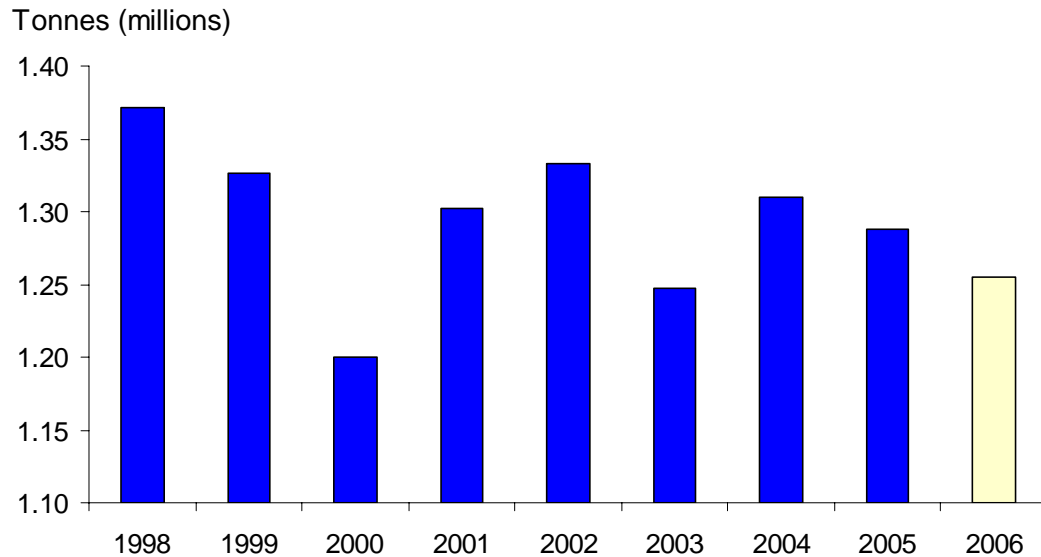


# Vegetable Spotlight – Potatoes

## Snapshot

- Potatoes are Australia's largest vegetable crop, accounting for 17.4% of total vegetable production with a gross value of \$465.1m in 2005/06.
- Potato production is slowly but steadily falling.
- AUSVEG Ltd estimates that annual per capita consumption of potatoes has fallen to 62 kg in recent years.
- Potato growers are raising productivity with yields trending upwards.
- Supplying domestic markets has been the main focus of potato growers.
- Exports are important but there is little growth and the search for export markets is underway although hindered by trade barriers.
- Trade pressures are growing in the processing area with imports of frozen potatoes trending strongly upwards.

## National Production

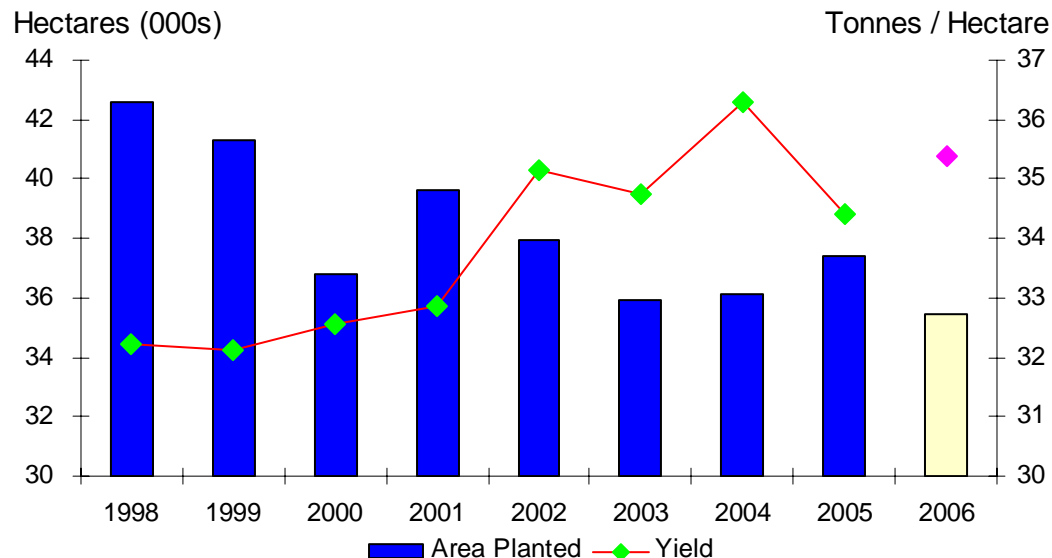


The Australian Bureau of Statistics employed a new methodology in collecting records for the 2005/06 Agricultural Census. As a result, the data generated from the census – such as production volumes, area planted and yields – are not directly comparable to historical statistics. Readers should use this material with caution.

## Current Australian Potato Production

- Australian potato production totalled 1,255,463 tonnes in 2006.
- The area planted was 35,485 hectares.
- The average yield per hectare over the year was 35.4 tonnes.
- These numbers are in line with historical data.

## Area Planted v Yield

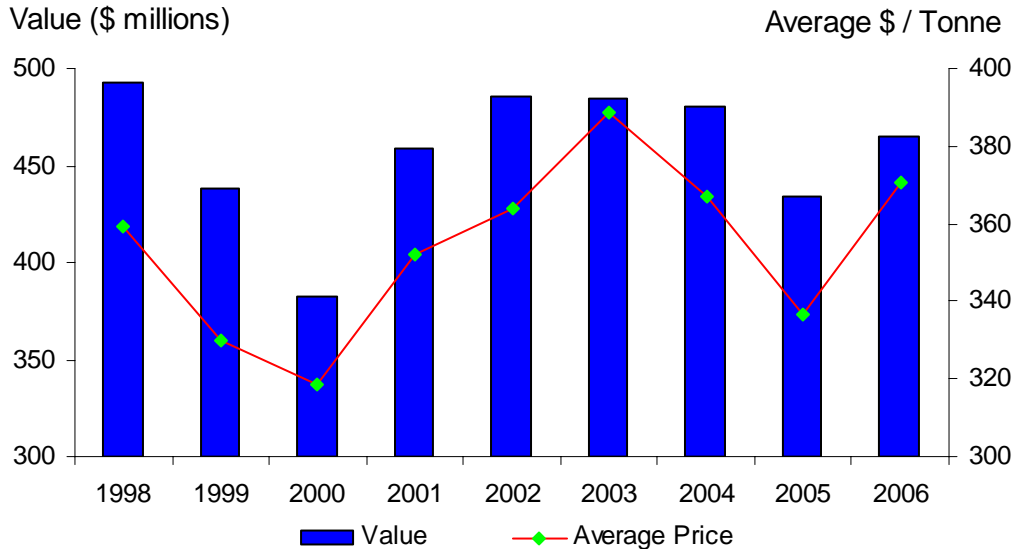


## Long Term Production Trends

- Potato production has slowed and the area planted trended down in recent years.
- In contrast, yields had been rising for the past decade.
- The latest figures are largely consistent with these overall movements.

## Value of Potato Production

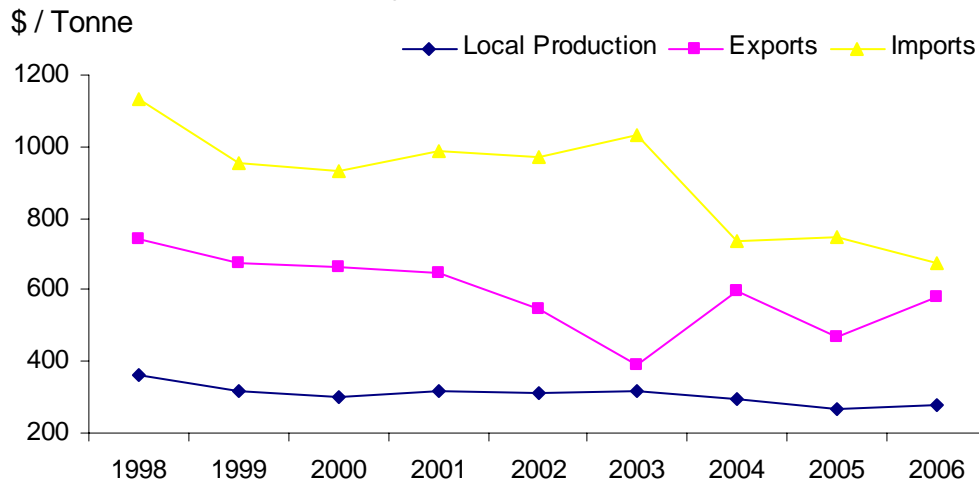
### Value of Production



### Domestic Value of Production

- The gross value of potatoes grown in Australia in 2006 was \$465.1 million.
- This is an increase of 7% on the previous 12 months, despite lower production figures.
- The national gross unit value (average price per tonne) rebounded 10% after falling in the previous two periods.
- Until a share of the retail price increases in Australian capital cities is passed on to growers, it is unlikely that the industry will break the current slide in production levels.

### Inflation Adjusted Value per Tonne



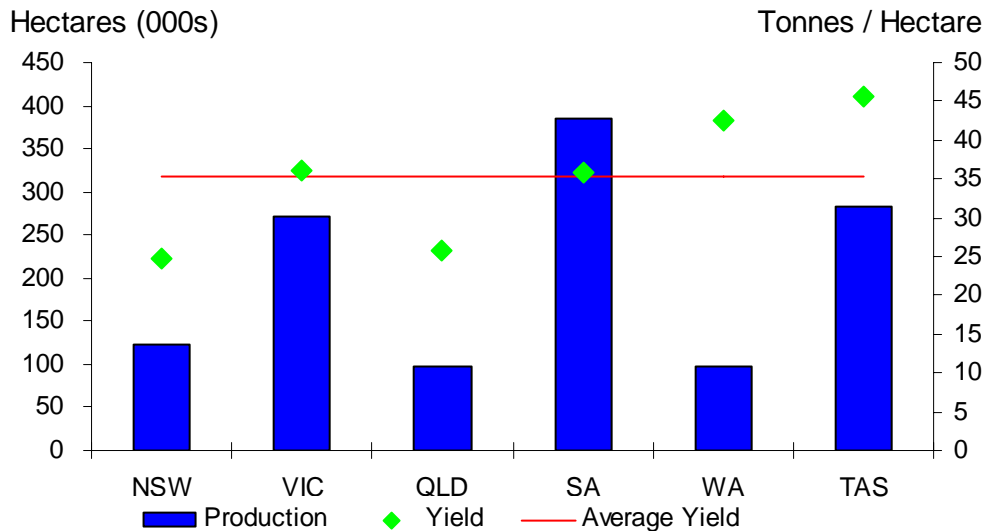
Adjusted for CPI (food), base year 1998. Source: Reserve Bank of Australia

### Potato Pricing in Australia

- In Australian dollar terms, the per unit value of potato imports has been greater than that of exports. However this gap has narrowed in recent years with the appreciation of the currency in foreign exchange markets.
- After accounting for inflation, the average price of potatoes has fallen across all sectors since 1998.
- Lower potato prices have been reflected in movements in trade volumes (lower exports and higher imports).

## State Potato Production

### Production v Yield



- Victoria (22%), South Australia (31%) and Tasmania (23%) produce approximately 75% of the national potato crop.
- Production from S.A. has become increasingly important as output from Victoria and Tasmania continues to fall.
- Tasmanian potatoes are primarily used for processing in contrast to the other states.
- In the past three years, the volatility of production in Victoria and Tasmania has been reflected in changes to the total harvest.

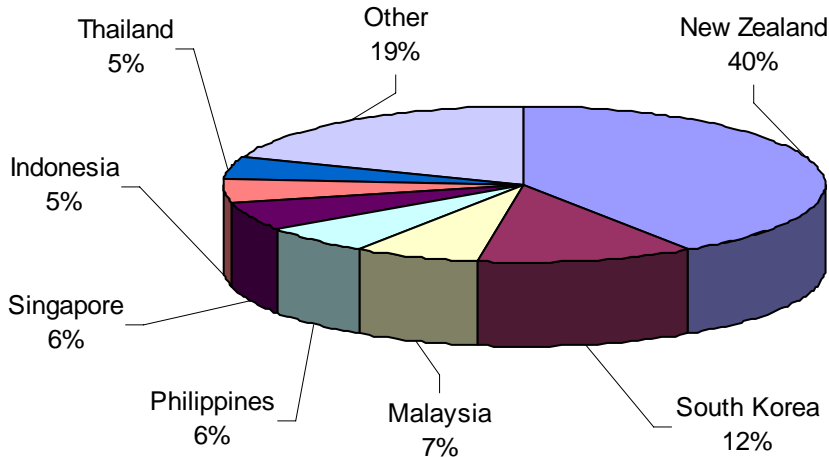
## Potato Consumption

Period	Average for 3 years ending (kg)	Source
1979	50.1	ABS estimate
1989	61.5	ABS estimate
1999	68.0	ABS estimate
2006	61.9	AUSVEG Ltd estimate

- Data on consumption is fragmented and dated.
- The latest official statistics (1997-99) estimate that on average Australians consumed 68kg of potatoes per person out of a total 162 kg of vegetables.
- Per capita consumption was on the rise in the 20 years prior to the end of the decade.
- However AUSVEG Ltd estimates that consumption has fallen in recent years down to 61.9 kg per capita.
- This may reflect changing lifestyle patterns and concern about carbohydrate intake.

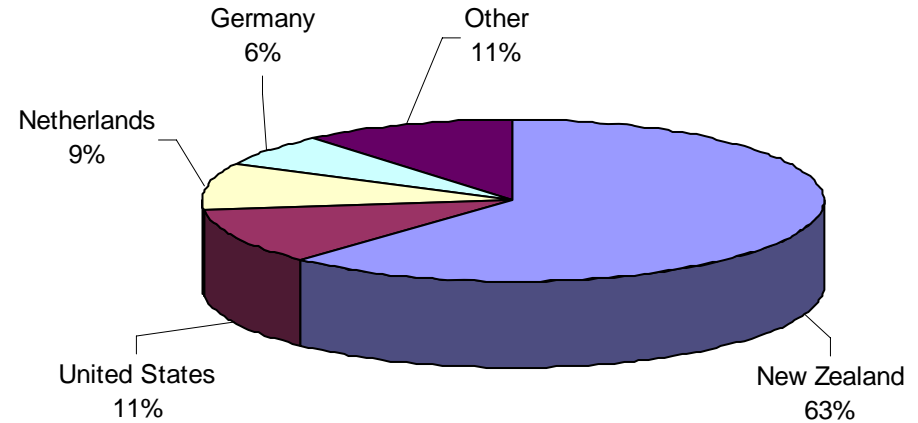
## Characteristics of Australian Potato Trade

### Australian Exports



Total Value of Exports = \$33.0 million

### Australian Imports

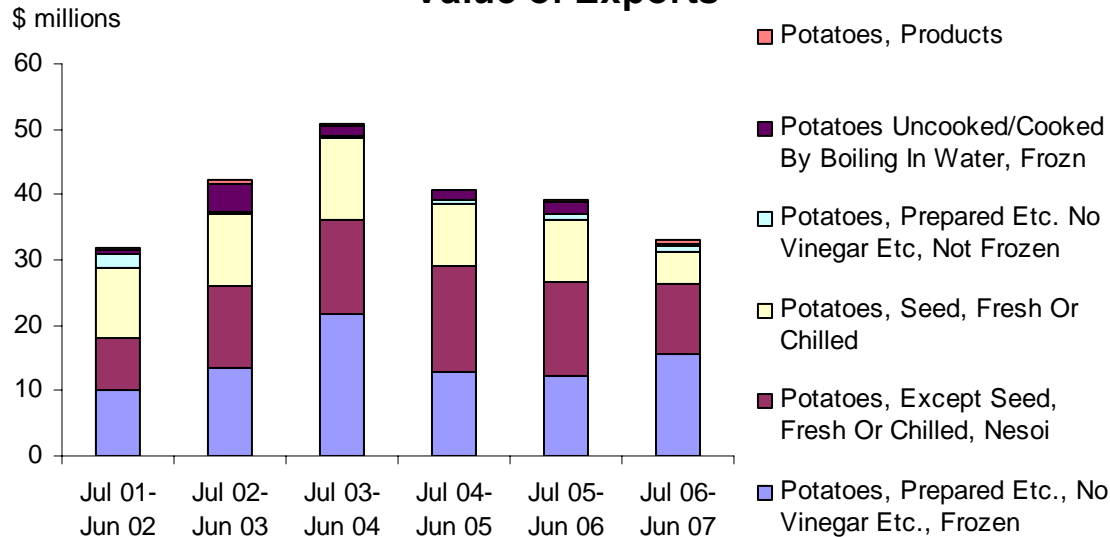


Total Value of Imports = \$60.0 million

- Financial year 2006/07 was the first time Australia has recorded a negative balance of trade in potatoes since 1997/98.
- New Zealand is the major trading partner, taking 40% of exports and supplying 62% of imports.
- Exports are predominantly frozen potato exports to New Zealand as well as fresh and seed potatoes sent to East and South-East Asia.
- The majority of imports are frozen or processed potatoes sourced from New Zealand, which increased 85% last year.
- The two way trade between Australia and New Zealand in frozen potatoes reflects the structure and sourcing policies of the major potato processors but the trend is for frozen potato imports to increase and exports to decline.

## Current Trade Data

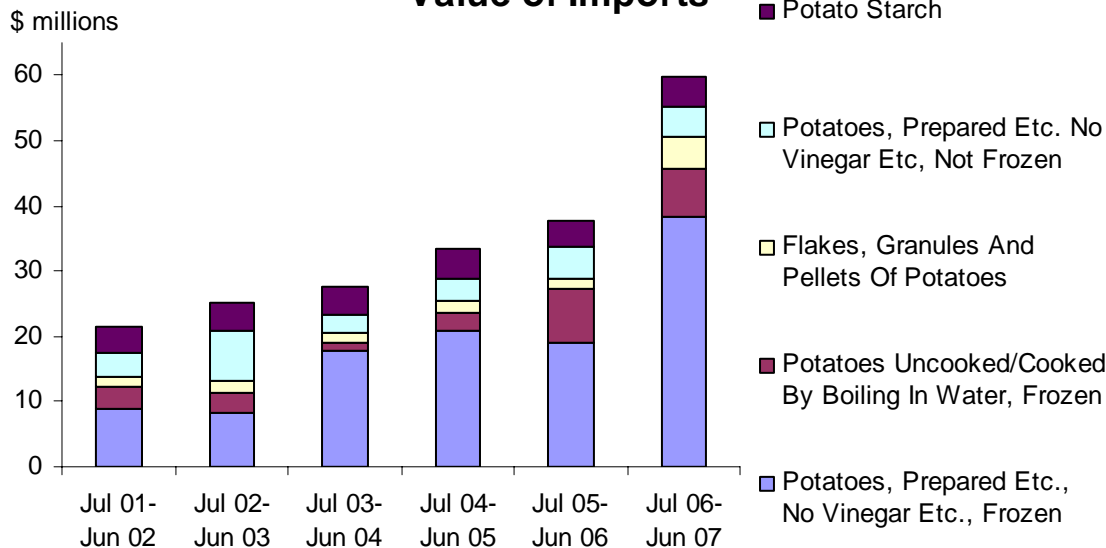
### Value of Exports



### Exports

- Exports totalled \$33 million in financial year 2006/07, falling 16%.
- This was led by a drop in exports of fresh potatoes (down 26% to \$10.8 million) and seed potatoes (down 42% to \$5.0 million).
- However, there was a 27% rise in frozen processed potato exports, with most of the increase going to New Zealand.
- The total tonnage exported also fell 22% compared to the previous year.

### Value of Imports



### Imports

- Imports across all potato categories totalled \$60 million in 2007, up 58% on 2006.
- Most of the rise was due to frozen processed potato imports which more than doubled over the year to \$38.2 million.
- Imports of potato flakes, granules and pellets tripled in value (\$4.8 million).
- Total import tonnage was up 55% on the year, with frozen potatoes averaging \$838 per tonne.

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## Market Segments

- The use of potatoes is varied and within Australia the industry can be broadly split into 4 unique segments:
- Fresh Market – This refers to potatoes sold for fresh market consumption, traditionally through supermarkets, wholesalers and green grocers. The primary types of potatoes that fall under this category are Sebago, Coliban, Nadine and Desiree.
- Processed Frozen – This refers to potatoes sold primarily as frozen chips, though other varieties such as potato gems have recently been introduced. The main types of potatoes used for this segment are Russet Burbank, Ranger Russet, Kennebec and Shepody.
- Processed Crisps – This refers to potatoes processed and sold as potato chips. The main varieties of potatoes used for crisping are Atlantic, Denali, Trent and Kennebec.
- Seed Potatoes – Potatoes grown as seed for processing and fresh market use. This segment supports the other three segments with approximately 10% of total production.

## Market Access

- Domestic markets are free and there are no restrictions on potato production except in Western Australia where potato production is regulated.
- Imports of fresh and seed potatoes are free to enter Australia. There is a small tariff of 5% (4% for developing country status) on dried potatoes and some processed potatoes.
- Potato growers' ability to develop export markets is quite difficult. Access to some important foreign markets is still restricted by tariffs and quotas.
- Even under negotiated free trade agreements such as the Australia – Thailand FTA, tariff and quotas remain at high levels and in place until the year 2020 on seed, fresh and frozen potatoes.

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For more economic analysis of vegetable production, visit the  
AUSVEG webpage at:  
[www.ausveg.com.au](http://www.ausveg.com.au)

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