



POTATO GROWERS OF CANADA

LES PRODUCTEURS UNIS DE POMMES DE TERRE DU CANADA

Knowledge is Key in Transition from Old Crop to New Crop

The Crop Transition Conference first occurred in Minneapolis ten years ago. Organized by the United Potato Growers of America, its initial purpose was to help Red Growers in Central Minnesota (Big Lake) make informed decisions as they entered the marketplace with new crop potatoes. Growers in the regions of Wisconsin, Red River Valley, Florida, and North Carolina quickly learned that their initial market price was inherited from the market in Central Minnesota. The leaders at UPGA were aware of how every year the red market crashed when the large summer crop hit the market out of Big Lake. Data compiled by UPGA and communicated to growers found that it wasn't so much with oversupply as it was with timing. United of America determined communication was essential to find the best window for each region to enter the market.

Over ten years, this conference has evolved to include a much broader range of information including yellows, russets, and to our pleasure, information from Canada. As a sister organization, we have been able to provide good estimates for when we will enter the market, including the weekly volume from old crop in the week of July 15, transitioning through new crop over a 12 week period to September 30 when storage occurs in many areas. This year in particular, Canada provided some valuable information to the conference by illustrating how late our crop will enter the market, allowing other areas to capitalize on demand and move more of their crop at a profitable price before we come in.

This 2016 red crop was very deficient in volume compared to 3-year averages, mostly due to growing conditions in the Red River Valley and Florida. Projections for 2017 project a large increase in

supply of reds to meet this deficit. This is driven by current prices such as \$30.00/cwt. in California today.

U.S. data shows that when red shipments go above 250,000 cwt./week the price declines. Based on acreage data and trend line yields, U.S. red shipments are expected to reach 375,000 cwt. per week in August. A few solutions were identified: The July 4th weekend in the United States is huge for sales of Potato Salad and this market needs to be promoted. Shippers getting into a market after the July 4 promotions will likely meet price pressure. As well a portion of this crop needs to be presold. The conference determined that about 300 loads would need to be cut off at the peak. Canadian data shows we will be able to help with this. This year's later crop will move us almost two weeks later into the market and our volume will be lower in the initial four weeks of the Transition Period. Other shipping areas appreciated finding this out, so they can maintain price structure.

However, also important to point out that Canada has tended to be a low price taker in the August to October market. Canada has a great opportunity to move red prices higher. Efforts should be made to join the United of America Red conference call, held every Wednesday at 12:30 Atlantic time. Contact us for dial in information.

In 2016-17 Canada was #3 in NA shipments and #2 in 2015-16 for North American shipments of red potatoes. Ten years ago the US market produced 14 million hundredweight. Today the US market still produces 14 million hundredweight. What is interesting is the anomaly in this year's price - red potatoes due to their shortage actually sold for more than yellow potatoes.

The yellow potato story is phenomenal. Ten years ago 4 million hundredweight of yellows were sold. Now there are 10,000,000 cwt. of yellows sold and today at the same price. The yellow demand curve is too hard to draw because the market is still developing. At least \$1.50/cwt. of the yellow price increase this year is related to the shortage of red supply, however the chart defies all ag. economic principles; where the acreage of yellow potatoes went up but the price went up as well.

No doubt that yellow potatoes have been detracting market share away from russet sales. Overall the russet market has been dropping by about a million hundred weight per year.

In the transition period sales desks will need to address the high price of carton russets currently being experienced in Idaho.

Strategy would be stair step down to a profitable but reasonable level for each week.

Although the conference addresses table issues, one of the note worthy items was that over the next several years new and expanded frozen processing plants will require 17,000 acres to meet their needs. This may mean some fresh acres could be converted to processing spuds.

The other interesting thing about processing potatoes other than volume increase is finished product price increase. Although raw product contract prices have been flat to down in most areas, processors will be receiving a finished product price of 15-20% this year. That could equate to a 5 to 10 cent increase. How unfortunate that growers were not unable to partake in any of this additional profit this year.

This conference is just one example of how the United Potato Growers of America and the United Potato Growers of Canada help make all potato growers more profitable.

Can we help you? Don't hesitate to contact us.

Kevin MacIsaac

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