Situation and Outlook for Frozen Potato Fries

In 1999/2000, frozen potato fry exports from the 3 major exporting countries, the United States, the Netherlands, and Canada, are forecast at a record 2.4 million metric tons, 8 percent above the previous year's shipments. All three countries are expected to register export gains in 1999/2000 with Canada leading the trio in export growth. Canadian exports are forecast to increase 14 percent in 1999/2000 to 590,000 tons. Canadian exports have experienced double-digit growth rates for the past several years largely due to the expanding domestic processing industry. U.S. frozen potato fry exports reached a record $345 million and 472,394 tons in 1998/99, almost double the volume and twice the value of just 5 years ago. U.S. fry exports are forecast to increase 10 percent in 1999/2000. Rising per capita incomes in many countries, expansion by multinational fast-food companies, and Market Access Program (MAP) activities, are expected to continue to spur demand for frozen potato fries. Japan is the largest U.S. market, accounting for over half of U.S. shipments.

United States

The 1999 U.S. potato crop is estimated at 19.5 million tons, down 1 percent from a year ago but up 1 percent from 1997. The five Eastern and eight Central states experienced most of the decline, while production for the ten Western states is down slightly from last year, but fractionally above two years ago. The Western states account for almost 70 percent of total U.S. potato production with Idaho and Washington being the two primary producers.

About 28 percent of U.S. potato production is used to produce frozen potato fries. Today, Russet Burbank is the main variety grown for the production of frozen potato fries. With a relatively large U.S. potato crop and a steady domestic demand for fries, U.S. frozen potato fry production in 1999/2000 is forecast to rise slightly to 3.5 million tons. Over the past five years, U.S. production of frozen potato fries has increased over 2 percent annually. Most of the growth in U.S. frozen potato fry consumption comes from sales to the food service sector.

With the expansion of the multinational fast food companies, exports of frozen potato fries have risen significantly. In 1999/2000, U.S. exports of frozen fries are projected to increase 10 percent to a record 520,000 tons (or 13 percent of domestic fry production). In 1998/99, exports registered an 11-percent gain over the previous year.

The top five U.S. frozen potato fry markets accounted for nearly 70 percent of 1998/99 shipments. These countries include Japan with 51 percent of total exports; Hong Kong at 6 percent; and Mexico, Taiwan, and Canada with 5 percent each. The United States also exports to Europe but the outlook for U.S. exports of frozen potato fries to this market in the 1999/2000 season is dim, due to adequate supplies of fries in Europe. U.S. exports generally occur when potatoes are in short supply in Europe, such as in 1998/99, when U.S. fry exports were 9,946 tons.

Expansion of the international fast-food industry, product quality, rising incomes in many countries, and ongoing MAP activities have all played a role in stimulating demand for U.S. frozen potato fries. Export prospects for the next decade are very promising given the sustained expansion of the international fast-food industry.

Netherlands

Dutch potato growers are expected to harvest a record 1999 crop, estimated at 5.8 million tons, an increase of 71 percent from the previous year. Potato yields were low in 1998 due to bad weather.

The Netherlands has the largest industrial frozen potato fry production in Europe with frozen fry production for 1998/99 at 1.3 million tons, up 8 percent from 1997/98. Frozen potato fry production accounts for 82 percent of total processing, while dried products, snack and various other products make up the remaining 18 percent.

The Dutch are by far the largest exporter of frozen potato fries in the world. While shipments to non-EU countries are very small, exports to these countries have more than quadrupled over the past four years. In 1998/99, Dutch exports totaled 1.2 million tons and for 1999/2000 exports are forecast to increase almost 6 percent. The industry depends largely on export demand, as almost 90 percent of production is sold in foreign markets--mostly in the European Union (EU). The United Kingdom, Germany, and France account for 60 percent of Dutch exports. According to Dutch industry sources, several factors contributed to stronger exports. First is the continued growth of quick service restaurants throughout the EU, particularly in southern Europe. Second, Holland's processors of frozen potatoes have expanded sales to markets outside of Europe, e.g., the Middle East and South America.

Imports of frozen potato fries into the Netherlands have remained small, accounting for less than 5 percent of total Dutch supply. Changes in frozen potato fry inventories are not available but may have an impact on 1999/2000 total supply and distribution.

Canada

Reacting to strong domestic and foreign demand for frozen potato fries, Canadian potato farmers continue to expand planted area. Western Canada potato area has demonstrated rapid growth throughout the 1990's, led by Manitoba and Alberta. The prairie region now accounts for nearly one-third of total Canadian potato output compared to about 25 percent ten years ago. By 2000, Alberta potato acreage is forecast to be nearly 20,000 acres higher than the record acreage just years earlier. The total Canadian potato harvest for the 1999 crop year is estimated at 4.2 million tons, slightly lower than the previous year.

The production of frozen potato fries in Canada continues to show strong expansion. Canada's fry production rose 6 percent in 1998/99 to 910,000 tons and is forecast to increase more than 8 percent during the current marketing year (1999/2000). Much of the increase reflects the startup of state-of-the-art potato processing plants in Alberta. The outlook for 2000/2001 is for a further increase in Canadian frozen potato fry production as processors continue to invest heavily in new potato processing plants in the western provinces.

A Canadian processor started construction of a new C$90-million potato-processing facility last spring in Alberta, which is expected to be in commercial operation soon. The plant is expected to produce 200 million pounds of potato products annually.

Canadian frozen potato fry producers increasingly depend on exports for additional sales. Exports in 1998/99 increased 15 percent to a record 516,240 tons, reflecting expansion of french fry capacity in the western provinces and increased production for export to the U.S. food service market. During this period, exports of fries to the United States grew 10 percent to 367,365 tons, valued at $230 million. Canadian fry exports are expected to continue at double-digit growth rates for the near future. Construction of new processing facilities, contracts to supply major U.S. fast food companies, and a lower-valued Canadian dollar continue to fuel the growth in export demand. Other Canadian export markets include Japan, the United Kingdom, Venezuela, Guatemala, Chile, and Saudi Arabia. An increase in exports to the Pacific Rim countries is expected given the expansion in processing capacity.

Canadian imports of U.S. frozen potato fries have been flat for the past two years after several years of strong growth. Small increases are projected for the future given Canada's revisions to package size requirements, albeit tempered by a strong U.S. dollar and increased Canadian production.

Japan

Japanese production of frozen potatoes is relatively small and continues to decline as farmers focus on the more profitable fresh market. In 1998/99, less than 2 percent of Japan's total potato crop was processed. Hokkaido, northern islands of Japan, accounts for over 80 percent of the nation's fresh potato production.

In spite of Japan's sluggish economy, imports of frozen potato fries continue to grow at an annual rate of 8 to 10 percent. In 1998/99, frozen potato fry imports were 269,566 tons, up from the previous year's level of 250,786 tons. Japanese traders of frozen potato products anticipate export shipments to approach 300,000 tons in the upcoming year. Growth in frozen potato fries is correlated with rising sales in Japan's fast food chains and western style restaurants. The United States supplied 90 percent of Japan's frozen potato fry imports. Canada accounts for nearly all of the remaining imports, with sales of 24,000 tons last year.

As elsewhere in the world, most fries (nearly 90 percent) in Japan are consumed at international fast-food chains, followed by family restaurants, "izakaya" (snack bars), and other food service outlets. Japan's home consumption of frozen potato fries through retail outlets is fairly small (approximately 5 percent of total distribution).

Japan has more than 6,500 fast-food shops. One international food chain consumes over 50 percent of the nation's frozen potato fries or 120,000 tons annually through its 3,000 outlets nationwide. Together the fast-food shops consume nearly 70 percent of the nation's total distribution of frozen potato products. Japan's 5,500 family restaurants also consume a significant volume of frozen potato fries, featured throughout the year in their western style menus.

(The FAS Attache Report search engine contains reports on the Frozen Potato Fry industries for 4 countries, including, Canada, the Netherlands, Japan, and Taiwan. For further information on supply, distribution, trade, and U.S. marketing opportunities, contact Ted Goldammer at 202-720-8498.)

FROZEN POTATO FRIES: PRODUCTION, SUPPLY, AND DISTRIBUTION IN SELECTED COUNTRIES

(Metric Tons)

Country/ Marketing Year 1/	Beginning Stocks	Production	Imports	Total Supply and Distribution	Exports	Domestic Consumption	Ending Stocks
Canada							
1997/98	45,000	860,000	27,733	932,733	447,677	435,056	50,000
1998/99	50,000	910,000	23,984	983,984	516,240	427,744	40,000
1999/2000 F	40,000	985,000	24,500	1,049,500	590,000	429,500	30,000
Japan 2/							
1997/98	0	32,061	250,786	282,847	0	282,847	0
1998/99	0	31,990	269,566	301,556	0	301,556	0
1999/2000 F	0	32,000	290,000	322,000	0	322,000	0
Netherlands 2/							
1997/98	0	1,219,000	40,000	1,259,000	1,088,000	171,000	0
1998/99	0	1,315,000	52,000	1,367,000	1,209,000	158,000	0
1999/2000 F	0	1,400,000	50,000	1,450,000	1,280,000	170,000	0
United States 3/ 4/ 5/							
1997/98	463,662	3,287,565	338,758	4,089,985	424,543	3,191,900	473,542
1998/99	473,542	3,408,633	367,502	4,249,677	472,394	3,333,255	444,028
1999/2000 F	444,028	3,500,000	385,000	4,329,028	520,000	3,359,028	450,000
TOTAL							
1997/98	508,662	5,398,626	657,277	6,564,565	1,960,220	4,080,803	523,542
1998/99	523,542	5,665,623	713,052	6,902,217	2,197,634	4,220,555	484,028
1999/2000 F	484,028	5,917,000	749,500	7,150,528	2,390,000	4,280,528	480,000

1/ July-June Marketing Year
2/ No published stocks data.
3/ Stocks data from the USDA/National Agricultural Statistics Service Cold Storage Report.
4/ Export and import data from U.S. Bureau of Census with 1999/2000 forecasts from industry sources.
5/ Production data from the American Frozen Food Institute.