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Date: 10/3/2011

GAIN Report Number: NL1015

EU-27

Potatoes and Potato Products Annual

Annual Market & Competitor Report

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Report Highlights:

EU exports of frozen potato products in MY11/12 are expected to increase. This will create additional competition for US exports in export markets like Japan, Saudi Arabia, the UAE and Brazil.

Executive Summary

Ware potato production in 2011 is expected to increase in the EU. Given a stable demand from the fresh market, the output of potato products for MY11/12 is also expected to be slightly higher than in the previous marketing year. Subsequently, EU exports in MY11/12 are also expected to increase, which will likely create additional competition for US exports in markets like Japan, Saudi Arabia, the UAE and Japan.

Report

This Potatoes & Potato Products report is an Annual Market & Competitor report. For the purpose of this report, the focus is on potato production and processing in the Netherlands, Belgium, France, Germany and Poland and on EU-27 exports of Frozen Potato Products (HS 200410). The EU-27 Frozen Potatoes exports (HS 071010) are not part of this report since they are not significant. Valuable contributions were made from the following Foreign Agricultural Service analysts:

Xavier Audran	FAS/Paris covering France
Tania DeBelder	USEU/FAS Brussels covering EU policy
Agatha Kingsbury	FAS/Warsaw covering Poland
Leif Rehder	FAS/Berlin covering Germany

I. Policy

There are no policy changes to report on since the 2007 EU Common Market Organization for Fruits and Vegetables (CMO). The aim then was to bring the F&V sector in line with other agricultural sectors that were already reformed under the Common Agricultural Policy (CAP).

II. Potato Production

Belgium and the Netherlands

The production of ware potato in the Netherlands and Belgium together is expected to be around 7.4 MMT. Despite a decrease of potato acreage (-1.3 percent), production will be up by 3.8 percent as a result of higher yields (+5.1 percent). The latter is the result of an overall favorable growth season which had a positive effect on the quality of the potatoes.

Table 1: Ware potato production in Belgium and the Netherlands, MT

	*2008	*2009	*2010	**2011
Belgium	2,974,180	3,276,257	3,593,939	3,862,900
The Netherlands	3,630,985	3,644,907	3,549,489	3,550,027
Total	6,605,165	6,921,164	7,143,428	7,412,927

Source: PCA Research Center Potato Production, NIS National Institute for Statistics, CBS Bureau of Statistics

* Revised figures

** FAS/The Hague Forecast

France

At 5.6 MMT, the 2011 French potato harvest is up by 10 percent from 2010 because of increased area (+4 percent) and a higher yield (+6 percent). Quality is reported to be good with more large sized potatoes due to the good weather conditions throughout the growing season.

Table 2: Ware potato production in France, MT

	2008	2009	*2010	**2011

France	5,075,028	5,356,597	5,061,053	5,577,000

* Semi definitive figure

** French Ministry of Food and Agriculture Estimates

Germany

Total potato production in 2011 is forecast to reach more than 11 MMT, ten percent more than in 2010. German farmers expanded the area by two percent, but the main reason for the higher production is better growing conditions than last year. The planting and growing conditions in early spring were good. This was followed by drought in late spring and rainfall in summer. Roughly 60-65 percent of the total German potato harvest is considered ware potatoes.

Table 3: Ware potato production in Germany, MT

	2008	2009	2010	*2011
Germany	7,090,000	7,302,000	6,300,000	7,000,000

Source: German Statistics Office

* FAS/Berlin Forecast

Poland

Production in 2011 is expected to be down 7 percent compared to 2010, due to less cultivated acreage – 491,000 Ha (in 2010) versus 400,000 Ha (in 2011). While average yield is higher, quality of ware potatoes is lower due to less favorable weather conditions during the growing season.

Table 4: Ware potato production in Poland, MT

	2008	2009	2010	*2011
Poland	10,462,000	9,230,000	8,800,000	8,200,000

Source: National Research Institute of Agricultural and Food Economics

* FAS/Warsaw Forecast

III. Potato Processing

Belgium and the Netherlands

Last year, Belgium processed almost 3.3 MMT of potatoes, yielding 1.7 MMT of product. The output of pre-fried potato products totaled almost 1.1 MMT (product weight). The industry expects the output for this year to be up, mainly driven by a higher expected harvest. The expanded processing capacity is expected to be fully utilized this season.

Table 5: Belgian output of Potato Products, 1,000 MT

	CY 07	CY 08	CY 09	*CY 10	**CY11
Pre-fried products [1]	771	909	990	1,093	1,185
Other products	497	438	528	614	690
Total	1,268	1,348	1,517	1,707	1,875

Source: Belgapom Belgian potato trade and processing organization

* Revised figures

** FAS/The Hague Estimates

In the Netherlands, almost 2.4 MMT Dutch potatoes were used for further processing MY 10/11. In addition,

almost 1.1 MMT potatoes were imported to fully utilize the processors' capacity.

For MY 11/12, total output of potato products is expected to be similar to previous year. Industry sources have indicated that this year's potatoes have an excellent size and high dry matter content. The pre-fried potato products industry in both Belgium and the Netherlands is strongly focused on export markets outside the EU-27.

Table 6: Dutch output of Potato Products, 1,000 MT

	MY 07/08	MY 08/09	MY 09/10	MY 10/11	*MY 11/12
Pre-fried products [2]	1,356	1,370	1,442	1,430	1,438
Other products	404	387	404	396	396
Total	1,760	1,757	1,846	1,826	1,834

Source: Product Board Arable Products
*FAS/The Hague Forecast

France
In 2010, 1.6 MMT of potatoes were processed, yielding close to 550,000 MT of potato products, of which 350,000 MT are pre-fried products. Production of potato products is expected to slightly decline this year as older uncompetitive plants are closed down. Most of the processing plants are located in the northern part of France, close to Belgium.

Germany
German processing of potatoes for food products is gradually increasing at the expense of fresh consumption. This trend will continue in MY 11/12. Because of the low harvest in the last Marketing Year the processors were forced to lower their quality and size standards and pay high material prices. This year, the situation has changed. Prices are already under pressure, the yields are above average and the processors will face no problems with qualities or standard sizes.

Table 7: German output of Potato Products, 1,000 MT

	MY 07/08	MY 08/09	MY 09/10	MY 10/11	*MY 11/12
Pre-fried products [3]	920	950	1,000	900	950
Other products	2,203	2,250	2,250	2,200	2,250
Total	3,123	3,200	3,250	3,100	3,200

Source: ZMP Market Balance and AMI – Agrarmarkt-Informationsgesellschaft
* FAS/Berlin Forecast

Poland
Table 8: Poland output of Potato Products, 1,000 MT

	CY 08	CY 09	CY 10	CY 11
Pre-fried products [4]	216	221	225	N.A.

Source: National Research Institute of Agricultural and Food Economics, Ministry of Finance, National Statistic Office

IV. EU-27 Frozen Potato Products Exports and Outlook
The majority of the EU trade in frozen potato products is within the EU. Exports of frozen potato products to non-EU countries represent almost one-fifth and this share continues to grow. The main markets outside the

EU-27 include Brazil, Saudi Arabia and Russia, covering almost 40% of EU-27 exports. Other markets include South Africa, Australia, the UAE and Chile.

Table 9: EU-27 Exports of Frozen Potato Products, MT

	MY 07/08	MY 08/09	MY 09/10	MY10/11
World	2,938,161	3,085,990	3,360,173	3,671,548
EU-27	2,472,225	2,645,956	2,723,745	2,964,621
Non-EU 27	465,936	440,034	636,428	706,927
Brazil	52,556	34,788	112,961	109,479
Saudi Arabia	69,177	73,994	75,255	108,417
Russia	65,423	57,631	59,729	66,871
South Africa	19,841	4,971	35,337	30,156
Australia	21,240	28,676	22,201	29,928
United Arab Emirates	21,841	18,017	25,568	27,372
Chile	10,886	13,223	22,556	27,275
Malaysia	9,722	15,358	20,895	23,183
Kuwait	16,194	10,653	17,765	18,234
Japan	9,265	13,605	16,481	14,913
Other	169,791	169,118	227,680	251,099

Source: Global Trade Atlas

Within the EU-27, the Netherlands is the leading exporter of frozen potato products, followed closely by Belgium. In MY 10/11, Netherlands' exports to third markets totaled 310,755 MT, up by 20 percent, while Belgium's exports totaled 249,185 MT, up by 3%. Together, they are responsible for almost 80% of total EU-27 exports. Their combined leading markets continue to be Brazil and Saudi Arabia.

Poland, Germany and France are also active on the export market, exporting respectively 76,775 MT, 30,575 MT and 31,870 MT. Mainly due to its geographical location, Poland is the leading EU supplier to Russia; other markets include Ukraine, Serbia, Croatia and Belarus. France's main export market outside the EU is Saudi Arabia while the prime export markets for German potato products are Brazil, the UAE and Japan.

Given the good size and quality of potatoes this year, the industry is expected to produce excellent and competitive fries for export markets. Export opportunities are primarily determined by developments of the HRI sector (mainly fast food) in export markets. As a result, EU exporters have been able to profit from growing demand in emerging markets in South East Asia, Middle East and Latin America. The development of these economy offer additional opportunities.

Price, freight and exchange rate continue to impact trade opportunities as well. The Prices that are currently paid for ware potatoes in North West Europe are low. This confirms the processors' expectation that this year's potato harvest will be good. Industry sources expect price to change when the harvesting season starts. If at then the quality of the potato is not as excellent as expected and the weather conditions make it challenging to harvest the potatoes, price can go up rapidly. It is also important to mention that only roughly a quarter of potatoes are sold against day prices. The vast majority of potatoes are sold under contact. This means that early in the year, farmers negotiate with processors about the quantity, price and other conditions under which they are selling their potatoes.

EU trade has benefitted from lower freight costs due to overcapacity in freight shipping. Finally the on-going

development of trade agreements between the EU and third countries might offer additional potential.

The EU is expected to have an excellent potato harvest; a somewhat higher production of potato products is therefore expected. Depending on the demand for potato products within the EU, it is expected that between 3 to 5 percent additional product will be available for third markets in MY11/12. FAS/The Hague expects the Netherlands and Belgium to continue to dominate EU exports of potato products. Export to Russia, EU's third exported market is will be more difficult in MY11/12 since Russia and also Ukraine are expected to have a good potato year themselves.

Previous reports from FAS/The Hague on this subject can be found on http://www.fas.usda.gov/scriptsw/attacherep/default.asp. Below you will find a selection of related reports from FAS/The Hague and other FAS Posts.

Report Number	Report Title	Date Released
NL9034	EU Potato Products Annual	12/22/2009
NL0025	EU Potato Products Annual	10/22/2010

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Appendix I

Netherlands	Year	Harvested Acreage (Ha)	Yield (Kg/Ha)	Total Production (MT)
Ware Potatoes	2006	69,110	44,500	3,076,946
	2007	72,245	49,900	3,604,277
	2008	69,302	52,400	3,630,985
	*2009	70,365	51,800	3,644,907
	*2010	71,852	49,400	3,549,489
	**2011	71,300	49,790	3,550,027

Source: CBS Bureau of Statistics, Product Board Arable Products
* Revised figures
** FAS/The Hague Estimates

Belgium	Year	Harvested Acreage (Ha)	Yield (Kg/Ha)	Total Production (MT)
Ware Potatoes	2005	62,501	46,100	2,879,568
	2006	64,685	42,200	2,727,737
	2007	65,402	51,000	3,333,155
	*2008	61,450	48,400	2,974,180

*2009	71,534	45,800	3,276,257
*2010	78,642	45,700	3,593,939
**2011	77,258	50,000	3,862,900

Source: PCA Research Center Potato Production, NIS National Institute for Statistics

* Revised figures

** FAS/The Hague Estimates

[1] Mainly fries

[2] Mainly fries

[3] Mainly fries

[4] Mainly fries and chips