USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 9/29/2014
GAIN Report Number: NL4036

EU-28

Potatoes and Potato Products Annual

EU exports of frozen potato products are expected to be up

Approved By:
Mary Ellen Smith

Prepared By:
Marcel Pinckaers

Report Highlights:
Driven by a higher potato production in MY2014/15, EU exports of frozen potato products are expected to be up. Export opportunities are especially found in emerging market and will be further defined by geopolitical developments. The U.S. will continue to compete with the EU in markets like Chile, Australia, Saudi Arabia and Malaysia.

This Potatoes & Potato Products report is an Annual report. For the purpose of this report, the focus is on EU exports of Frozen Potato Products (HS 200410). 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
Mira Kobuszynska	FAS/Warsaw covering Poland
Marcel Pinckaers	FAS/The Hague covering the Netherlands and Belgium
Leif Rehder	FAS/Berlin covering Germany

EU Policy

The reform of the Common Market Organization in fruit and vegetables of 2007 made all areas in the EU eligible for payments, irrespective of the crop being produced. Potato operators can profit from EU actions on promotion aimed at positioning EU's agriculture and food industry to seize new market opportunities. In addition, the European Union created systems such as PDO (Protected Designation of Origin) and PGI (Protected Geographical Indication) to promote and protect food products. Potato producers are entitled to benefit from these systems.

On August 7, 2014, the Russian Government implemented sanctions on a wide range of products from the EU. The ban will not affect directly the EU-28 exports of Frozen Potato Products as this product group is at the moment not on Russia's list of banned products. Although ware potatoes are on the list, it will not affect trade this Marketing Year (MY) due to the fact that Russia already banned EU ware potatoes since July 1, 2013 because of phytosanitary reasons.

EU Exports and Outlook

The Netherlands, Belgium, Poland, France, and Germany dominate EU exports of frozen potato products. The production of ware potatoes in these countries this year is therefore a good indicator for forecasted EU exports for MY2014/15. Their combined production is expected to be up by 2.6 million MT or 12 percent, see table 1. The growth in production is supported by a higher acreage of potatoes and more importantly an expected higher yield per hectare, especially in Germany and Belgium. It is also however important to keep in mind that if the current unfavorable weather conditions for harvesting continue, the quality of ware potatoes might temper the mood.

Table 1: Ware potato production in selected EU Member States, million MT

	MY2011/12	MY2012/13	*MY2013/14	**MY2014/15	Change (2014 – 2013)
Germany	7.5	7.1	6.4	7.3	+ 0.9
France	5.7	4.7	5.3	5.7	+ 0.4
Poland	4.0	4.2	3.9	4.2	+ 0.3
Belgium	4.2	2.9	3.4	4.1	+ 0.7
Netherlands	3.9	3.4	3.5	3.8	+ 0.3
Total	25.3	22.3	22.5	25.1	+ 2.6

Source: FAS European Posts
* Revised figures
** FAS European Posts' Forecast

Trade in frozen potato products is still dominated by trade between the EU member states. Member states' exports to third markets however continue to grow and represent a quarter of total exports. EU exports of frozen potato products to these markets more than doubled in past five years and reached more than 1 million MT in MY2013/14, see table 2. The Netherlands is the EU's leading exporter of frozen potato products, followed closely by Belgium. In MY2013/14 the Netherlands' exports to third markets totaled 452,000 MT, up by 13 percent, while Belgium's exports totaled 370,000 MT, up by 6 percent. Together, the Netherlands and Belgium are responsible for 80 percent of total EU exports. Their combined leading export markets continue to be Saudi Arabia and Brazil.

Poland, France and Germany are also active on third markets, exporting respectively 105,000 MT, 53,000 MT and 49,000 MT in MY2013/14. Polish exports, up by 14 percent, continue to increase year after year and are driven by growing demand from its leading export market Russia. Due to its geographical location, Poland is in addition an important supplier to the fast food industry in the Ukraine, Serbia, Kazakhstan and Belarus.

Table 2: EU Exports of Frozen Potato Products, MT

	MY2011/12	MY2012/13	*MY2013/14	**MY2014/15
-Brazil	125,262	143,846	160,211	195,000
-Saudi Arabia	133,579	133,677	159,337	195,000
-Russia	75,799	86,586	102,719	130,000
-Chile	34,058	49,630	62,358	80,000
-United Arab Emirates	32,522	33,013	44,404	60,000
-Australia	54,360	43,874	33,973	40,000
-Malaysia	27,656	28,324	27,784	30,000
-Japan	18,034	26,240	26,477	30,000
-Kuwait	23,657	23,931	24,197	25,000
-Jordan	10,774	13,849	24,026	40,000
-Thailand	13,138	16,882	22,440	30,000
-United States	17,845	22,172	8,427	10,000
-Other	282,358	332,797	341,548	350,000
Total	849,662	954,821	1,037,901	1,215,000

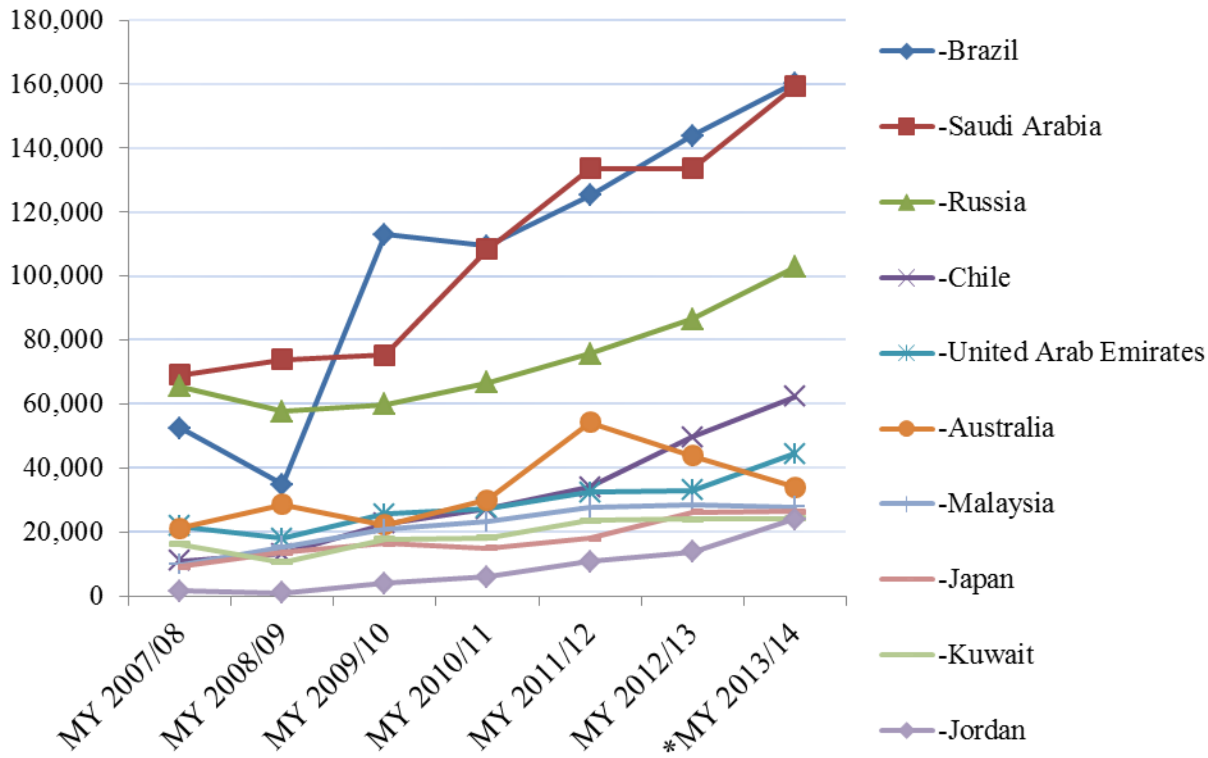
Source: Global Trade Atlas

* Revised figures

** FAS/The Hague Forecast

More ware potatoes are expected to be shipped to markets outside the EU. Some ware potatoes are sold against day prices but the majority is sold under contract. Given the expected higher production of ware potatoes this year, day prices have dropped to a record low €1,50 - €3,00 per 100 kg and there are no indications that prices will recover soon. This makes ware potatoes not under contract more competitive internationally. More ware potatoes are expected to be shipped to international markets in Africa and to a lesser extent to Azerbaijan, Moldova and Ukraine. Last year the EU exported 530 thousand MT, this year exports to third markets are expected to go up to 600 thousand MT. Russia used to be the largest market for EU ware potatoes but is due to recent developments it is not expected to become a market again soon.

Figure 1: Development of EU exports to top 10 markets



Source: Global Trade Atlas
* Revised figures

There will still be enough good quality ware potatoes available for further processing. As a result more frozen potato products will be available and at competitive prices, especially given the current favorable exchange rate. Export opportunities for EU frozen potato products are in addition determined by developments of the demand side. The growing per capita consumption on frozen potato products and the further development of the fast food industry, both in emerging markets, offer additional opportunities for EU fries this year. Export opportunities are especially found in the Middle East, Russia, Latin America and South East Asia. The export opportunities will furthermore be defined by geopolitical developments throughout the year. The U.S. will continue to compete with the EU in markets like Chile, Australia, Saudi Arabia and Malaysia.

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.

Report Number	Report Title	Date Released
NL9034	EU Potato Products Annual	12/22/2009
NL0025	EU Potato Products Annual	10/22/2010
NL1020	EU Potato Products Annual	10/03/2011
NL2028	EU Potato Products Annual	09/27/2012
NL3037	EU Potato Products Annual	12/10/2013
PL1345	Poland's Potato Production	12/23/2013

For more information, please contact:
Marcel Pinckaers

USDA FAS/The Hague
Lange Voorhout 102, 2514 EJ The Hague, Netherlands
Phone: +31-70-310-2305
E-mail: PinckaersM@state.gov
Website: http://thehague.usembassy.gov/fas.html and www.fas.usda.gov