While potatoes remain on American tables 44% of the time when traditional meals are prepared, they are included in only 11% of the quick and easy meals that now make up two-thirds of all dinner meals.

Percentage of In-Home Dinner Meals containing potatoes



National Eating Trends (NET) data

Finding solutions to this problem is the single most important driver of the fresh potato industry's future, left unaddressed, the present rate of decline will continue to apply downward pressure on price and require continuous supply reductions to maintain grower and shipper profitability.

However, the industry does not need to follow this path, there are clear solutions to these same problems succeeding in the United Kingdom (UK) which have shifted potatoes into new meal occasions and repositioned fresh potatoes as easy to prepare; these concepts can be adopted by the US potato industry. In late 2005 the United States Potato Board (USPB) Executive Committee was invited by the British Potato Council (BPC) to visit the UK to study the progress of consumer-focused fresh potato offerings.

The UK potato industry also faced consumer shifts to one-and two-person households and hectic lifestyles resulting in a similar erosion of fresh potato consumption as the US. However, UK retailers identified the opportunity to grow their business by solving consumers' desire for a quick to prepare meal that was also healthy and approached the potato industry in 1999 creating a new potato category, the baby salad potato, as part of the solution.

Baby salad potatoes are small size (one to two inches in length at most) thus being quick to cook and include several new varieties with unique flavor profiles which have stimulated a strong positive consumer response. They are sold in small packages, typically 500g (1.09lbs.) targeted at small households and busy lifestyles. They can be served hot or cold in many new meal formats for which traditional potato offerings are not well-suited.

Baby Salad Potatoes



Maris Peer



Charlotte

These new fresh potato products, having met consumers' demands for convenience, began to turn around fresh potato demand by 2002².

Since 2002 an exciting further refinement of matching fresh potatoes with consumer demand has occurred; the emergence of a pre-prepared ready-to-cook fresh potato category. The development of these new fresh potato offerings in the UK, beginning with salad potatoes and evolving to pre-prepared ready-to-cook fresh products, is conceptually similar to the path the lettuce industry followed in the US.

Salad potatoes offer quick to cook potatoes, but not meal solutions. Consumers still have to be able to envision on their own how to include salad potatoes in other meal plans and flavoring profiles, much like the initial cut lettuce offerings presented consumers with more convenient lettuce, but no assistance in how this easier to use product became part of a meal. The ready-to-cook potato category offers consumers pre-seasoned fresh potatoes as meal solutions in packaging that shortens cooking time, enhances quality and eliminates consumer's preparation time investment.

These products represent consumer solutions similar to the shift from cut lettuce to pre-packaged salads which provide consumers much added-value by assembling finished salads for many meal occasions such as; Italian, Caesar, Spring Medley, Garden, Taco, Asian, organic, romaine, hearts of romaine, etc.

Ready-to-cook potato offerings in the UK take convenient fresh potatoes for small households to the next step by including fresh herbs and other seasonings that create specific meal or ethnic flavoring options. They are offered in two distinct cooking formats; steam packs that microwave in five minutes or less and oven cook trays that slow cook but eliminate preparation time and planning.

Ready-to-Cook Fresh Potatoes



Microwaveable steam packs – 5 minutes or less to cook!

Seasoned with butter, olive oil and fresh herbs or tomato, paprika and a hint of chilli.

Oven Cook, Pre-prepared Fresh Potatoes



Fresh growers and shippers in the US need to develop similar ready-to-cook fresh potato products that match consumers' busy lifestyles to create new meal opportunities that

traditional fresh potato offerings have been unable to penetrate. The ready-to-cook products we observed in the UK are not out of the reach of fresh shippers, they do not require shippers to do any further processing or pre-cooking. They are simply refrigerated fresh potatoes with seasoning mixes and recipes featuring fresh herbs and spices in new packaging that shortens cooking time and enhances quality. Experimentation to develop and test similar products for US consumers must begin soon and investments in packaging equipment must be made once successful results have been obtained from testing new ideas.

PARTNERING WITH RETAILERS TO GROW THE POTATO CATEGORY

In addition to new fresh potato offerings that offer convenience, successful fresh potato shippers in the UK have developed the capabilities to manage and grow the potato category with retailer partners. By providing services that extend well beyond offering competitive prices, quality and timely delivery, which is merely table stakes in business today, fresh shippers have created a win-win relationship with their retail customers through the development of new skills that enhance their value to the retailer and grow the business for both parties.

One very successful UK fresh potato shipper shared their account management capabilities with us:

- Benchmarking retail potato category sales data (evaluating the current situation)
- Delivering weekly comparison reports on potato sales to their partner chain
- Development of product specifications
- Planning and design of marketing campaigns
- Design and implementation of Point of Sale materials
- Regular category reviews and gap analysis (measuring progress and identifying opportunities)
- Potato handling training in retailer distribution centers

By applying these capabilities to grow the potato category this potato shipper has become the largest supplier to the UK's most successful retailer increasing sales and profits for both.

US shippers must begin to offer retailers similar services beyond competitive prices, quality and on-time delivery as they compete for business in a world where retailer consolidation increases retailers' expectations from their suppliers and those who are best capable of helping the retailer increase potato sales will be given more market share at the expense of shippers who only offer potatoes for sale.

The USBP has developed a comprehensive retail category management program which offers grower and shippers a full toolkit they can use to undertake this job. To learn more

about category management contact the US Potato Board at 303-369-7783 or visit www.uspotatoes.com and click on the retail portal link.

The future of the fresh potato industry will be determined to a large extent by how well growers and shippers seize the opportunity to present consumers with more convenient products and develop the skills to become partners with retailers to grow the business together. The USPB is the industry's resource for the information growers and shippers need on these subjects to remain competitive.

Acknowledgments:

The following companies made the learnings from this trip possible, especially our indispensable partner the British Potato Council and in particular, David Walker, its Chairman.

The British Potato Council
Branston, Ltd.
Tesco
Waitrose

¹ Derived from analysis of A.C. Nielsen and National Eating Trends data

² Looking at the Future: 2002 USPB UK Shipper Trip Report