## Key facts:

- Australian potato production was **1,032,409 tonnes** for the year ending June 2013.
- **South Australia** is the largest producer of potatoes in Australia with **38%** of national production, followed by **Tasmania** which produces **24%.**
- Around **80% of potato production** from Tasmania flows into the processing market. Due to potential pest and disease risk, fresh potatoes are not permitted entry into Tasmania, and therefore all fresh potatoes consumed in Tasmania need to be grown there.
- Australian potato exports were **52,371 tonnes** for the year ending June 2013. This was made up of **37,766 tonnes** of fresh product and **14,605 tonnes** of processed product.
- Potato imports were **108,623 tonnes** of processed product for the year ending June 2013.
- The current domestic retail market value of fresh potato purchased by consumers is **$773 million per annum**.
- Australian consumers are purchasing **1.674kg** of fresh potatoes with an average spend of **$3.89** per shopping trip.
- Total Australia fresh and processed potato consumption per capita in 2012/2013 was **35.53kg**.

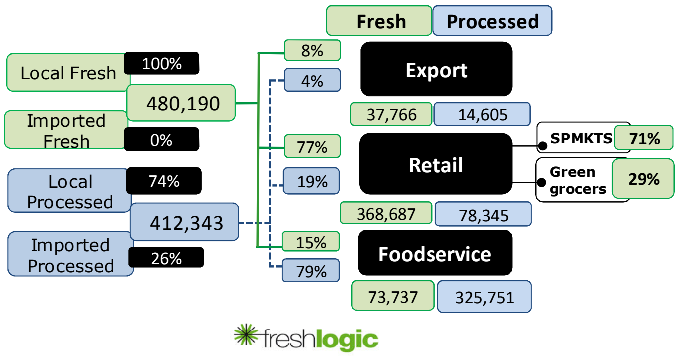
## Distribution channels and markets

**Supply chain**

In 2012/2013 the Australian potato market was supplied with 1,032,409 tonnes of locally produced product, as seen in Figure1. A further 108,622 tonnes of product (all of which was processed) was supplied through imports into the Australian potato market. Of the total domestic production 53% is sent to processing while the remaining 47% is sold in fresh form.

When local processed volumes are combined with the 108,622 tonnes of imported product, a total of 412,343 tonnes is supplied to the processing sector. The majority (79%) of this is distributed to foodservice outlets, while a further 19% is distributed to retail outlets and the remaining 4% is exported.

Figure 1 **Potato supply chain (tonnes)**




The majority (77%) of fresh potatoes are distributed through retail outlets. A further 15% is distributed through foodservice outlets and the remaining 8% is exported.

Supermarkets dominate the distribution within the retail channel and hold a 71% share. Greengrocers holds the remaining 29% of the market share, which is lower than their overall fruit and vegetable market share. This reflects a level of comfort from consumers about purchasing potatoes at supermarkets and indicates consumer satisfaction in the product quality on offer.

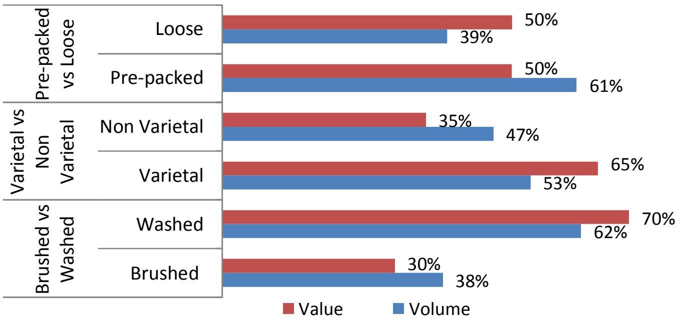
**Retail sales**

In 2012/2013 the retail channel sold 331,818 tonnes of fresh potatoes, after waste and shrinkage are allowed for. This generated an annual retail value of $773 million at an average price of $2.33 per kg, which is a relatively low price per kg compared to other fresh vegetables.

Retail sales are split evenly between loose and pre-packed product by value, with each contributing a 50% share, as seen in Figure 2. However, loose product generates 61% of total sales volume, while pre-packed product generates 39%, meaning that a price premium is earned on loose product.

There are significant differences within the varieties on offer. This typically includes so called 'traditional' varieties (e.g. Desiree, Pontiac, Nadine and Sebago), as well as retailer specific varieties (e.g. Golden Delight) that can be targeted toward more specific preparation methods. The analysis in Figure 2 reflects that potatoes sold using varietal names currently earn higher retail prices over non-labeled potatoes.

Figure 2 **Retail sales contribution by variety and type**




Overall, labeled varieties currently generate 53% of total sales volumes and 65% of total sales value, as seen in Figure 2. Non-labeled varieties generate 47% of total sales volumes and 35% of total sales value.

There is a level of preparation guidance being provided at retail (e.g. ideal for mashing) but this has not yet translated into price premiums. Despite indications that consumers are seeking this information, the fresh potato supply chain has struggled to ensure that the product is suitable for a specific preparation (e.g. mashing, boiling and roasting). This is partly due to the fact that there is greater incentive for growers to produce varieties with multiple uses rather than a single use, as this allows growers to manage risk and capture opportunities arising from changes in supply or demand.

**Processed retail sales**

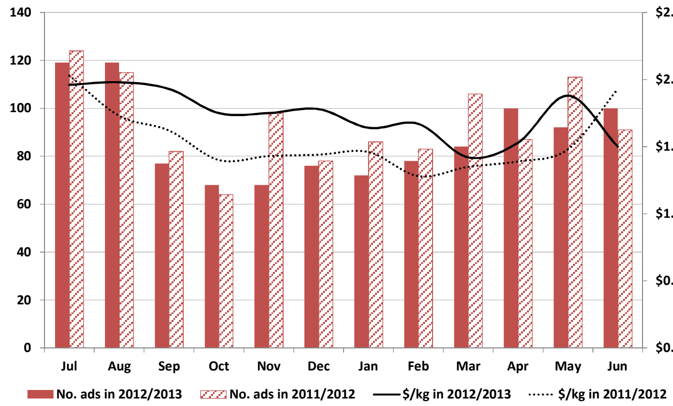
19% of the processed potato supply is sold through the retail sector, with 78,345 tonnes provided to the sector.

**Fresh retail promotional activity**

Potatoes generated the largest number of retail promotions for fresh vegetables, accounting for 14% of total fresh vegetable adverts during 2012/13. This is largely attributed to the relative security of the year-round potato supply, which offers a level of assurance that suits forward planning for the retailers' promotional programs. The high frequency of promotional activity is also supported by the fact that potatoes are a staple product for many households.

For the year ending June 2013, potatoes were involved in **1,053** adverts, as seen in Figure 3. In the prior-year comparative, potatoes generated **1,127** adverts.

Figure 3 **Potato Retail Promotional Activity—by month**




# Consumers

**Household penetration**

In the year ending June 2013, potatoes were the 3rd most frequently purchased fresh vegetable based on weekly purchase patterns, and were consistently in the top 3 vegetable products over the past 12 months.

Potatoes enjoy consistent penetration year round at 52-58%, confirming their role as a staple product in both summer and winter menus.

Family households typically buy more potatoes at each purchase than smaller households, while households with lower discretionary income are more likely to purchase lower priced pre-packed products compared to those with higher discretionary income.

Based on the analysis of retail Docketdata, provided as part of the Mealpulse™ panel, the average quantity of potatoes Australian consumers purchase per trip in 2012/13 was 1.67kg. With an average retail price of $2.33 per kg, the average spend per shopping trip was $3.89. When comparing loose product to pre-packed forms, the average spend per shopping trip on loose product was $2.61, while the average spent on pre-packed product per shopping trip is $3.82.

**Per capita consumption**

For the year ending June 2013 per capita consumption for fresh potatoes purchased through retail for home consumption was

14.56kg, and for fresh potatoes purchased and consumed in foodservice away from home was 3.24kg. Per capita consumption for processed potato products purchased through retail for home and foodservice consumption was 17.73kg. Therefore total annual consumption was 35.53kg per capita.

**Consumption profile**

All major uses of potato involve some level of cooked preparation. The versatility of potato has led to a range of uses, with the majority being centred around dinner, and to lesser degree lunchtime occasions.

Seasonal influences have little bearing on the main uses of potato, reflecting patterns of consistent consumption year round.

Diet programs advocating low carbohydrate intake, such as the Atkins diet, have impacted consumer attitudes regarding potatoes, and the vegetable's common use in chips and French fries has presented some challenges to the healthy image of potatoes.

Figure 4 **Use profile**

| Potatoes consumption profile | |
|---|---|
| Boiled, M-W, Steamed | ✓ |
| Deep fried | ✓ |
| Mashed | ✓ |
| Roasted | ✓ |
| Baked/Grilled | ✓ |
| Salad - cooked | ✓ |
| Soup/Sauce | ✓ |
| Stir fry | ✓ |
| Juiced | |
| Salad - fresh | |
| Sandwich/burger/wrap | ✓ |
| Snack | |
| Minor use ✓ | Major use ✓ |

# Production

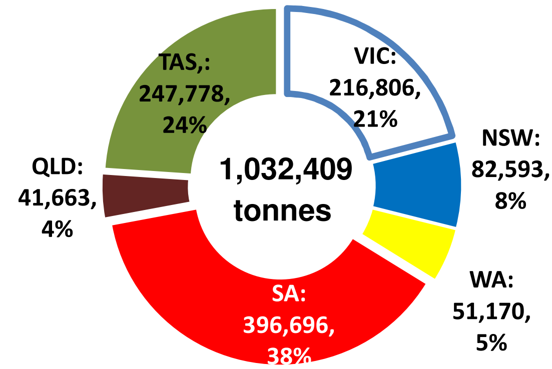
The majority of domestic production of potatoes occurs in the wet temperate coastal regions of the southern states, with South Australia, Victoria and Tasmania generating a combined 83% of total production.

**Tasmanian production**

The Tasmanian potato industry comprises of three sectors; the processing sector, fresh market sector and seed sector. The large majority (80%) of production flows into the processing market, 10% is supplied for the fresh market (to be sold in fresh form) and 10% to seed.

Tasmania is an isolated market as fresh potatoes are not permitted entry into Tasmania due to potential pest and disease risk, and as such all fresh potatoes consumed in Tasmania need

Figure 5 **National production by state**




to be grown there.

In the fresh potato industry there have been newer varieties introduced via direct and exclusive arrangements with international breeders, as well as some growing interest in 'heritage' varieties offering distinctive taste, flavour and use characteristics.

While the majority of Tasmania's production volume is supplied by larger grower operations, there are a large number of smaller growers who produce potatoes exclusively, as well as on a rotational basis. Processing companies currently source supply from both large and smaller operators on growing contracts.

Below is a summary of potato production by region in Tasmania.

**North-West - Smithton to Devonport**

This region predominately grows for the processing market, supplying the two major processors in Smithton and Ulverstone. There has been a shift by both companies toward a greater concentration of suppliers within the region.

The main varieties grown in the region include Russet Burbank and Ranger Russett. While these older varieties play a large role in the production capacity of the region, each processing company is actively involved in selecting and evaluating newer varieties.

Soil types in the region consist of mainly heavy red ferrasol, with some loam and sandy soils. Planting begins in mid-September and goes through to December, while harvesting occurs between mid-January to July.

### North-East - Bridport to Waterhouse, Scottsdale, Ringarooma/ Winnaleah


The region offers soils ranging from good coastal sandy soils to ferrasols that are well suited to growing potatoes, with a large proportion of the growers supplying potatoes to Simplot for the processing market.

### Northern Midlands

While there has been an overall increase in potato production in this region, there are some challenges associated with duplex soils in parts of this region. The duplex soils may suffer from waterlogging in the autumn and this may cause harvest difficulties including an increased risk of tuber soft rots. These soils are fragile and require appropriate soil management practices to avoid degradation.

### Packing facilities

Within Tasmania there are four major potato packers for the fresh market, supplying both domestic and export markets, many of these facilities are located on the north-west coast around Forth. These facilities will pack for growers under contract as well as producing themselves.

### Area of change/growth

There have been greater plantings of PBR varieties (i.e. registered varieties of plants). This is still being met with fractured communications of varietal qualities and uses to the consumer.

The larger processors have signaled a preference to deal with fewer larger growers to capture efficiencies in grower extensions.

The processing vegetable industry is under pressure due to competition from imports of processed products, with major sources of processed potato imports including New Zealand, Netherlands, Canada, USA and Belgium. Australian imports of processed potatoes were 108,622 tonnes in the year to June 2013.

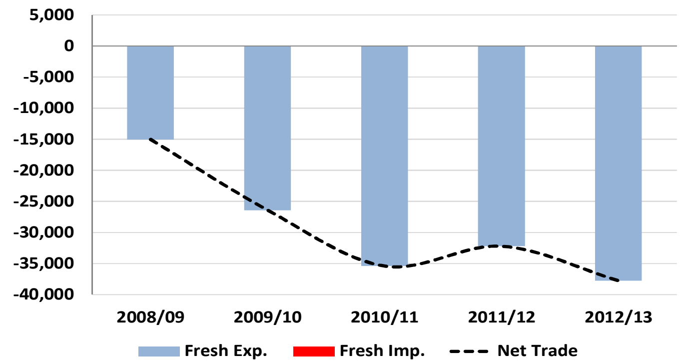
While potatoes have traditionally been grown in the state's north-west, potato production is increasingly moving to the less traditional sandy soils of the midlands and the north-east of Tasmania. There has been a move in the northern midlands from land owner grown potatoes to more specialist growers leasing land for potatoes.

## International trade

Australia exported 37,766 tonnes of fresh potatoes over the 2012/2013 financial year while the previous season was 32,218 tonnes. Almost half of Australia's potato exports are destined for the Singapore market.

The majority of fresh export volumes are flowing out of Victoria and New South Wales. Tasmania accounts for a very small proportion of total fresh export volumes.

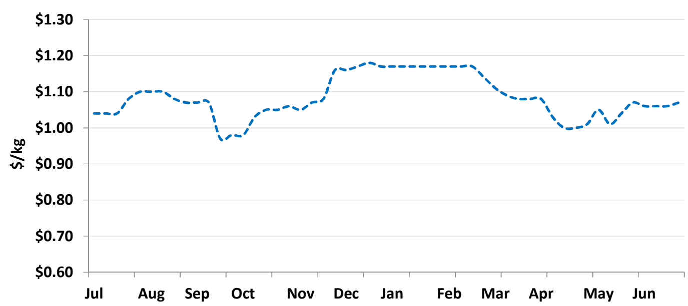
Figure 6 **Potato international trade volumes (tonnes)**




## Wholesale pricing

Wholesale prices are generated using a weighted state price to produce a national weighted average. For the year ending June 2013, potatoes had a wholesale price range of **$0.97-$1.18 per kg** with an average price of **$1.08 per kg**. In the prior-year comparative, they generated a price range of $0.99-$1.34 per kg with an average of $1.16 per kg, a decrease in average price of **6.6%**. Potatoes exhibit very steady wholesale pricing, due to their relatively consistent supply and demand.

Figure 7 **Average potato wholesale price**




Potatoes exhibit very steady wholesale pricing, due to their relatively consistent supply and demand.

# Outlook for sector

**Drivers include:**

- Potatoes are a popular and versatile product that provide good value for money.
- There are opportunities to provide clear messages to consumers about the attributes and optimum style of preparation of particular varieties.
- New and heritage varieties are attracting new levels of interest to the category.

**Potential threats include:**

- The tendency to revert to commodity market conditions and erode the chance to establish new product attributes with consumers.
- Easing demand from the processing sector for locally produced potatoes.
- Introduction of the tomato-potato psyllid into Australia, which can cause significant damage to crops. It is also a carrier of a bacterium which can cause severe stunting and dieback of infected plants. Tubers of infected plants have the disorder known as 'Zebra chip', which is currently causing substantial financial losses in New Zealand.

# Data sources

- Mealpulse™ consumer panel Freshlogic
- Adwatch™ retailer promotional data Freshlogic
- DFAT import and export data
- Wholesale market pricing data
- ABS
- TIA (Sue Hinton and Michael Hart)
- Freshlogic ThruChain™ model

# Further information

1. Ausveg

www.ausveg.com.au Ph. +613 9822 0388

2. Tasmanian Institute of Agriculture (TIA)

http://www.tia.tas.edu.au/ Ph. +613 6226 6368

3. Freshlogic

www.freshlogic.com.au, Ph. +613 9818 1588

4. Australian Bureau of Agriculture and Resource Economics and Science (ABARES)

www.daff.gov.au/abares Ph. +612 6272 3933

5. Australian Bureau of Statistics (ABS)

www.abs.gov.au Ph. +612 9268 4909

6. Australian Department of Foreign Affairs and Trade (DFAT)

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