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POTATO MARKETING ASSOCIATION OF NORTH AMERICA

Mark Klompien

President/CEO

United Potato Growers of America

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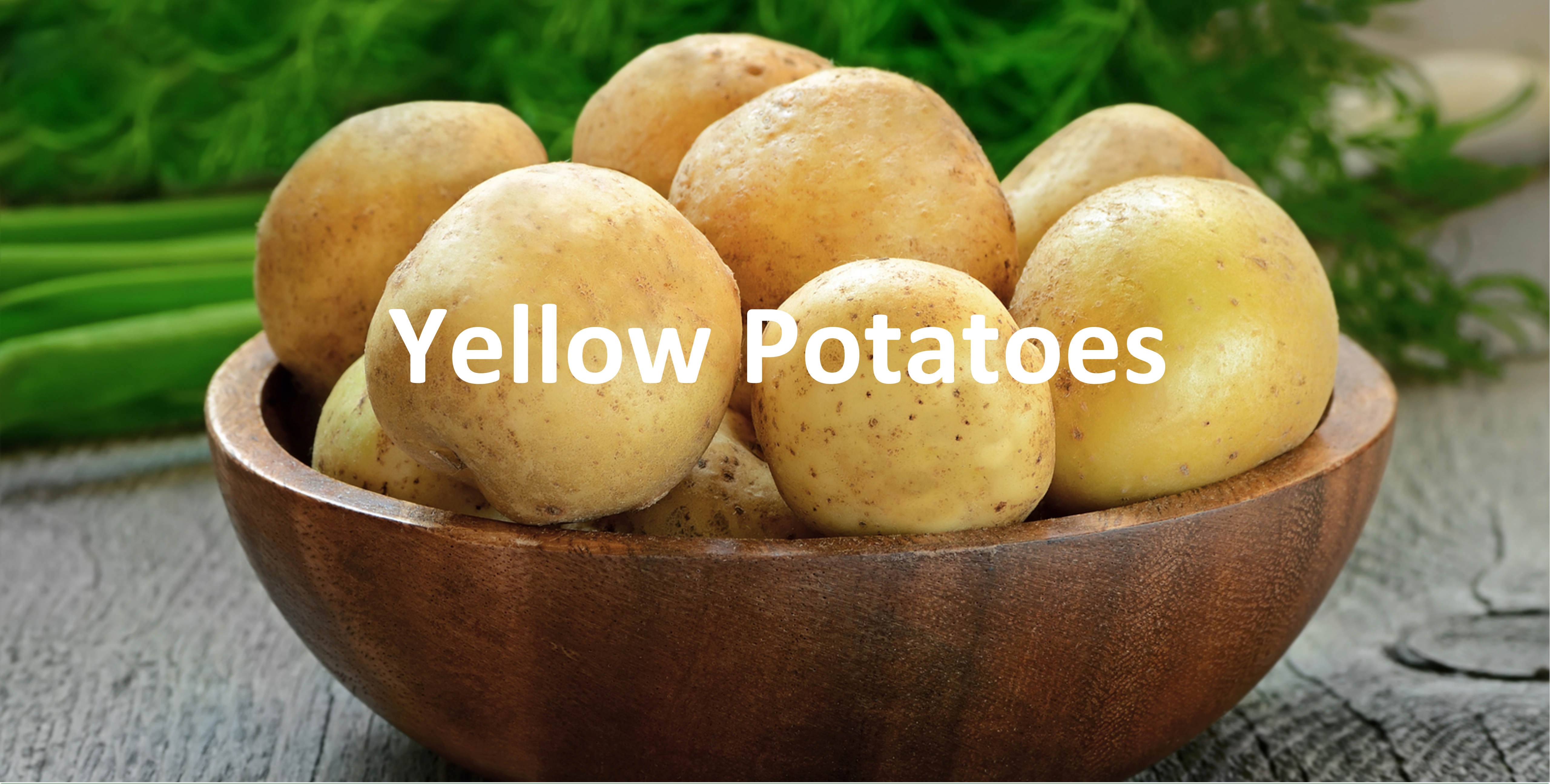
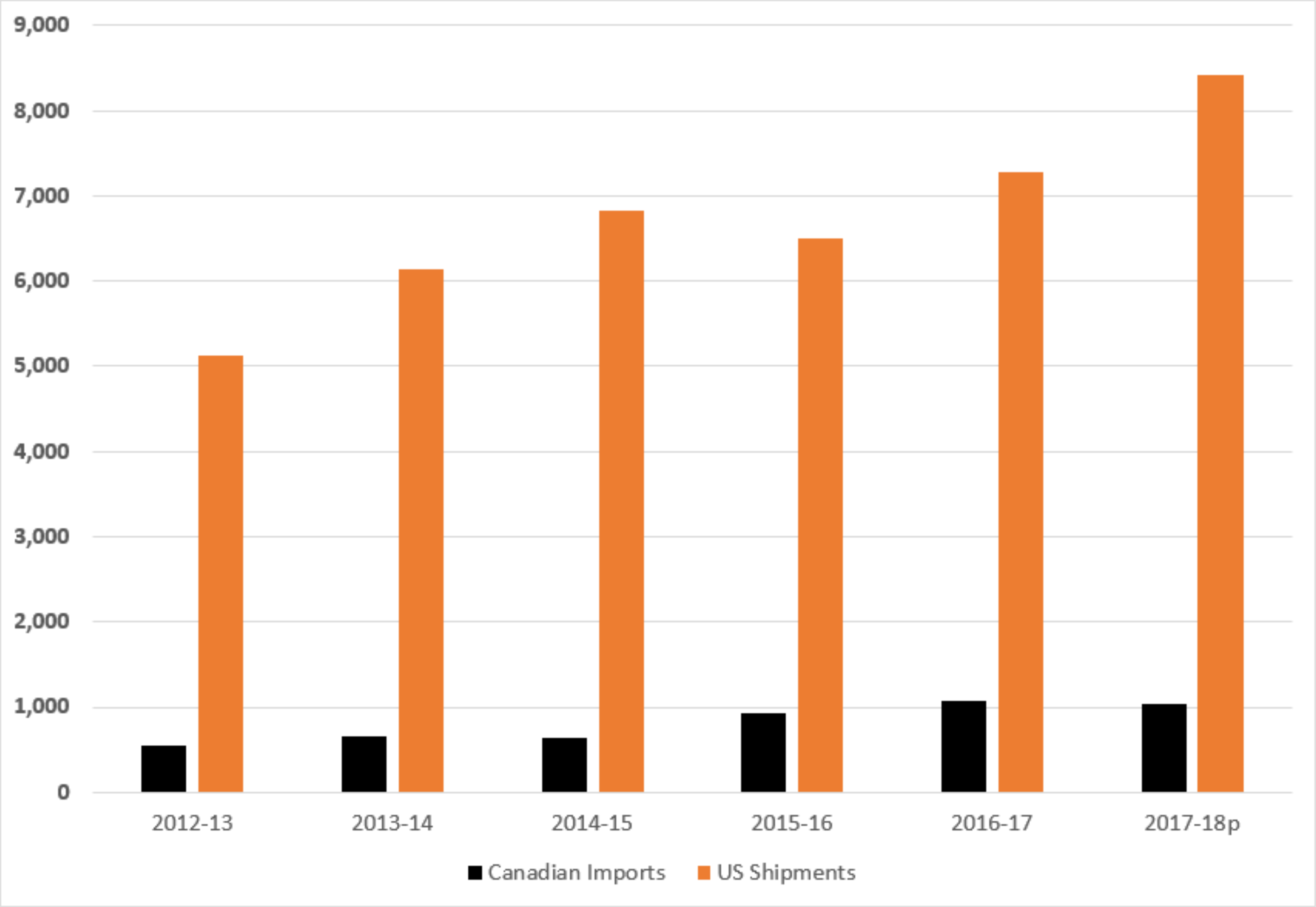
2018 Potato Market Update & Canada Information

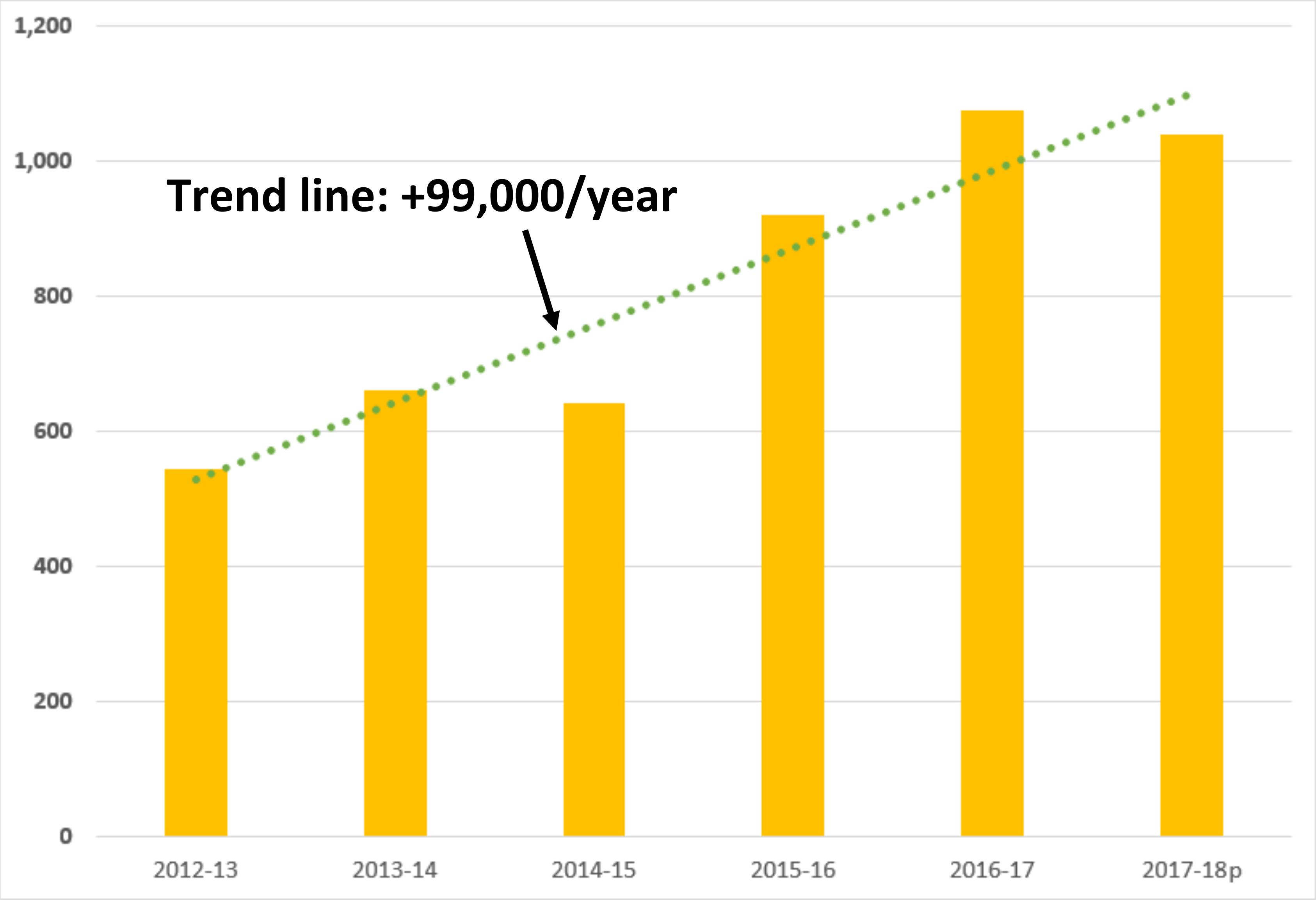
Yellow Potatoes

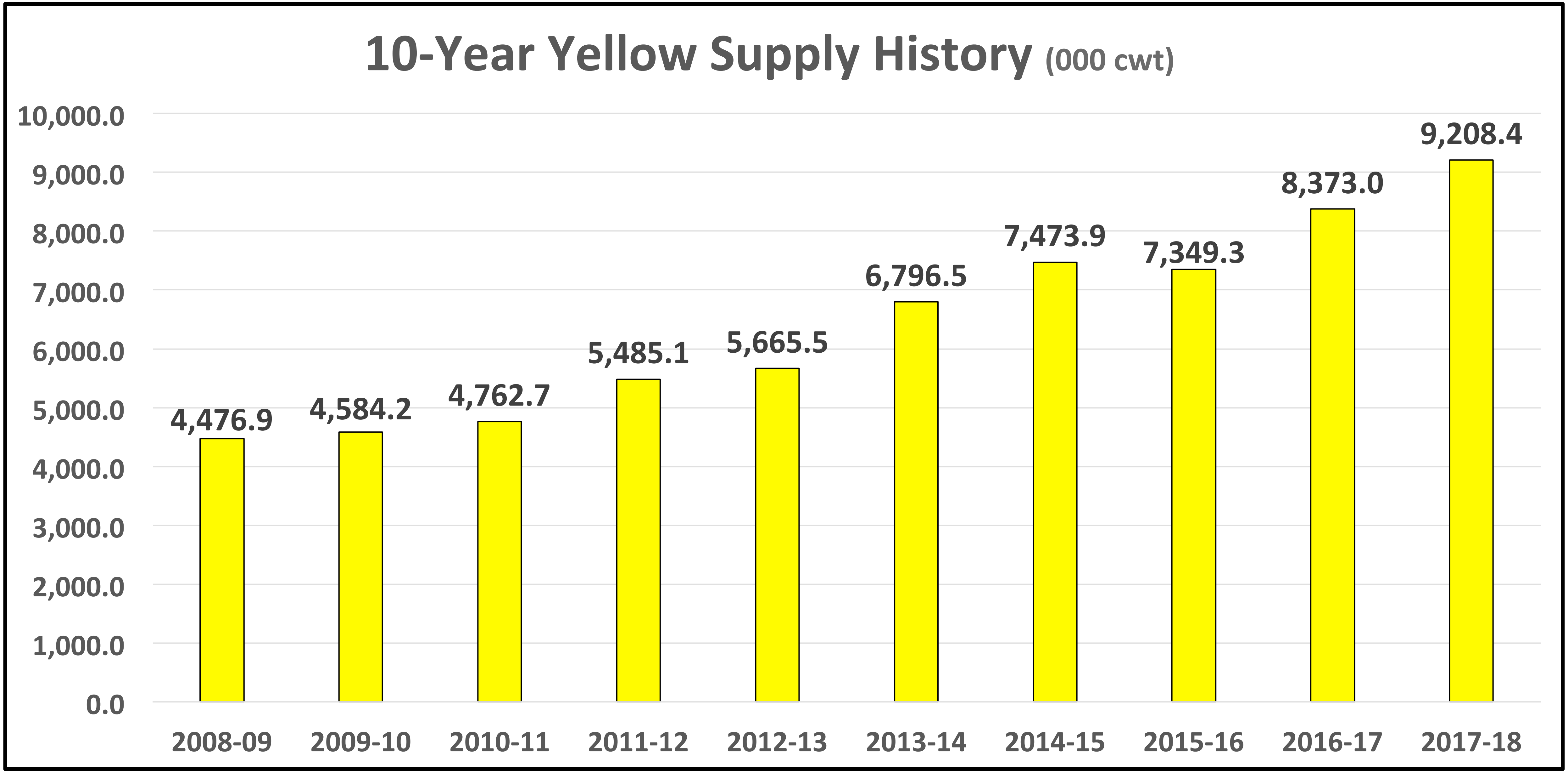


6-Year History of Canadian Imports Versus U.S. Shipments of Yellow Potatoes



6-Year History of Total Canadian Yellow-Potato Exports to U.S.





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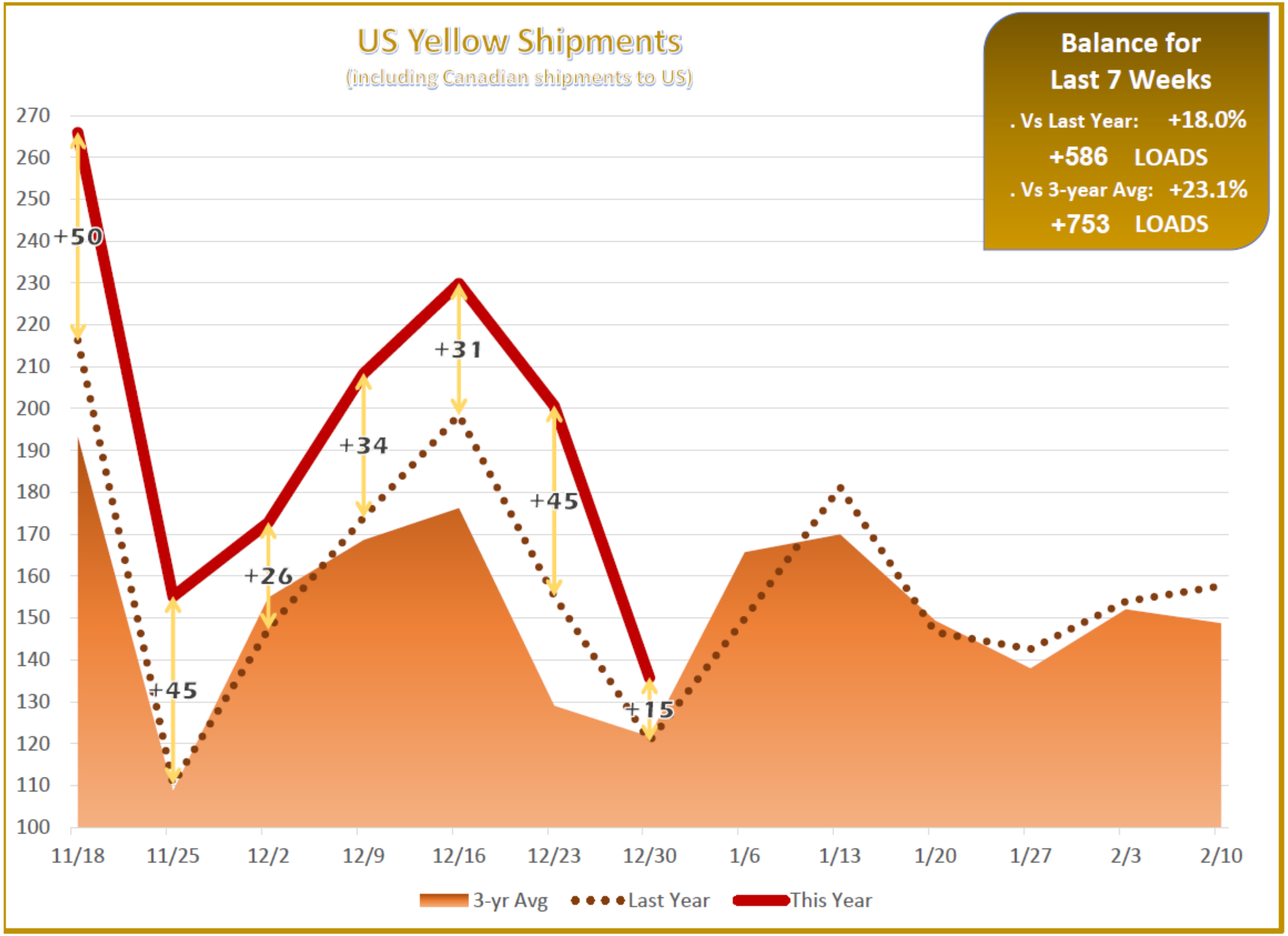

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Yellow-Potato Market-Supply Data

Average 10-year annual growth in Yellow supplies: **10.5%/year**

Aug-Dec 2017 shipment growth rate vs LY: **21.1%** (4,066.9 vs 3,358.8)

Average 10/5# bale price same period 2016 to 2017: **$13.93/bale to $12.62/bale** (greater supplies, lower price, but still a profitable price)

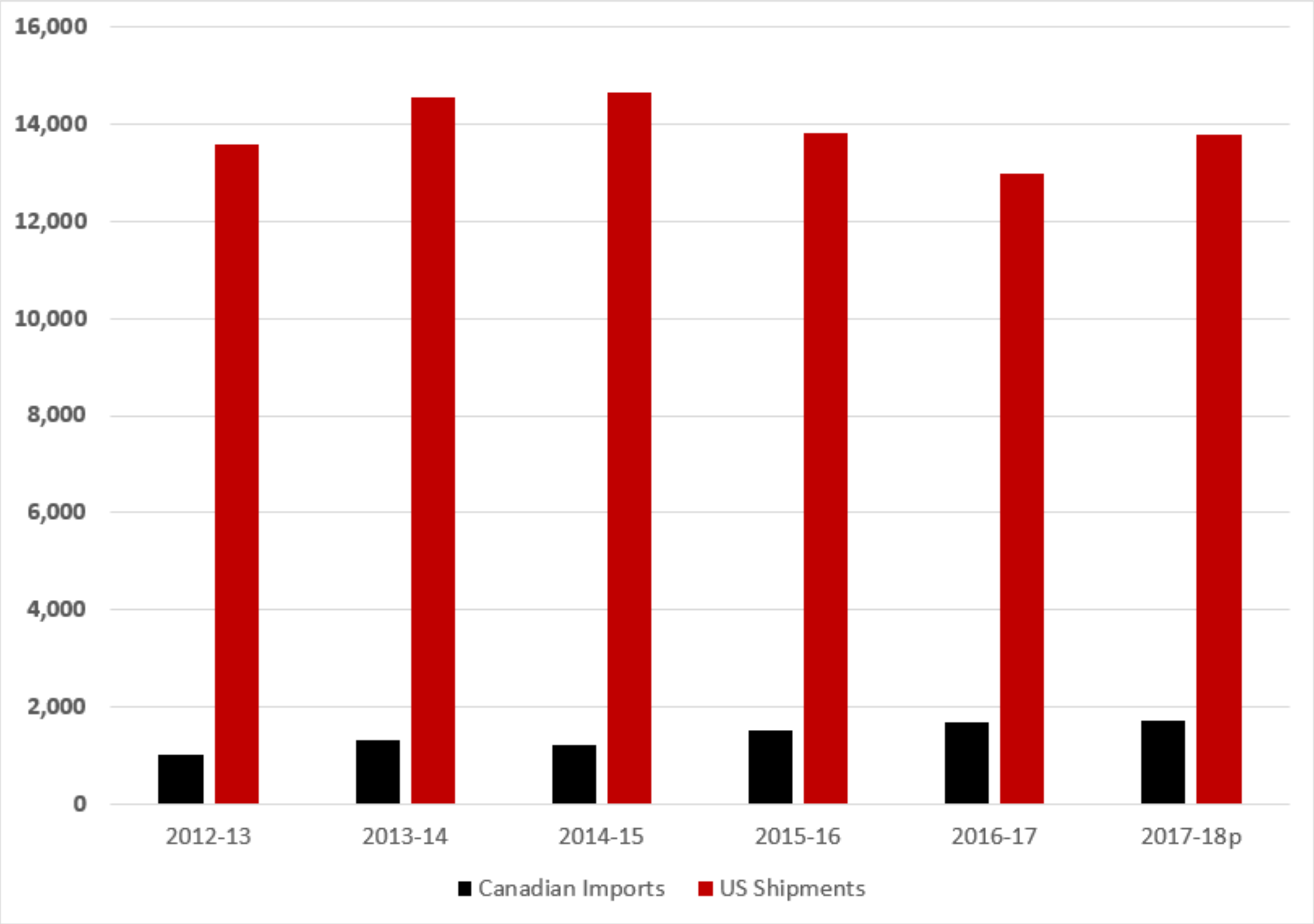
Factors separating the Yellow-potato market from Red and Russet markets?

1. No single region dominates the Yellow market, unlike with Reds and Russets?
2. No price-positive supply volume (balanced demand curve) can be determined because Yellow supply has increased every year for 10 years while the market continues giving positive grower returns.

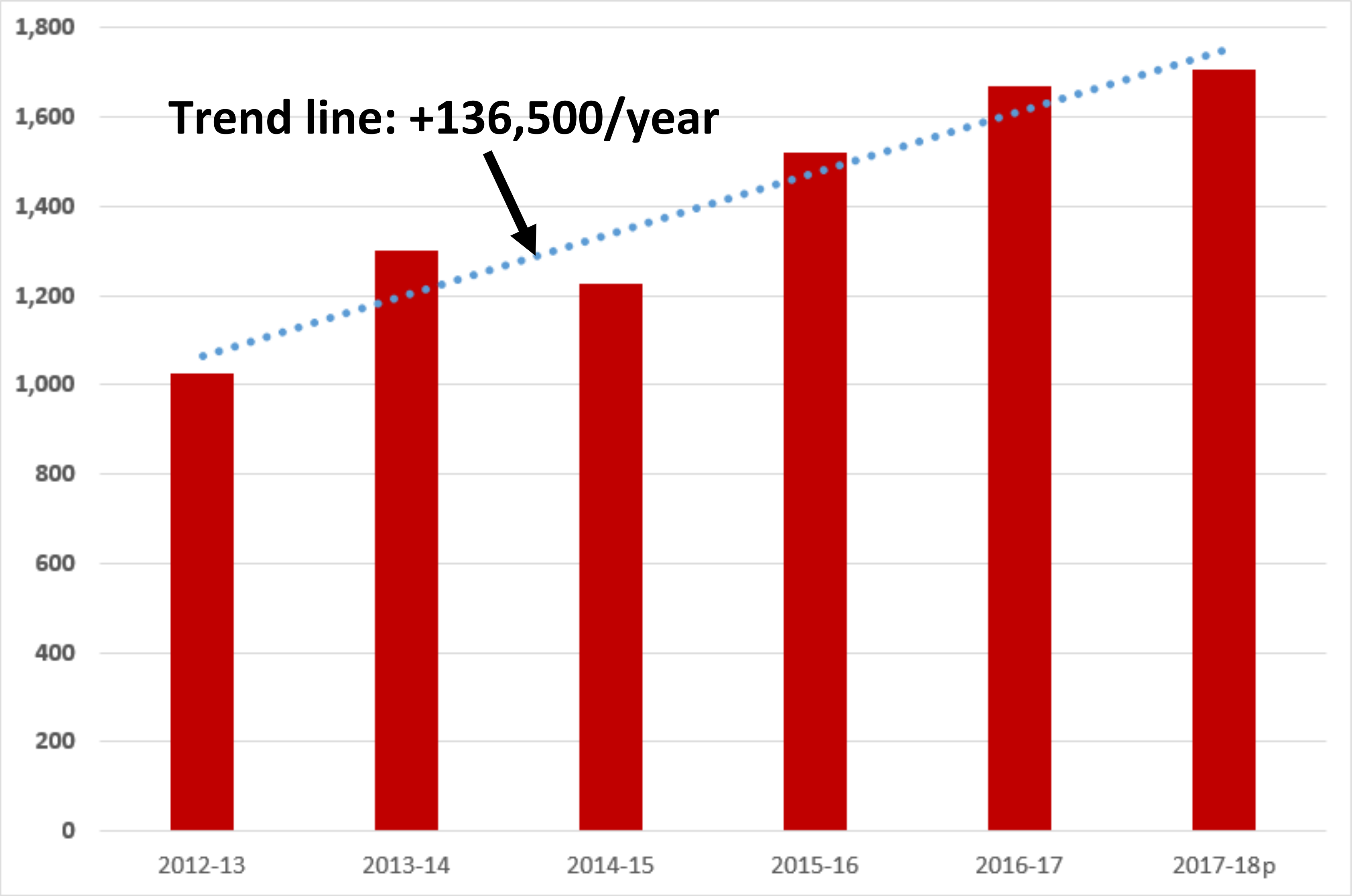
3. Yellow prices are reacting to larger supplies, asking the question: How many Yellow potatoes will the market accept and still give positive returns?

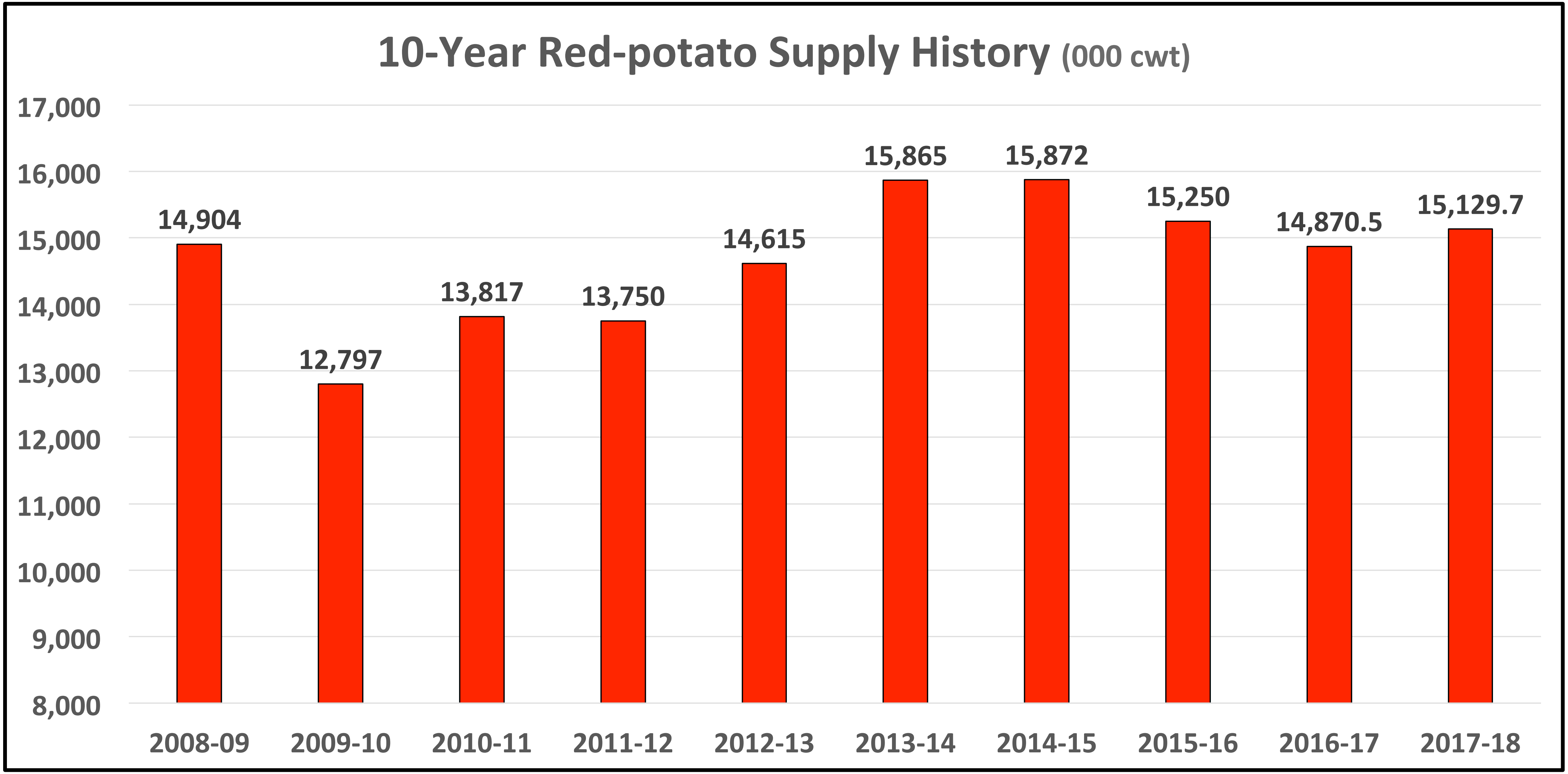
Red Potatoes

6-Year History of Canadian Imports Versus U.S. Shipments of Red Potatoes



6-Year History of Total Canadian Red-Potato Exports to U.S.





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Red-Potato Supply Data

Average 10-year annual growth in Red-potato supplies: **1.5%/year**

Average Sack A price 2016 to 2017 with a 48% increase in RRV Red-potato production (2,430.5 vs proj. 3,598.3): **$10.56 to $10.36**

Red price is more stable today (less affected by supply shifts) than ever before. Why?

Minneapolis Red-Potato Market Strategy

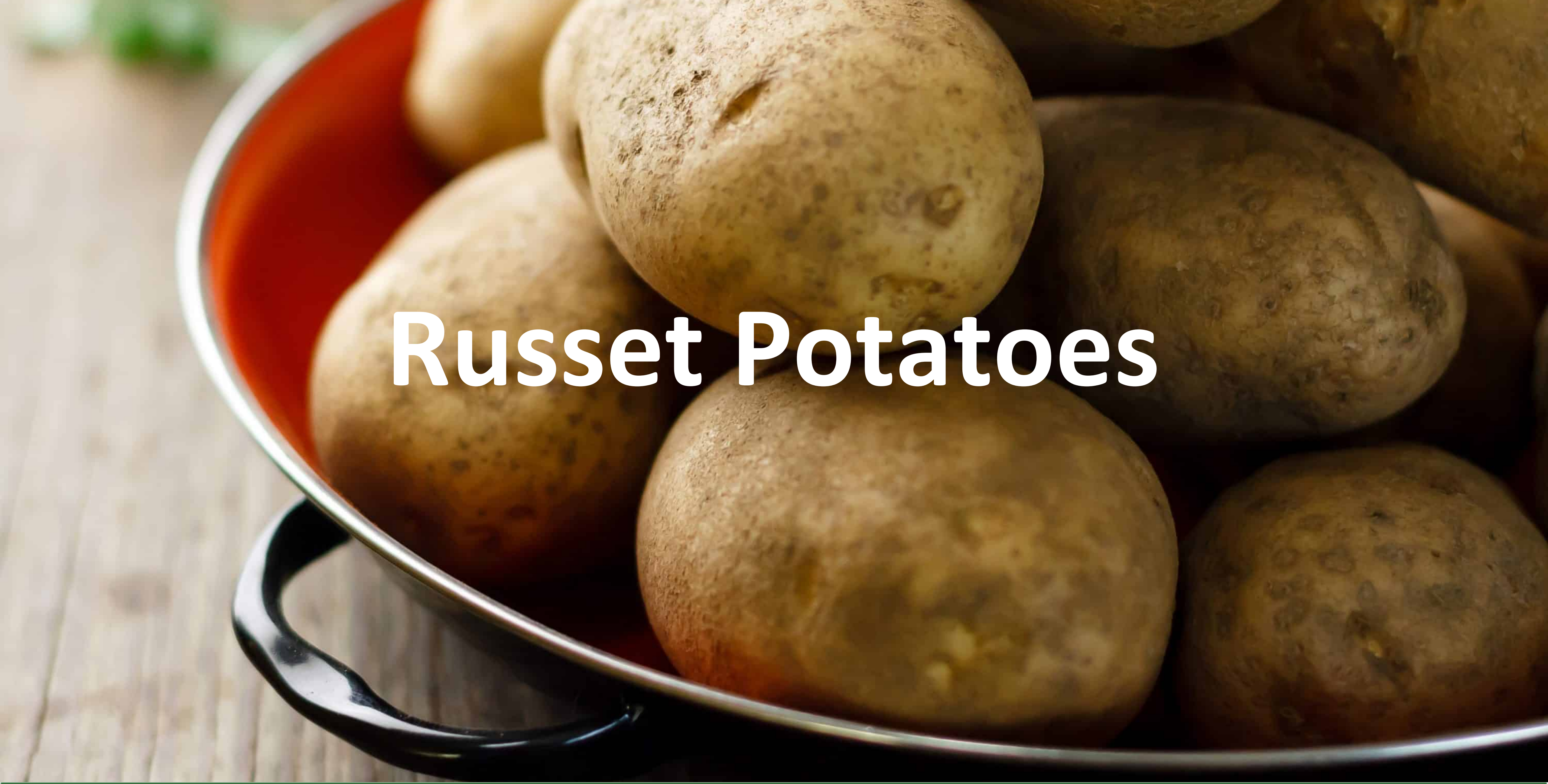
Strategy basis: Since every Red-potato producing region can trace its price to RRV price, are other Red-potato producing regions quasi investors in the RRV crop?

Since RRV and Wisconsin inherit the price baton passed to them from Central Minnesota, are they quasi investors in the Central Minnesota crop?

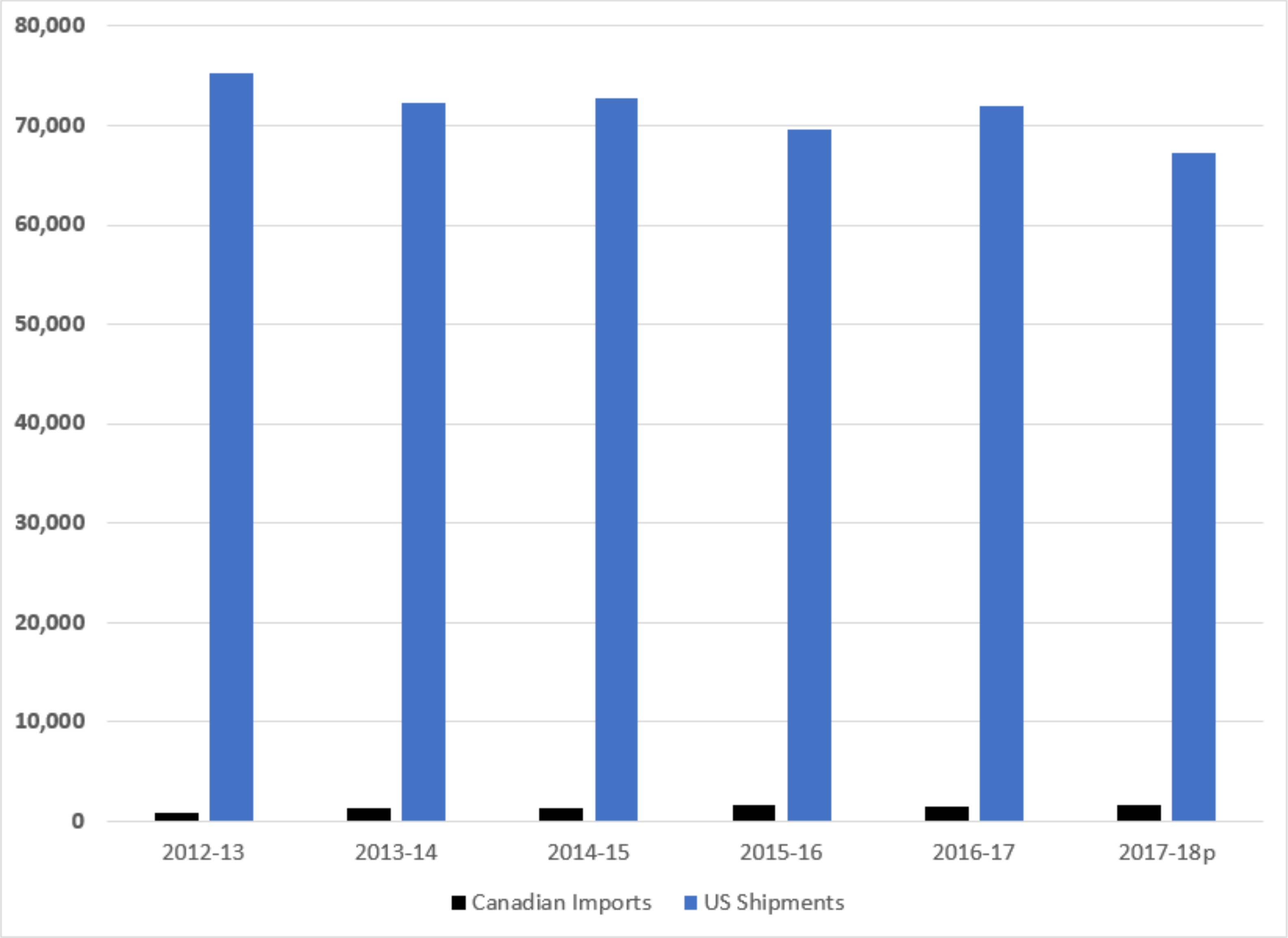
In 2017, to a greater degree than ever before, sales organizations from RRV, Wisconsin, and other regions supported the Central Minnesota market. This allowed Central Minnesota to pre-sell a large enough portion of the crop that the unsold portion did not destroy price.

2017 Red-Potato Transition Results	
3-yr Average Red Transition Supply	3,721,900
2017 Red Transition Supply	3,935,900
Supply Difference	6%
3-yr Average 50# Carton A Price	$13.65
2017 Average 50# Carton A Price	$16.55
Price Difference	$2.90

Russet Potatoes



6-Year History of Canadian Imports Versus U.S. Shipments of Russet Potatoes



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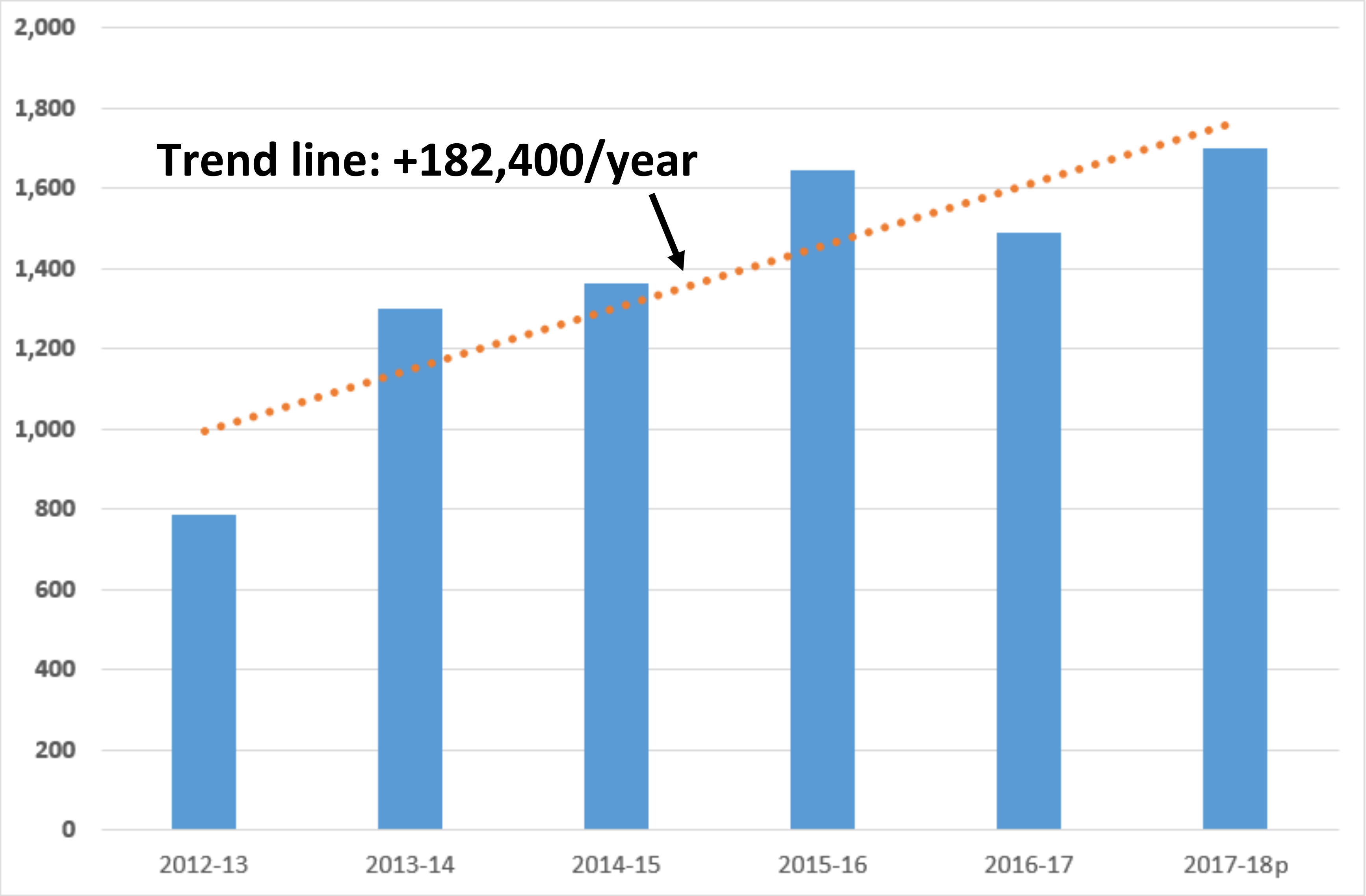
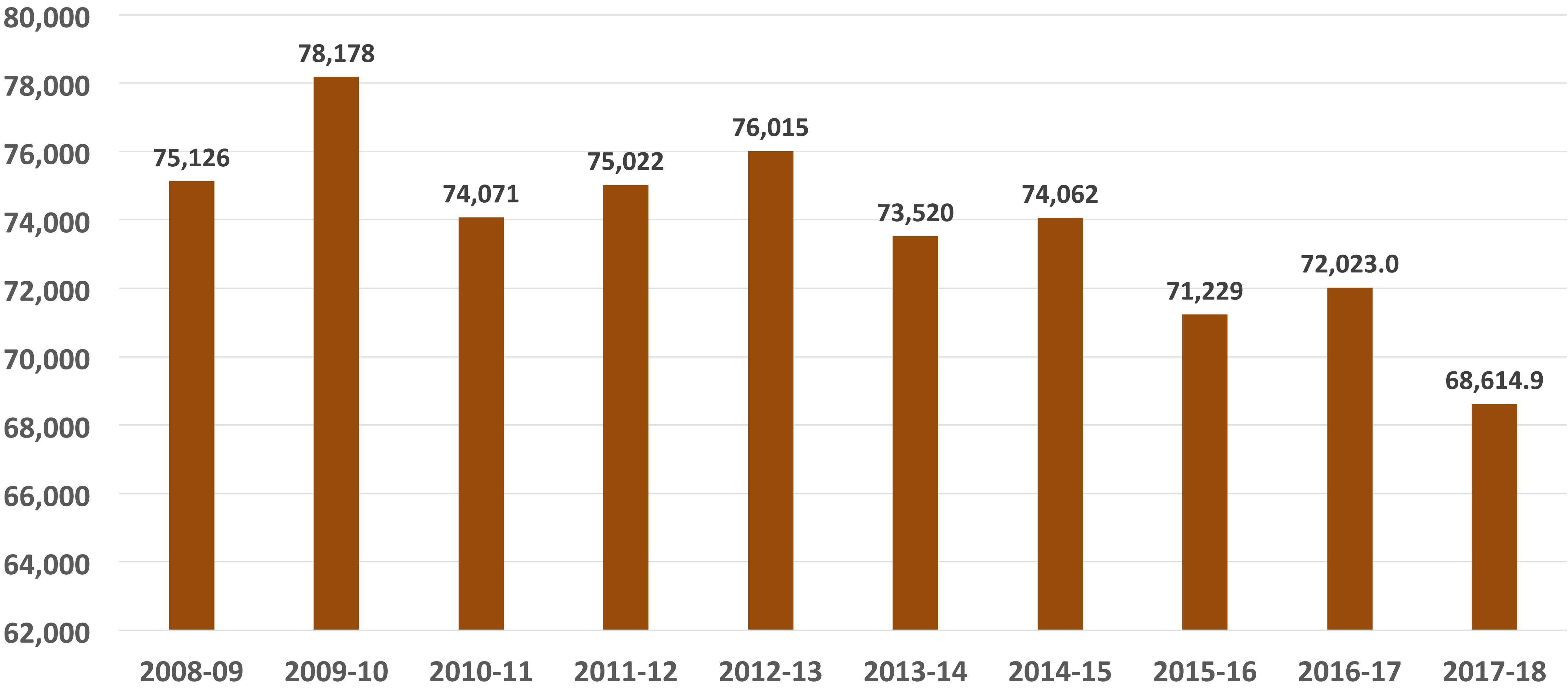
6-Year History of Total Canadian Russet-Potato Exports to U.S.



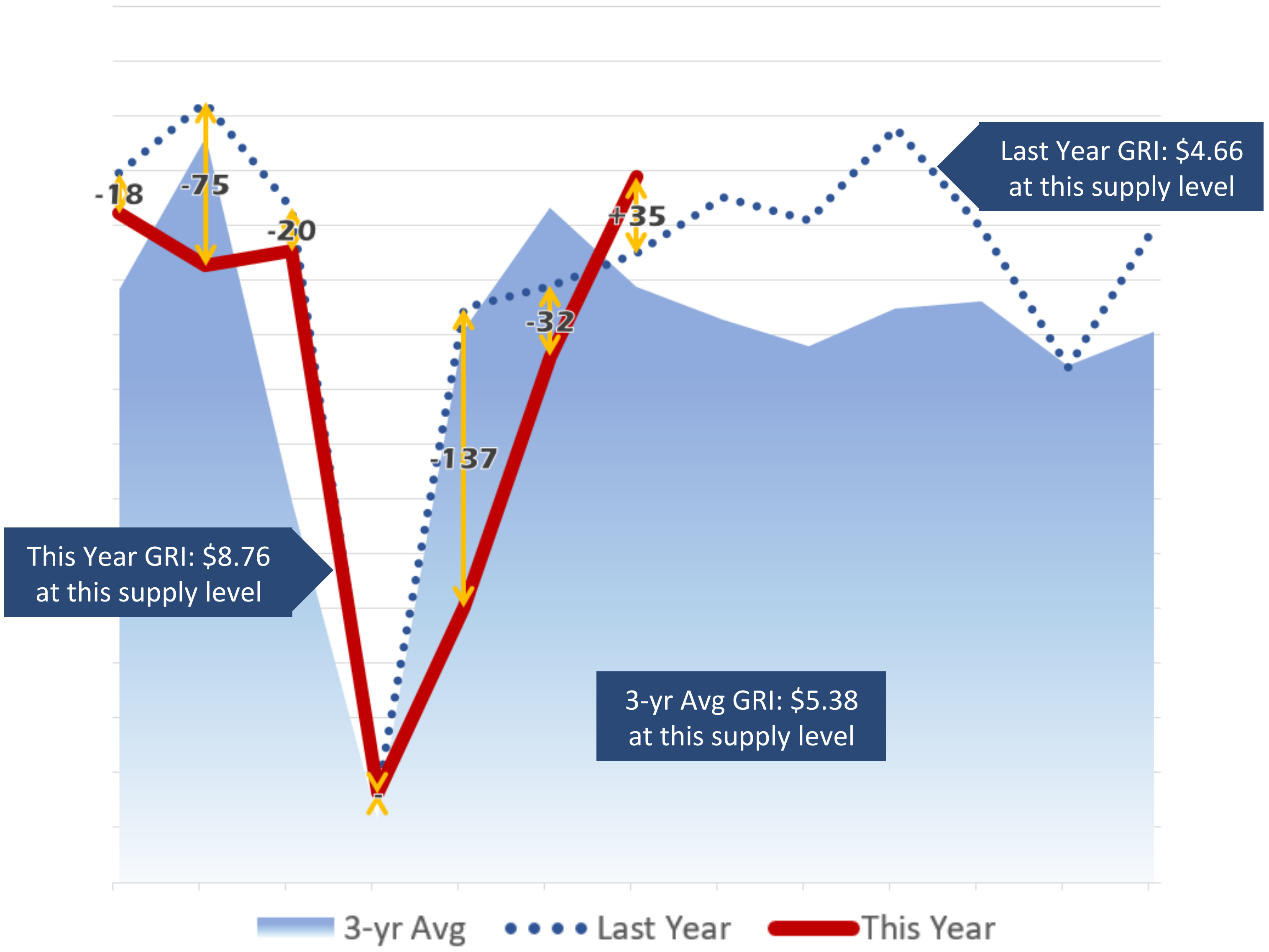
10-Year Russet Supply History (000 cwt)



UPGA and Idaho – a Turnaround

- Idaho 2017 Crop Production
  - Down over 8MM cwt from 2016 crop (total reduction of ~6%)
  - 5MM of that reduction coming in the fresh market supply (over 13%)
  - Communication & Education (“ground game”)
  - Begin implementation of Market Interface Strategy
- Result
  - Significant increase in fresh market returns
  - Idaho grower membership is engaged and growing
    - Dues adjustments, membership increase target of 5 – 10%
    - Recent meeting attendance very strong

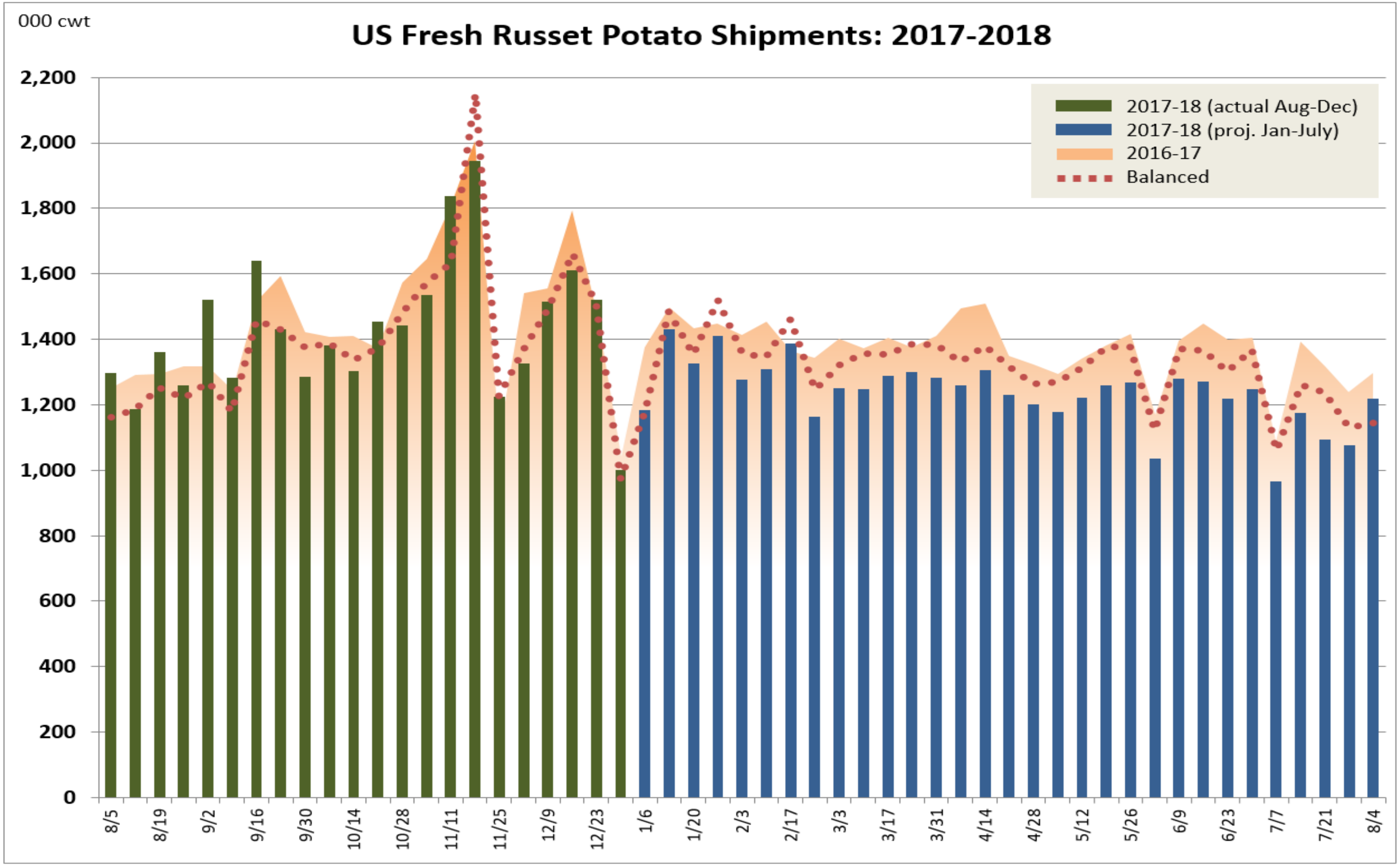
Idaho: Russet Supply/Price Example



Russet Supply/Price Effect at a Glance

	2017-18		2016-17	
	Projected Shipments	Avg GRI to date	Actual Shipments	Avg GRI
Idaho	32,180.7	$8.76	35,568.3	$4.66
San Luis Valley	10,476.8	$10.37	11,035.1	$6.88
Columbia Basin	8,186.2	$8.22	8,179.5	$5.46
Wisconsin	5,945.6	$10.28	6,396.0	$8.71

GRI is a simple average for the year.


000 cwt
US Fresh Russet Potato Shipments: 2017-2018
2017-18 (actual Aug-Dec)
2017-18 (proj. Jan-July)
2016-17
Balanced
2,200
2,000
1,800
1,600
1,400
1,200
1,000
800
600
400
200
0
8/5
8/19
9/2
9/16
9/30
10/14
10/28
11/11
11/25
12/9
12/23
1/6
1/20
2/3
2/17
3/3
3/17
3/31
4/14
4/28
5/12
5/26
6/9
6/23
7/7
7/21
8/4

Russet-Potato Supply/Price Data

Average 5-year U.S. Russet-potato supply: **73,910,000 cwt/year**

Average all-region weighted GRI previous 5 years: **$6.44/cwt**

2017/18 estimated fresh-market production: **68,615,000 cwt.**

Average all-region weighted GRI all regions for 2017-18 crop to date: **$8.93/ cwt**

What is the Russet-potato supply price correlation?

Russet-Potato Supply/Price Correlation

7% lower supply gives 39% greater return

<u>Example</u>: A grower can earn more harvesting 93 acres at $8.93/cwt than he would with 100 acres at $6.44/cwt

UPGA Accomplishments

UPGA Accomplishments in 2017

- Potato Market Strength
  - Yellow potatoes – volume up substantially, pricing stable
  - Red potatoes – production increase, pricing up from 3-yr avg.
  - Russet potatoes – significant GRI increases in states with local United chapters, as well as increase in overall national GRI
- Membership
  - Increases in local membership in Idaho, Wisconsin, and RRV
  - Working with Colorado to demonstrate value and communicate to both members and potential members
  - Developed strategy and framework document for Montana

UPGA Accomplishments in 2017

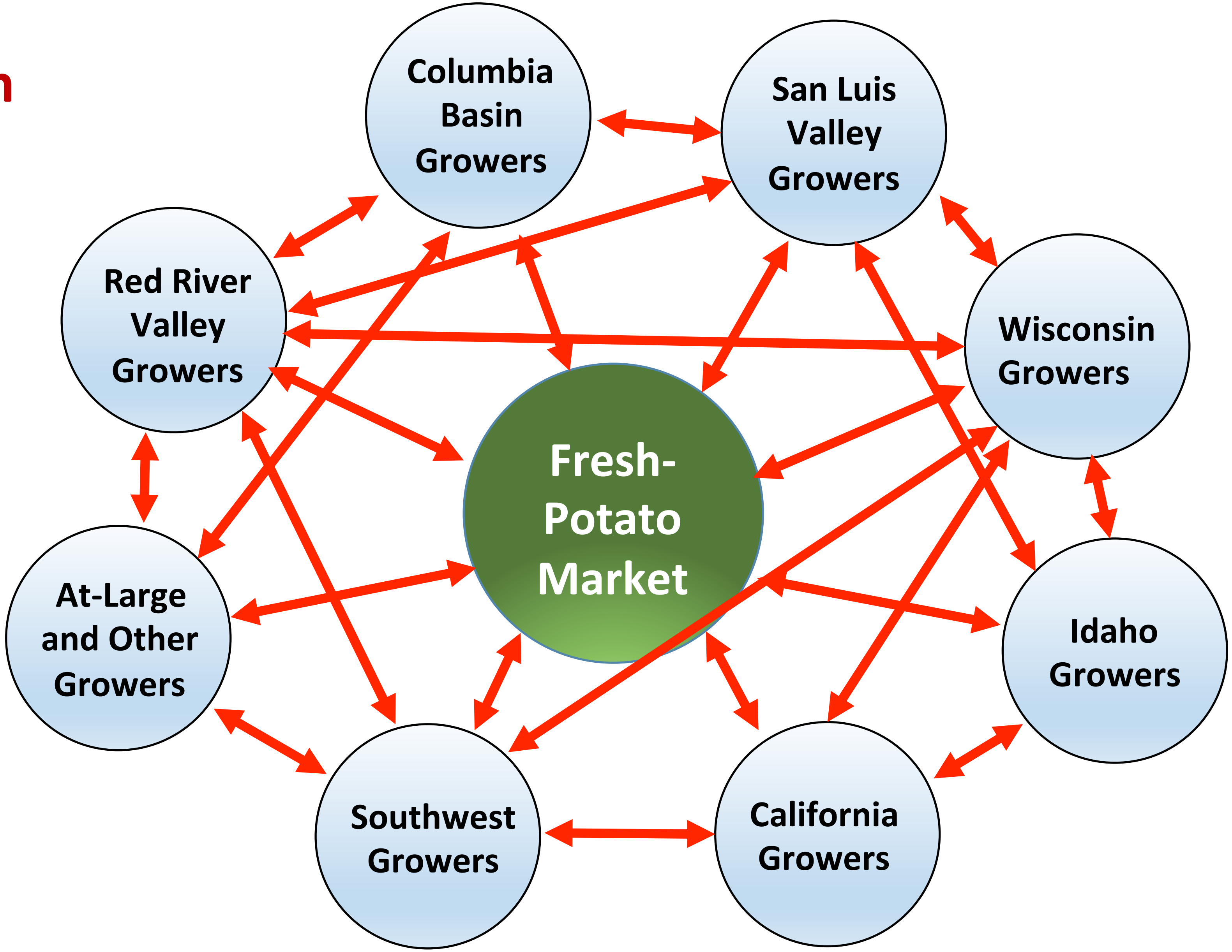
- United Events
  - Potato Business Summit
    - Held at annual Potato Expo
    - First time live-streaming
    - Very successful list of presenters covering all segments of the industry
    - Record numbers of attendees and viewers
  - Market Structure Conference in Orlando
    - New meeting to collaborate on potato markets – timings, volumes, demand
  - Crop Transition Conference
    - Held annually, June in Minneapolis
    - Significant collaboration strategy success in red & yellow markets in ‘17 crop

UPGA Accomplishments in 2017

- Data and Information
  - UPGA is only market entity standing directly with the grower and whose sole mission is to improve growers returns to fair levels
    - Different in scope from other national and state organizations
- Communication
  - Potato market podcasts – initiated and expanded
  - Weekly market data (*not Huffaker*) supplied to membership
  - Weekly national and local chapter conference calls
  - Text messaging info, newsletters, articles in national magazines

Information Flow Through UPGA's Database and Communication Systems

. Website
. Podcasts
. Text messages
. E-newsletters
. Conference Calls
. Meetings



Alternative Crop Price Changes, 2016-2017				
	2016	**2017**	**Change**	**Comments**
IGRI	$4.72	$8.16	72.9%	Oct-Dec
Wheat	$3.82	$4.73	23.8%	Nov USDA
All Barley	$4.98	$4.59	-7.8%	Nov USDA
Malt	$5.23	$4.81	-8.1%	Nov USDA
Alfalfa	$131	$148	13.3%	Nov USDA
Corn	$3.28	$3.15	-4.1%	Nov USDA
Slide courtesy of NAPMN, Bruce Huffaker				

Idaho Fresh GRI Projections - 2018

		Acreage Change									
		-2%	-1%	0%	1%	2%	3%	4%	5%	6%	7%
	Harvested	995.9	1,006.0	1,016.2	1,026.4	1,036.5	1,046.7	1,056.8	1,067.0	1,077.2	1,087.3
Yield (cwt per acre)	426	$11.00	$10.27	$9.59	$8.96	$8.38	$7.83	$7.33	$6.85	$6.41	$6.00
	430	$9.89	$9.22	$8.61	$8.04	$7.51	$7.01	$6.55	$6.12	$5.72	$5.35
	434	$8.88	$8.28	$7.73	$7.21	$6.72	$6.27	$5.86	$5.46	$5.10	$4.76
	438	$7.98	$7.43	$6.93	$6.45	$6.02	$5.61	$5.22	$4.87	$4.53	$4.22
	442	$7.16	$6.67	$6.20	$5.77	$5.37	$5.00	$4.65	$4.33	$4.02	$3.74
	446	$6.43	$5.97	$5.55	$5.16	$4.79	$4.45	$4.13	$3.84	$3.56	$3.30
	450	$5.76	$5.34	$4.96	$4.60	$4.27	$3.95	$3.66	$3.39	$3.14	$2.90

Gray Bar is Trend Yield for 2018

Slide courtesy of Bruce Huffaker, North American Potato Market News

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Thank You

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