Situation and Outlook for Frozen Potato Fries

In 2001/02, 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 tons, 8 percent above the previous year's shipments. The United States and Canada are expected to register small export gains in 2001/2002 while exports from the Netherlands are anticipated to decline. After a decade of record export gains, U.S. frozen potato fry exports continue to grow but at a slower pace, registering $356 million and 499,003 tons in 2000/2001. U.S. fry exports are forecast to increase 5 percent in 2001/2002. Rising per capita incomes in many countries, expansion by multinational fast food companies, and Market Access Program activities, are expected to continue to spur demand for frozen potato fries. Canadian exports in 2000/01 increased less than 3 percent to 634,297 tons compared to the 20 percent increase a year earlier. The change reflects, in part, slower growth in overall frozen potato fry production in Canada. Canadian potato fry exports are forecast to increase to 670,000 tons for 2001/2002. The Netherlands' exports of frozen potato fries increased by 10 percent in 2000/2001 to 1.3 million tons. The increase in export volume was partly achieved by clearing stocks. For 2001/2002, Dutch exports are forecast to decline to 1.25 million tons as a result of the poor weather and reduced acreage.

United States

The U.S. potato crop is estimated at 23.3 million tons for 2000/01, up 7 percent from last year's crop of 21.6 million tons. Harvested area, at 1.35 million acres, gained 1 percent from the previous year. Idaho, Washington, Colorado, Oregon, and California had increases in production while Wisconsin experienced a decline in production. The Western states account for about 67 percent of total U.S. potato production, with Idaho and Washington being the two largest producers.

About 56 percent of U.S. potato production was diverted for processing, of which 29 percent was utilized to produce frozen potato fries. Today, Russet Burbank is the main variety grown for the production of frozen potato fries. The food service sector accounts for 90 percent of U.S. frozen potato fry consumption while retail accounts for the remaining 10 percent. With a relatively large U.S. potato crop and a steady domestic demand for fries, U.S. frozen potato fry production in 2000/2001 was 3.7 million tons, up from last year's level of 3.5 million tons. U.S. frozen potato fry production is forecast at 3.55 million tons for

2001/2002, given the expected decline in acreage.

After a decade of record export gains, exports in 2000/01 were 499,003 tons, up from the previous year's level of 463,890 tons. In 2001/02, U.S. exports of frozen fries are projected to increase to 525,000 tons (or 14 percent of domestic fry production), up slightly from the previous year of 499,003 metric tons.

The top 5 U.S. french fry markets accounted for nearly 76 percent of 2000/2001 shipments. These markets were: Japan, with 45 percent of total exports; China/Hong Kong at 12 percent; South Korea and Mexico at 7 percent; and Taiwan at 5 percent. The top five export markets for frozen potato fries ten years ago were Japan, the European Union, South Korea, China/Hong Kong, and Taiwan.
While Japan continues to be the largest market for U.S. frozen potato fries, exports in recent years have leveled-off . The United States is well positioned with a market share of 89 percent. This is largely due to the aging population, slowdown in the expansion in the fast food industry, and Japan's long recession. China is an emerging market with enormous potential. The combination of a booming economy and market reforms is generating a strong demand for variety and convenience in food products. The fast food segment continues to develop rapidly with an estimated annual growth at 20 percent. The U.S. has a market share of 97 percent in China. Opportunities for export expansion of frozen potato fries are strong in South Korea, as hotel, restaurant and institutional sales continue to grow. U.S. exports have benefitted from this growth, which averaged 10 percent annually throughout the 1990's. Over the next decade, restaurant growth will level off, to approximately 2 to 4 percent annually. The strength of Mexico's economy continues to stimulate growth in the food service sector and demand for U.S. frozen potato fries. As elsewhere, U.S. exports of frozen potato fries to Mexico owe the growth to the expansion of fast food outlets. The fast food sector is stagnant due to the downturn in the economy and the earthquake in 1999.

The United States also exports to Europe, particularly to the United Kingdom, but exports have always been erratic and relatively small in comparison to other key markets. U.S. exports generally occur when potatoes are in short supply in Europe, such as in 1998/99, when U.S. fry exports to the European Union were 16,010 tons. In general, transportation costs for frozen potato fries from the U.S. Pacific Northwest are far too high to be economically feasible.

Expansion of the international fast food industry, product quality, rising incomes in many countries, and ongoing Market Access Program 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

The Netherlands potato crop was 7.8 million tons for 2000/01, a slight decrease from last year's crop, The harvest expectations for the Netherlands 2001 potato crop are lower then the 2000 crop given the poor weather, continued problems with bacterial wet rots, and reduced acreage. The acreage for the "bintje" variety, the potato used by the Netherlands potato fry producers, is expected to decline in the near future. The "bintje" variety has always been preferred by processors because it is relatively simple to cultivate and can be used for multiple purposes. However, the Netherlands Dutch processors are increasing relying on other varieties rather than the "bintje" variety due to its quality and crop uncertainty, insufficient length, and increasing consumer concerns about reliance on pesticides.

The Netherlands has the largest industrial frozen potato fry production in Europe with frozen fry production for 2000/01 at 1.4 million tons, an 11-percent increase from the previous year. The production of frozen potato fries for 2001/02 is forecast at 1.35 million tons. Frozen potato fry production accounts for 80 percent of total processing, while dried products, snack and various other products make up the remaining 20 percent.

The Netherlands is by far the largest exporter of frozen potato fries. In 2000/01, the Netherlands exports totaled 1.3 million tons and for 2001/02, exports are forecast at 1.25 million tons. The increase in export volume was partly achieved by clearing stocks. The industry depends largely on export demand, as almost 97 percent of production is sold in foreign markets -- mostly in the European Union (EU). The United Kingdom, Germany, France, and Italy account for 75 percent of the Netherlands exports. The strong growth of American fast food chains in Europe continues to help drive exports of the Netherlands frozen potato fries. Albeit shipments to non-EU countries are very small, exports to these countries continue to grow. Russia, Brazil, and the Middle East are the largest export markets outside the European Union.

Imports of frozen potato fries into the Netherlands have remained small, accounting for less than 5 percent of total Dutch supply.

Canada

Canadian potato farmers continue to expand planted area but at a slower pace than previous years, up less than 1 percent from the planted area a year earlier. Although the official production estimates have not been released for the 2001 crop, early indications are that potato production may not reach last year's level of 4.6 million tons. Some major potato regions of Canada experienced prolonged periods of dry weather during the 2001 growing season. Preliminary estimates from Prince Edward Island, Canada's leading potato producing province, indicated that production during 2001 would be 20 to 50 percent lower than the 2000 crop.

Canadian production of frozen potato fries continued to expand during 2000/01, but at a reduced pace from the double digit growth during the 1990s. Canada's fry production rose approximately 2 percent in 2000/01 to 1,070,000 tons and is forecast to increase by approximately 2 percent to 1.1 million tons for

2001/02. The slowdown can be attributed to a slowdown in plant construction, but further expansion is anticipated as processors plan to invest heavily in new potato processing plants in the western provinces.

Canadian frozen potato fry producers increasingly depend on exports for additional sales. Exports in 2000/01 increased less than 3 percent to 634,297 tons compared to the 20-percent increase a year earlier. The change reflects, in part, slower growth in overall frozen potato fry production in Canada, as the investment in new processing plants slowed. Canadian exports to the United States accounted for more than 87 percent of total frozen potato fry exports in marketing year 2000/01. During this period, exports of fries to the United States grew less than 5 percent to 551,455 tons, valued at U.S. $369.6 million. Canadian fry exports are forecast at 670,000 tons for 2001/02. 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, Venezuela, the Philippines, and Taiwan. An increase in exports to Japan is expected, given Canada's competitive prices.

Canadian imports of U.S. frozen potato fries increased 2000/01. However, given Canada's modern and expanding frozen potato fry industry, which is a "producer-for-export" oriented industry, the demand for imported fries is relatively weak. In addition, continued weakness in the Canadian dollar, which has fallen more than 13 percent against the U.S. dollar over the past four years, is a disincentive to importers.

Australia and New Zealand

Although newcomers to the world potato fry trade, Australia and New Zealand exports of frozen potato fries have gained momentum. In 2000/01 the two countries exported approximately 45,000 tons, up from the previous year's level of 25,000 tons, and nearly four times their level just three years prior. They export primarily to the Southeast Asian region.

The FAS Attache Report search engine contains reports on the Frozen Potato Fry industries for 2 countries, including, Canada and the Netherlands. 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
1999/00	40,000	1,020,000	13,673	1,073,673	618,978	429,695	25,000
2000/01	25,000	1,050,000	17,120	1,092,120	634,297	432,823	25,000
2001/02 F	25,000	1,090,000	15,000	1,130,000	670,000	435,000	25,000
Netherlands 2/ 3/							
1997/98	0	1,267,000	46,000	1,313,000	1,149,000	165,000	0
1998/99	0	1,253,000	56,000	1,309,000	1,161,000	147,000	0
1999/00	0	1,274,500	102,000	1,376,500	1,179,000	198,000	0
2000/01	0	1,419,500	158,000	1,577,500	1,306,000	272,000	0
2001/02 F	0	1,350,000	125,000	1,475,000	1,250,000	225,000	0
United States 4/ 5/ 6/							
1997/98	463,662	3,283,804	338,758	4,086,224	424,570	3,191,646	470,008
1998/99	473,542	3,565,812	367,502	4,406,856	473,238	3,495,465	438,153
1999/00	444,028	3,497,555	464,966	4,406,549	463,890	3,520,899	421,760
2000/01	421,760	3,664,031	495,059	4,580,850	499,003	3,590,386	491,461
2001/02 F	491,461	3,550,000	520,000	4,561,461	525,000	3,561,461	475,000
TOTAL							
1997/98	508,662	5,410,804	412,491	6,331,957	2,021,247	3,791,702	520,008
1998/99	523,542	5,728,812	447,486	6,699,840	2,150,478	4,070,209	478,153
1999/00	484,028	5,792,055	580,639	6,856,722	2,261,868	4,148,594	446,760
2000/01	446,760	6,133,531	670,179	7,250,470	2,439,300	4,295,209	516,461
2001/02 F	516,461	5,990,000	660,000	7,166,461	2,445,000	4,221,461	500,000

1/ July-June Marketing Year
2/ No published stocks data.
3/ PS&D figures are arithmetically derived.
4/ Stocks data from the USDA/National Agricultural Statistics Service Cold Storage Report.
5/ Export and import data from U.S. Bureau of Census with 2001/02 forecasts from industry sources.
6/ Production figues are derived from USDA/National Agricultural Stat. Service Potatoes 2000 Summary Report. A conversion factor of 0.55 is used to estimate frozen potato fry production based on the potatoes utilized for processing.

F = forecast