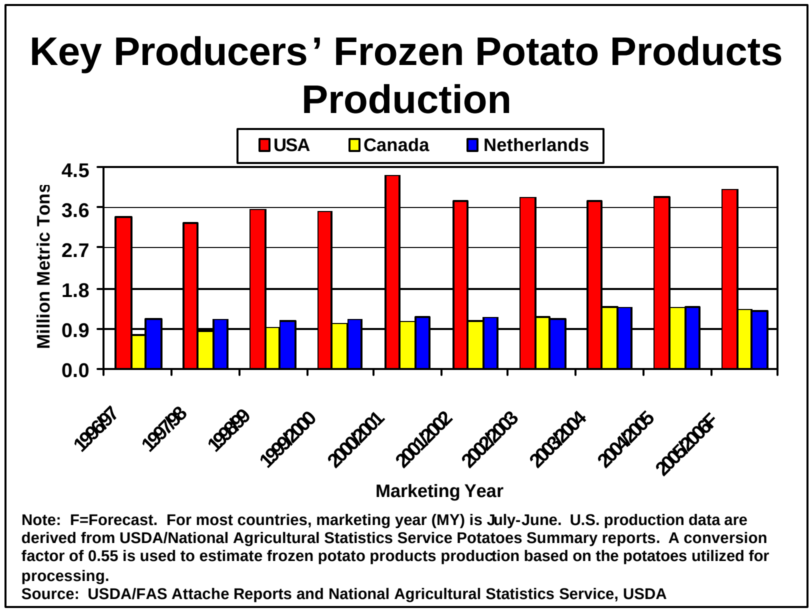
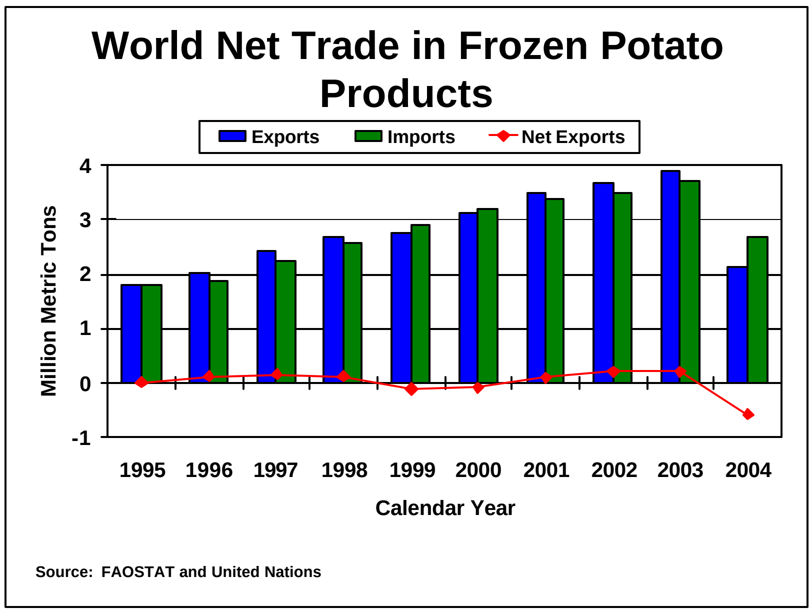
Frozen Potato Products Situation & Outlook for Selected Countries

The world's largest producers of frozen potato products include the United States, Canada, and the European Union-25 (EU). In the July 2004 to June 2005 marketing year (MY 2004/2005, the United States was the largest producer, with 3.9 million tons, followed by the Netherlands (1.37 million tons), and Canada (1.36 million tons).



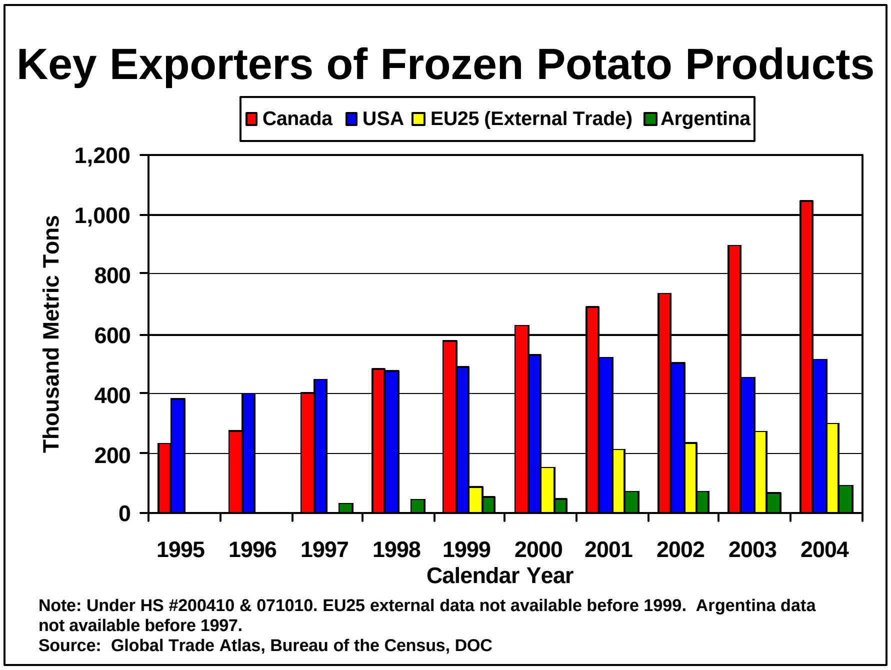
The world's leading exporters of frozen potato products are Canada, the United States, and the EU. In calendar year (CY) 2004, according to Global Trade Atlas statistics, Canada exported 1 million tons, double the U.S. amount, and the EU (external trade) exported close to 300,000 tons. According to the United Nations/Food and Agriculture Organization data, world trade in frozen potato products peaked in 2003 then fell significantly in 2004. Furthermore, changing diet habits are expected to limit production and export expansion of frozen potato products in most countries over the next few years.



Canada

Over the last decade, Canada and the Netherlands have traded places as second and third largest producers of frozen potato products. In MY 2005/2006, Canada is expected to regain second place, bumping the Netherlands back into third place.

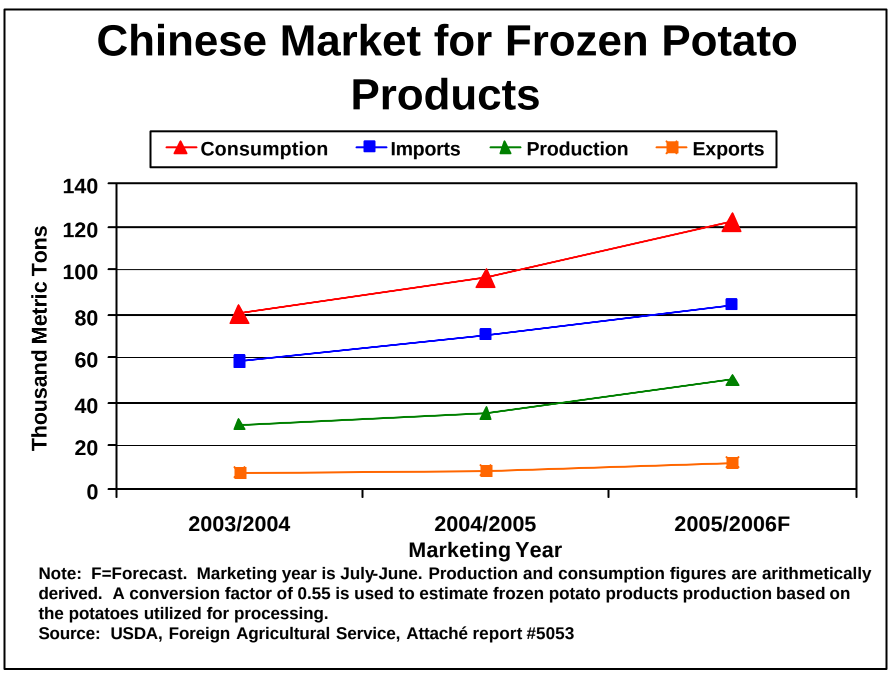
In MY 2004/2005, for the first time in the last 10 years, Canadian production and trade in frozen fries declined. Sluggish domestic and international demand is expected to reduce production and exports again in MY 2005/2006. Industry analysts estimate that more than half of Canadian potato production is processed into frozen fries. Canadian processing potato contracts were reportedly lower this year, causing producers to reduce the area planted by 10 percent and lowering production estimates for frozen potato products in MY 2005/2006 by 3 percent to 1.3 million tons. Exports are expected to slip 1 percent to 970,000 tons.



In MY 2005/2006, Canadian imports of frozen fries are expected to recover to near their 2003/2004 peak. FAS/Ottawa is forecasting they will rise 15 percent to 35,000 tons. This is positive news for U.S. suppliers, since almost all Canada's frozen fry imports are from the United States.

Canada's new nutrition labeling regulations go into effect on December 12, 2005. They will apply to U.S. exports of prepackaged frozen potato products to Canada. For more information, see FAS attaché report #CA5070.

China

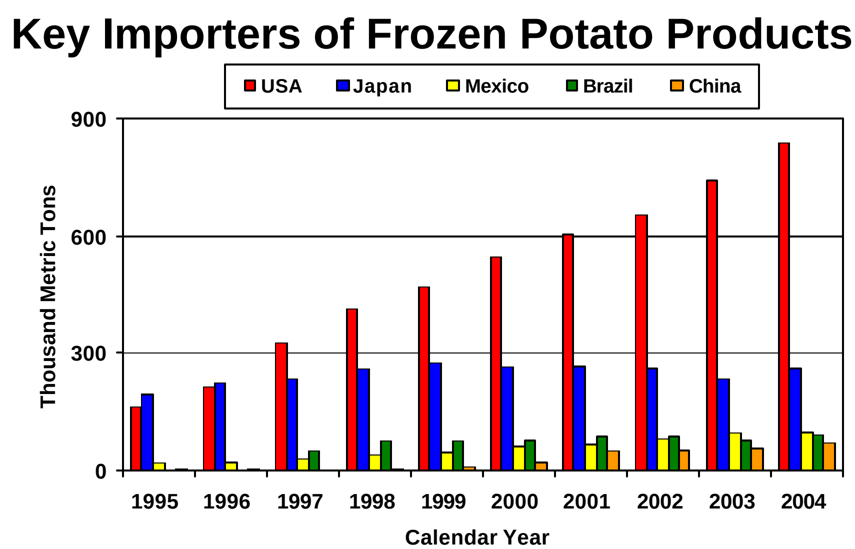


In MY 2005/2006 (September-August), Chinese production, consumption, and trade of frozen potato products are expected to increase substantially. From MY 2004/2005 to MY 2005/2006, FAS/Beijing is forecasting that production will increase almost 50 percent to 50,000 tons, due to two new large production lines that are expected to begin production by the end of 2006. Consumption is expected to rise 26 percent to 122,000 tons over the same period, driven by rapid growth in quick service restaurants.

Currently, China is unable to produce enough frozen potato products to meet its demand, so imports make up the difference. Imports account for approximately 70 percent of consumption of total frozen potato products in China. According to forecasts by FAS/Beijing, Chinese imports of frozen potato products will reach 84,500 tons in MY 2005/2006, up 20 percent from the previous year, due to strong demand in China. The United States is China's largest supplier, with a 79-percent share, followed by Canada (10 percent), and New Zealand (9 percent).

China is also an exporter of frozen potato products. Exports are forecast at 12,500 tons in MY 2005/2006, up almost 40 percent, due to expected demand in Japan and Korea. For more information, see attaché report #CH5053.

Japan



Note: Under HS #200410 & 071010. EU25 external data not available before 1999. Brazil data not available before 1997.
Source: Global Trade Atlas, Bureau of the Census, DOC

Traditionally, only fried frozen potato products, under Harmonized System (HS) 200410 are covered in the potato reports. However, this year on a trial basis, FAS/Tokyo also included non-fried frozen products (under HS 071010).

As a result, Japan's production data is noticeably larger than in previous years. For example, according to FAS/Tokyo estimates, Japanese production for frozen potato products in MY 2003/2004 was 29,094 tons, four times higher than the previous year. This increase is partially due to a new potato variety in Japan used for making fries, but it is mainly due to the new inclusion of non-fried frozen potato products in this figure. In MY 2004/2005, production of non-fried frozen potato products was 19,020 tons, while production of fried frozen potato products was 8,375 tons. This is an important trend to watch since the large, aging Japanese population is seeking healthier alternatives to fried products.

Japan is a large importer of fried frozen potato products. The United States dominates the Japanese market, with a 75-percent market share. In MY 2005/2006, Japan's imports of fried and non-fried frozen potato products are forecast to rise 2 percent to 220,600 tons. Fried products account for almost all this figure. Japan's imports of non-fried frozen potato products are very small, but growing. They were 6,467 tons in MY 2004/2005, up about 13 percent from the previous year. For more information, see attaché report #JA5529.

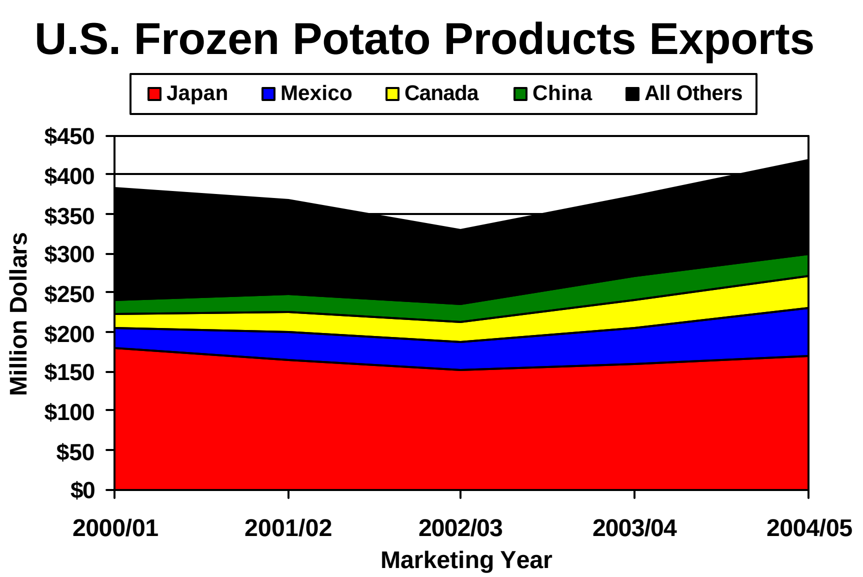
Netherlands

In MY 2005/2006, the Netherlands is expected to drop from the world's second largest to third largest producer of frozen potato products. In MY 2005/2006, production is expected to decline 5 percent to 1.3 million tons, according to FAS/The Hague. Future expansion is also likely to be limited since Dutch processing plants are already operating at full capacity, and new plants will likely be opened in Southern and Eastern European countries, where demand for processed potato products is growing. Due to the high cost of transportation, new processing plants are usually located close to the potato growing areas that serve these markets.

In MY 2005/2006, Dutch exports of frozen potato products to the world, including other EU countries, are forecast at 1.1 million tons, down 4 percent, due to strong international competition. Over 85 percent of its potato products production is exported, with 90 percent going to other EU members. Fries account for approximately 85 percent of this category. For more information, see attaché report #NL5031.

United States

The United States is the world's largest producer and third largest exporter of frozen potato products. Production peaked in MY 2000/2001 at approximately 4.3 million tons and dipped to approximately 3.8 million tons in MY 2003/2004. This production decline is due mainly to changing eating habits in major markets over the last several years and increased competition among international suppliers, as reflected by the increase in U.S. imports in recent years. Only a 4-percent increase in production is expected in MY 2005/2006.



Note: HS200410, 071010. Marketing year is July-June. Frozen fries accounts for about 95 percent of the category.
Source: Bureau of the Census, DOC

In MY 2004/2005, U.S. exports of frozen potato products rose 7 percent to 513,600 tons. In value terms, exports were $411 million, up 12 percent over this same period for the previous year.

At the writing of this article, export data is available only for the first four months of MY 2005/2006. Exports during this period were strong, and the outlook for the rest of the year is positive. From July to October 2005, U.S. exports of frozen potato products were $150 million, up 16 percent over the same period in 2004. In quantity terms, they were 187,747 tons, up 13 percent.

Japan, Mexico, Canada, and China are the top export markets for U.S. frozen potato products. In MY 2004/2005, by value, over 40 percent of U.S. exports of frozen potato products were shipped to Japan, 15 percent to Mexico, 10 percent to Canada, and 7 percent to China.

Exports to Japan, Mexico, and Canada showed strong growth in the first few months of MY 2005/2006. From July to October 2005 (the only months of data available at the writing of this article for MY 2005/2006), U.S. exports to Japan were $62 million (up 19 percent from the previous year), followed by Mexico ($22 million, up 23 percent), and Canada ($17 million, up 51 percent). However, U.S. exports to China were $7 million, down 42 percent from the previous year.

From July to October 2005, U.S. imports of frozen potato products were $169 million, down 7 percent from the previous year. By quantity, they were 246,686 tons, down 11 percent from the previous year. Almost all these imports are sourced from Canada.

(For information on production and trade, contact Shari Kosco at 202-720-2083 or shari.kosco@usda.gov. For information on marketing, contact Krista Dickson at 202-690-1341 or krista.dickson@usda.gov. The FAS attaché report search engine contains reports on selected vegetable industries for selected countries. Also see the processed vegetable website at http://www.fas.usda.gov/htp/Commodity_Pages/Vegetables/potato.html)