

## NEW TOOLS FOR CALCULATING POTATO SELLING PRICES

Do you feel you are getting a fair price for your potatoes? How does the market price for potatoes translate back to the scooped up price in your bin?

These very common questions asked by potato growers may someday be answered by two new tools: the Fresh Weighted Average (FWA) and Grower Return Index (GRI). Both tools were developed several years ago by Bruce Huffaker of North American Potato Market News, and have been used extensively by the United Potato Growers of America since its formation.

Recently Bruce Huffaker provided a primer on the formula calculations in his newsletter issue of October 19, 2011.

### FRESH WEIGHTED AVERAGE

The Fresh Weighted Average (FWA) is based on a fixed market category that is consistent throughout the year; however the product split may vary by production area. The Freight on Board (FOB) price for each item is multiplied by its weight and split to determine the value of that item in the FWA.

$$\text{FWA} = \text{FOB} * \text{weight} * \text{split}$$

For example, \$20 per cwt counts x 8% of all russet potatoes sold in that province, would contribute \$1.60 towards the FWA for russets in that province. Similar calculations would be done for each pack (70 count, 80 count, 10 lb. poly, 10 lb. paper, etc. x their respective weighting) and then added up to determine the FWA. In essence, the FWA is the shipping point price for potatoes that packers may have bought from you and then graded with a certain pack out percentage. A key point about FWA is that growers can take this



RAY KEENAN, UPGC CHAIRMAN

information, compare it to last week's FWA, and see if market prices are increasing or decreasing. They can also compare it to last year's FWA for a more historic perspective. Packers often ask - what is the value in this information for me? The FWA provides a benchmark from which to measure their own selling prices, and also track prices over a period of time.

### Packing Shed Costs (Margin)

Once the FWA has been determined, we need to subtract the packing shed costs or margin. The packing margins include all costs associated with packing potatoes such as: labour, packaging, marketing, depreciation, and return on investment.

### Pack Out Percentage

The impact of the pack out percentage on a grower's return is simple; the higher the pack out percentage, the more valuable the potatoes. The percentage of the lot that meets fresh market standards and is sold through fresh market channels is a straightforward calculation.

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### **Residual Value**

The price for off-grade potatoes, or potatoes that do not meet fresh grade standards, is called the residual value. Dehydration would provide the most common market for sub-grade potatoes in Canada.

### **GROWER RETURN INDEX**

This is the benchmark for growers that we are really after. It encourages transparency by comparing one year to another.

To calculate, we must first subtract the packing costs from the FWA.

For example: if the FWA for russets is \$20 per cwt, we might subtract off \$6 for packing costs. This leaves \$14 per cwt (\$20 – \$6 = \$14). The packing margin may vary from one region to another, based on what percentage of the crop goes as 10 lbs, versus counts, etc.

$$\text{GRI} = (\text{FWA} - \text{packing cost}) * \text{pack out } \%$$

Since not all of the bulk of potatoes was actually sold at fresh market standards, we next multiply by the pack out percentage. For example: \$14 x 75% = \$10.50.

For the residual potatoes or those not included in the pack out (if pack out is 75%, then residual is 25%), we must multiply the off-grade or dehydration price, by that percentage.

For example:

$$\text{\$3 per cwt for dehydrated potatoes} \times 25\% = \text{\$0.75.}$$

Finally, we add the two returns, fresh market and residual to come up with a grower's return on his potatoes or a Grower Return Index.

$$\text{For example: } \$10.50 + \$0.75 = \$11.25.$$

It is important to note that the GRI is never intended

to be the price that growers aspire to. Instead, it is a snapshot of the market price at any given time.

### **Start Up Procedure**

To accurately report the GRI for each major producing area of Canada, we must begin with the following steps:

1. Collect shipping and pricing information.
2. Carry out comprehensive analysis on pack sizes for the categories.
3. Survey packing sheds (in confidence) to obtain real time costs for labour, packaging, marketing and profit margin in each province.

It is not necessary to be concerned with the level of sophistication in the initial stages; that can be developed as we move forward. In P.E.I., for example, they already collect comprehensive daily pricing and shipping information on potatoes leaving the Island. The P.E.I. Potato Board plans on reporting FWAs and GRIs for round whites, long whites, reds and yellows on a weekly basis, beginning in late November, when they have a critical mass of shipping volume.

## **UPGC BOARD RELEASES PRODUCTION ESTIMATES FOR NOVEMBER 2011**

At each United Potato Growers of Canada (UPGC) board meeting, directors estimate the acreage and projected yield and production across Canada. This was most recently completed for October, and refined in early November as harvest wound up.

According to reports submitted to the board, Canadian production estimates dropped from 95 million hundredweight in October to 93.5 million hundredweight in November. Estimates decreased 8.12% for New Brunswick, 3.8% for

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Manitoba, 1.1% for Prince Edward Island, 3.2% for Ontario and increased 0.9% for Quebec over that period; with no significant change in other potato producing provinces.

Fresh production is estimated to be down by over 1 million hundredweight. A million hundredweight reduction in the fresh market supply is a significant number. If fresh production prices were to decrease it would not be because of supply. There are always instances where growers are pressured to ship potatoes at the start of the marketing season. If growers are given the options to market potatoes at prices lower than what is deemed acceptable for industry margins – they should assess the projected supply for 2011/12 before making any decisions. The supply has to come from somewhere for the marketplace, and there is really no extra supply available in the country that we can see.

Canadian production in the seed sector has declined about 1 million hundredweight, indicating that growers should try to line up their seed supplies as quickly as is possible.

Processing potato production is up about 1 million hundredweight; which is reflective of increased contract volumes in 2011 (closer to 2009 levels), and a more normal crop year for areas such as Alberta that had substantial crop losses in the previous year. Prices for open (non-contracted) processing potatoes have been above contract prices recently, indicating a tight supply for that market this year. Processors may also pull potatoes from fresh supplies in Canada, which could lead to more tightening in that market as well.

At press time the entire Canadian crop had not been harvested; so before making any marketing decisions, growers should consider the effects of lowered production estimates. It will be an interesting marketing year, and growers are encouraged to stay on top of developments as the season progresses.

## UPGC PRODUCTION

**2011 Production Estimates (in ,000 cwt)**

	March	June	Sept.	Oct	Nov.
NL	105	105	105	105	105
PEI	25650	24505	24549	24633	24360
NB	15193	14280	13440	12376	11375
NS	587	418	418	418	418
QC	11707	12073	12073	11826	11935
ON	8278	7729	6598	6598	6388
MB	19880	19240	19240	19240	18500
SK	1950	1820	1820	1820	1820
AB	15857	17760	17120	17120	16695
BC	1950	1764	1708	1708	1708
Canada	101156	99693	97070	95844	93304
Ave. Yield:	283	275	273	269	265

**Previous Production (in ,000 cwt)**

	2010	2009	2008	2007	2006
NL	88	84	112	123	149
PEI	25500	24000	24920	27360	29698
NB	15134	14715	14170	16965	17700
NS	470	583	572	563	546
QC	11597	10998	10952	12748	11662
ON	8170	7826	7744	5148	7524
MB	19320	21700	22680	23660	21492
SK	1820	2320	2613	2328	2781
AB	14130	16003	14472	18687	18297
BC	1050	2030	2325	2400	2380
Canada	97279	100259	100560	109982	112229
Ave. Yield	283	279	269	278	287

**Previous Acreage (harvested)**

	2010	2009	2008	2007	2006
NL	500	600	700	700	800
PEI	85000	82000	89000	96000	97600
NB	51300	54500	54500	58500	59900
NS	2000	2200	2200	2500	2600
QC	38000	36400	35200	37000	38100
ON	42700	41800	41800	45700	47900
MB	69000	77500	81000	85000	80600
SK	7000	8000	9500	9500	11100
AB	45000	49700	52000	55800	54800
BC	3500	7000	7500	8500	8500
Canada	344000	359700	373400	395200	391000

## UNITED POTATO GROWERS OF CANADA HIRES NEW GENERAL MANAGER



KEVIN MACISAAC

Ray Keenan, United Potato Growers of Canada's (UPGC) Chairman, recently announced the hiring of a potato industry veteran as its new General Manager. Kevin MacIsaac, of Bear River, Prince Edward Island joined UPGC effective Monday, October 3, 2011.

Along with his brother, Kevin has owned and operated a family farm for over twenty five years, producing seed, tablestock and processing potatoes in rotation with soybeans, canola and other crops. A graduate of the Nova Scotia Agricultural College and the University of Guelph, Kevin served as a Field Crops Specialist with the New Brunswick Department of Agriculture prior to returning to the family farm. Kevin has been involved with many agricultural and community organizations, including the Potato Producers' Association, the PEI Soil and Crop Improvement Association and many others. He also served two terms as the Chair of the Prince Edward Island Potato Board, and was its director for six years. Over the years, Kevin and his farm have received numerous prestigious awards.

Prior to Kevin joining UPGC, Mark Drouin, served as General Manager on a part-time basis and has since returned to the federal government after an industry assignment leave of absence.

## 2012 POTATO PARTNERS SEMINARS ANNOUNCED

United Potato Growers of Canada is pleased to announce that it will be now entering its fourth year of partnership with Bayer CropScience.

Chairman Ray Keenan said the agreement brings many mutual benefits to both potato growers and Bayer.

David Kikkert, portfolio manager for horticulture, called the sponsorship, an opportunity to build on the working relationship between Bayer CropScience and the United Potato Growers of Canada.

A key component will be the delivery of the United Potato Partners Program Seminars.

The first two confirmed seminar dates are:

- January 17th – New Brunswick at the Kinsman Community Hall in Florenceville
- January 18th – Prince Edward Island at the Dutch Inn in Charlottetown

Confirmed speakers include Dr. Joe Guenther from the University of Idaho and Wayne Rempel, President and CEO of Kroeker Farms Limited, a seed, tablestock and processing potato farm based in Winkler, Manitoba. Wayne is a United of Canada board member, and is also a member of Peak of the Market (a single desk selling enterprise).

Other tentative seminar dates are:

- January (4th week) – British Columbia
- February 2nd – Lethbridge, Alberta
- February 8th – Portage La Prairie, Manitoba
- February 15 – Guelph, Ontario
- March 30th – Quebec City, Quebec

Make sure to check UPGC website regularly for updates.



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## REDEEM YOUR POINTS AND REAP THE REWARDS

### HOT POTATOES 2010-2011 PROGRAM

As the 2010/2011 Hot Potatoes® Reward Program moves into its final month, it's time to think about making the most of your valuable Hot Potatoes (HP) reward points. Hot Potatoes is the best rewards program for Canadian horticultural growers – delivering extra value on every purchase of qualifying crop protection products from Bayer CropScience and Dow AgroSciences. With redemption levels starting as low as 2,500 HP points, you don't want to miss out on this opportunity to reward yourself for all your hard work.



## Hot Potatoes® Rewards Program

### Great Rewards

Here's how the Hot Potatoes cash rebate reward works:

- 2,500 – 4,999 HP reward points = 1.5% cash reward
- 5,000 – 50,000 HP reward points = 2% cash reward
- >50,000 HP reward points = 2.5% cash reward

### Pack your bags

If you choose the group travel trip, then you're headed to beautiful, sunny Portugal for an unforgettable experience with other growers from across Canada. Explore the sights, discover Portugal's agricultural industry and relax a little. The one-week trip includes airfare, accommodation,

group tours and most meals.

- 120,000 HP reward points = 1 primary spot on 2012 Hot Potatoes Portugal trip
- 100,000 HP reward points = 1 companion spot with shared accommodations with the primary trip participant

### *The Hot Potatoes deadline is almost here!*

The deadline for redeeming your Hot Potatoes reward points is rapidly approaching. In fact, November 30, 2011 will be your last chance to redeem your HP points for great prizes, including cash rebates and a fantastic group trip to beautiful Portugal.

### *It's easy to redeem*

Simply visit **Hot-Potatoes.ca** or call 1-877-661-6665 to redeem your points or to answer any questions you might have regarding your point balance. It's that easy to get the cash rewards you deserve or take off on a group trip of a lifetime to Portugal.



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# PORTUGAL

[www.Hot-Potatoes.ca](http://www.Hot-Potatoes.ca)



## Make it a Point.

Visit **Hot-Potatoes.ca** by **November 30, 2011**  
to redeem your Hot Potatoes reward points for  
the group trip to Portugal and/or new cash rebates.



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**Hot Potatoes®**  
Rewards Program



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Always read and follow label directions. Hot Potatoes®  
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## A note from the GM: *Points to Ponder*

It is exciting to begin the challenge of bringing the United Potato Growers of Canada (UPGC) to another level.

Our sister organization, the United Potato Growers of America (UPGA), has helped bring prosperity to U.S. growers for five consecutive years. UPGA did this by helping American growers better understand the potato supply and demand, while providing up to date market information and analysis.

Building on their experiences, UPGC aims to reach more growers by tailoring programs to suit each region. Not all areas have the same market infrastructure; some are larger, some are smaller, some are more specialized, etc. The common goal is information gathering; the common bond is information sharing; both are key to our survival and long term sustainability.

Potato growers enjoy growing potatoes, and they will continue to do so to meet their customers' needs as long as the returns are there to enable them to stay in the business and to re-invest for the future.

At the end of the day, I work for all the potato growers of Canada. It is my mandate to assist producers to improve their bottom line, in whatever way I can.

— Kevin MacIsaac

## NOVEMBER 2011

"Providing potato industry information, intelligence, and analysis, that allow producers to make timely informed production and marketing decisions."

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