

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## China - Peoples Republic of

**Post:** Beijing

### Potato Annual 2013

**Report Categories:**

Potatoes and Potato Products

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**Report Highlights:**

China's MY2013/14 fresh potato production is forecast stable at 81 million metric tons (MMT) but growth in processing potatoes remains constrained by limited supply and inadequate storage facilities.

China's MY2013/14 potato starch imports are forecast at 41,000 metric tons, up 10 percent from MY2012/13, due to a decline in domestic production and higher domestic prices. Anti-dumping duties on EU potato starch will continue another five years. China's MY2013/14 frozen french fry imports are forecast at 133,000 metric tons, a 12 percent increase from the MY2012/13, to fill a supply gap resulting from growing demand and stable domestic production.

**General Information:**

China's MY2013/14 fresh potato production forecast shows stable production at 81 million metric tons (MMT). Although China's potato processing sectors has developed rapidly in recent years, limited supply and inadequate storage facilities hamper additional growth prospects. Additionally, China's frozen french fry (FFF) rising consumption trend has slowed somewhat due to health and diet concerns related to fast food consumption. Nevertheless, China's MY2013/14 FFF imports are forecast at 133,000 metric tons, a 12 percent increase from the MY2012/13, due to a supply gap between higher demand and stable domestic production.

China's MY2013/14 potato starch imports are forecast at 41,000 metric tons, up 10 percent from MY2012/13, a result of lower domestic production and higher domestic prices. China's Ministry of Commerce announced in February 2013 that anti-dumping duties on EU potato starch imports would be imposed for another five years.

**Production:**

China's status as the world's largest potato producer is notable given its relatively low yields, compared to other major producers, due to common usage of low-quality seed potatoes and incidents of disease.

*Fresh Potatoes*

China's MY2013/14 fresh potato forecast of 81 MMT, compared to 81.5MMT in MY 12/13, shows stable production. China's potato production has traditionally been produced on marginal land but recently, due to rising prices for processing potatoes, production of these potatoes is on the rise in more fertile areas in the north and southeast.

Potato production is generally found in four growing zones in China:

- 1) A northern single crop zone - This area accounts for 50 percent of China's total potato acreage. The potatoes produced in this area are mainly used for seed potatoes, direct consumption and processing. This zone includes Heilongjiang, Jilin, Liaoning, Inner Mongolia, Gansu, Xinjiang, Qinghai, Ningxia, Shanxi and Shaanxi provinces.
- 2) A southwestern mixed crop zone - This area accounts for 37 percent of China's total potato acreage. The potatoes produced in this area are mainly used for processing and direct consumption. This zone includes Sichuan, Guizhou, Yunnan, Tibet, Chongqing, and part of Hunan and Hubei provinces.
- 3) A central double crop zone - This area accounts for 8 percent of total acreage. The potatoes produced in this area are mainly for export and direct consumption.
- 4) A winter crop zone - This area accounts for 5 percent of total acreage. The potatoes produced in this area are mainly for export and direct consumption.

*Processed Potatoes*

Processing potatoes account for about 10 percent of total production, and include popular products such as chips, frozen french fries and starch. Strong consumer demand has supported rapid development of the potato processing sectors. According to industry statistics, China processed over eight MMT of fresh potatoes in MY2012/13. However, despite China's large fresh potato production, the amount that meet the strict processing requirements for shape, starch content, sugar, color and moisture, remains limited.

Thus, many potato processing operations only run four to six months due to limited supplies and inadequate and outdated storage facilities.

### *Potato Chips*

China's potato chip production continues a growth trend in response to strong market demand. Post estimates China's sliced potato chip and fabricated potato chip production at 175,000 metric tons and 200,000 metric tons, in MY2012/13, a 10 percent and 11 percent increase from the previous year, respectively. China has over 50 sliced potato chip processing lines and 100 fabricated potato chip processing lines.

### *Frozen French Fries (FFF)*

China's MY2013/14 FFF production is forecast at 125,000 metric tons, similar to the estimated 120,000 metric tons in MY2012/13. FFF production has strict fresh potato requirements, such as shape, starch content, sugar content, and color. Therefore, processors usually contract with farmers to produce potatoes which meet certain quality conditions. Due to a well-publicized poultry disease outbreak in March 2012, processors limited their contracts with potato farmers in anticipation of a slump in consumer demand for poultry-related fast food, especially at Kentucky Fried Chicken and McDonald's, who are the largest FFF potato buyers. As a result, industry expects China's FFF production in MY2013/14 won't show significant growth from MY2012/13 production.

### *Potato Starch*

China's MY2013/14 potato starch production is forecast at 350,000 metric tons, a slight decrease from 375,000 metric tons in MY2012/13. While China's potato starch production capacity exceeds one million metric tons, limited supply, inadequate storage facilities and outdated technology typically keeps production between 350,000-500,000 metric tons.

#### **Consumption:**

Industry sources note that about sixty percent of fresh potatoes are used for direct consumption, seven percent for seed potatoes, eight percent for animal feed, and ten percent for processing, with crop losses as high as fifteen percent in storage.

Potato starch is widely used in food products and is also consumed by other industrial sectors such as textile, paper mill, chemical, and pharmaceutical industries. Potato starch consumption fluctuates with price as other starch inputs, such as corn and bean, are easily substituted for potato starch.

After years of rapid increase, China's FFF consumption has slowed recently due to health and diet concerns related to fast food consumption. Industry believes China's FFF consumption will continue to increase in the future, however, at a more moderate pace.

#### **Trade:**

## *Imports*

### Potato Starch

Post forecasts China's MY2013/14 potato starch (H.S. code: 11081300) imports will increase to 41,000 metric tons, up 10 percent from 37,440 metric tons in MY2012/13, due to a decline in domestic production and higher domestic prices. Industry sources note that the current season farm gate price for starch potatoes has risen about 10-15 percent over last year to reach RMB800/MT, a factor which may continue to influence potato starch import demand if prices remain high into the new marketing year.

China imposed anti-dumping duties on imported potato starch from the EU in 2007. After the duties expired, the MOFCOM launched a review of its anti-dumping measures on Feb. 3, 2012 at the request of the China Starch Industry Association. On February 5, 2013, China's Ministry of Commerce announced it would extend anti-dumping duties on EU potato starch imports for another five years. Please refer to GAIN [CH12076](#) for more background information on the antidumping case.

### Frozen French Fries (FFF)

Post forecast's China's MY2013/14 FFF imports (H.S. Code: 20041000) at 133,000 metric tons, a 12 percent increase from the MY2012/13 of 119,091 metric tons, due to the growing demand but stable domestic production. The United States continues to dominate China's FFF import market, with 79 percent market share in MY2012/13, followed by Canada, Belgium, and the Netherlands, which combined accounted for 17 percent of China's total FFF imports in MY2012/13.

U.S. FFF exports to China continue to show strong potential because the price gap between imported and locally-produced FFF has narrowed to around 15 percent from over 40 percent several years ago. According to industry sources, the farm gate purchase price of FFF potatoes increased 20 percent to RMB650/MT in the new season. Industry expects the price of China's domestically produced FFF will rise in MY2013/14, thus increasing imported FFF competitiveness with locally-produced FFF.

### Fresh Potatoes

China does not allow market access for fresh potato imports.

## *Exports*

China remains a modest exporter of potato and potato products. China's annual exports of fresh potatoes have held stable at 300,000-350,000 metric tons since MY05/06, a negligible amount considering China annual production of over 80 MMT. Malaysia, Vietnam, and Russia are China's three largest export markets and accounted for 75 percent of China's total fresh potato exports in MY12/13.

China's MY13/14 FFF exports are forecast at 16,000 metric tons, a slight increase over 15,888 metric tons exported in MY12/13. Japan continues to be the largest buyer of China's FFF, accounting for 71 percent of China's total exports in MY12/13.

### **Marketing:**

Quick Service Restaurant (QSR) chains continue to be the largest buyers of frozen potato products in China, along with hotels, restaurants, and bars. For longer-term development, the addition of China-based QSRs should provide more opportunities for incorporating frozen, dehydrated, and chipping potatoes into their menus.

While FFF is available at certain retail outlets, at-home consumption of FFF is still limited. Industry marketing campaigns should target middle-class groups with greater exposure to Western media and younger generations that prefer convenient foods and are therefore more likely to incorporate western style food into their diets.

### Production, Supply and Demand Data Statistics :

Table 1. Fresh potato PSD table

Fresh Potatoes					1000 HA, 1000 MT	
	2011		2012		2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Year Begin		09-2011		09-2012		09-2013
Area Planted	0	5,505	0	5,205	0	5,200
Area Harvested	0	5,505	0	5,205	0	5,200
Beginning Stocks	0	0	0	0	0	0
Production, Commercial	0	85,530	0	81,540	0	81,000
Imports	0	0	0	0	0	0
Total Supply	0	85,530	0	81,540	0	81,000
Exports, Fresh	0	357	0	360	0	350
Processing	0	8,550	0	8,150	0	8,100
Domestic Fresh Market	0	51,300	0	48,900	0	48,600
Feed Waste	0	25,323	0	24,130	0	23,950
Total Dom. Consumption	0	85,173	0	81,180	0	80,650
Ending Stocks	0	0	0	0	0	0
Total Distribution	0	85,500	0	81,540	0	81,000

Table 2. Frozen potato product PSD table

Potato Products, Frozen					MT	
	2011		2012		2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Year Begin		09-2011		09-2012		09-2013
Beginning Stocks	0	0	0	0	0	0
Production	0	100,000	0	120,000	0	125,000
Imports	0	123,543	0	119,091	0	133,000
Total Supply	0	223,543	0	239,091	0	258,000
Exports	0	15,506	0	15,888	0	16,000
Domestic Consumption	0	208,037	0	223,203	0	242,000
Ending Stocks	0	0	0	0	0	0

Total Distribution	0	223,543	0	239,091	0	258,000
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