

GB Potatoes

Market Intelligence 2018–2019



POTATOES

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For data related to the GB potato industry, including but not limited to the figures found in 'The GB potato industry' section, please visit the Potato Data Centre: potatodatacentre.ahdb.org.uk

This publication and its content are produced by the AHDB Market Intelligence team whose systems are certificated to ISO 9001:2015.



Foreword

Last season was characterised by high production, which led to prices remaining under the cost of production for many growers. At the time of writing, the current season looks to be in stark contrast, with domestic supplies looking to remain tight in the months ahead. Growing conditions were challenging earlier in the year and the full impact of the drought on both yields and quality of this season's crop remains uncertain. The industry has come together in the face of adversity this season, offering support to growers affected by the drought and relaxing specifications to utilise as much as possible of the domestic crop.

Worries about production levels supported prices at the start of the season, with the first WAPS average free-buy price coming in at £296.92/t – higher than the equivalent price in 2012. While production seems to be down on average, the picture appears slightly better than originally feared and prices have eased slightly over the past few months. AHDB's production estimate, due later this season, will help shed some light on the tightness of this year's crop, so keep an eye on Potato Weekly for further updates as the situation develops.

Regardless of market conditions, we can ensure that the market information we provide equips our levy payers and stakeholders with the information needed to make the best possible business decisions. Produced by the AHDB Market Intelligence (MI) team, whose systems are certified to ISO 9001:2015, the aim of this annual publication is to provide trusted, key information about the GB potato market to inform decision-making and provide insight into the season ahead.

AHDB Market Intelligence's role is to communicate accurate, timely, independent and transparent information on markets and prices. The potatoes Market Specialists team, headed up by senior analyst Sara Maslowski, provides potato expertise in the MI department. The team draw upon the support of senior consumer analyst Kim Malley and the Data & Analysis team to ensure that all publications meet the rigorous standards expected of AHDB. Their role is to provide information to help growers and purchasers understand the business environment for potatoes, giving them the information to make fully informed business decisions. The latest pricing and statistics data behind many of the MI publications is now available free of charge on the Potato Data Centre.

We would like to express our thanks to the many individuals and organisations who have provided us with information and support for this publication.



Rob Clayton
Strategy Director, AHDB Potatoes

Season overview

The 2018/19 season will be defined by below-average levels of production. Prolonged drought during key growth stages and challenging planting conditions at the start of the year proved to be impacting factors. As a result, prices started strongly this season, with the first 2018 crop free-buy WAPS price being significantly higher than during the same period in 2012 – a year characterised by reduced production due to adverse weather. Since then, prices have eased slightly and, while supplies look to remain tight, the situation may be better than many first thought.

Potential shortfalls in production are likely to affect the industry differently this season, with distinctive splits starting to emerge between regions and market sectors. The packing sector was able to utilise price-competitive old crop supplies well into September, reducing pressure on new crop supplies and potentially shortening the season by at least three weeks.

Meanwhile, the processing sector switched to new crop supplies on normal timescales. Processing supplies were limited at the start of the season. This resulted in reports coming forward of processors purchasing packing varieties to compensate for a reduction in contracted volumes.

On the continent, the North-Western European Potato Growers (NEPG) reported a marginal increase in planted area this season. However, yield reductions mean that European production is likely to fall significantly below average this season. Shortfalls in contracted supplies on the continent could lead to increased competition and strong prices for free-buy supplies, potentially lending some support to the domestic market this year.

The GB potato industry

During the 2017/18 season, an increase in planted area to 122.8 Kha was recorded. This was the second consecutive year of area increase, following the record low of 112.0 Kha planted in 2015/16. An above average yield of 49.3 t/ha, in combination with this recovery in area, meant that production broke the 6 Mt mark. This season, the GB planted area fell to 117.3 Kha – the third lowest area on record. The combination of the fall in planted area, along with reports of below-average yields, means that production looks likely to fall significantly below average.

Examining the long term trends, planted area has declined significantly over the past 30 years. However, long-term production trends have remained stable –

normally coming in at 5–6 Mt. Yields have increased over the same period, compensating for the reduction in area. Increased yields have been driven largely by improved agronomy, crop protection, fertiliser regimes, variety changes and developments in irrigation practices.

As with other arable crops, weather is the largest driver of short-term fluctuations in yield and production. Before the current season, the most recent example was during the 2012/13 season, when adverse weather conditions resulted in production falling to 4.5 Mt – the lowest level since 1976. Total production this season is unlikely to be affected to this extent, although reports so far suggest that production is likely to fall below the five-year average of 5.6 Mt.

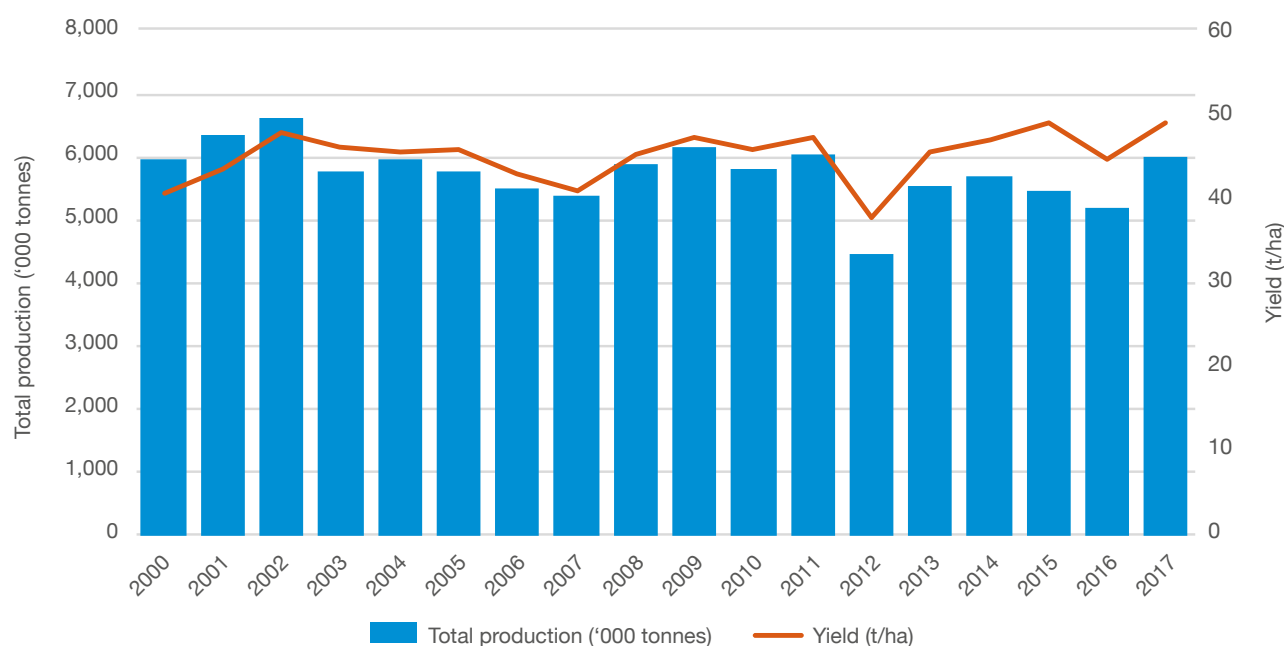


Figure 1. Yield per hectare and total production



The decrease recorded this season is likely to be a result of low prices in 2017/18, which gave growers little incentive to increase or maintain plantings. This was additionally affected by the challenging planting conditions experienced during the spring. While a variety of factors drive planting decisions, a strong correlation exists between prices and total planted area in the following season. Figure 2 (see below) illustrates the lagged relationship between price and planted area, comparing the influence of the previous year's price on the following year's area.

During 2015/16 and half of the 2016/17 season, prices for most markets were unusually high. These high prices indicate that the area planted would be likely to increase – and it did, two years in a row. The area increase in 2017/18, combined with above average yields, resulted in depressed free-buy prices throughout the season, with the average free-buy price coming in at £96.63/t – the lowest since 2014/15. With such low prices, a decline in planted area was likely. Consequently, this season's planted area fell to 117.3 Kha – the third lowest area on record.

Knowing this and seeing it in action makes it easy to understand why the potato market is such a volatile place to trade, with area planted and price paid for potatoes having such a close and direct influence on one another. This season, a reduced planted area, along with quality and yield issues, is likely to support prices. Should historical trends prove accurate, then we could potentially see a rise in planted area in 2019/20, though this potential increase may be limited by availability of seed from the current crop.

It is also worth noting that a multitude of factors influence planting decisions and next season we may see a deviation from existing trends. Fieldwork difficulties and harsh growing conditions this season, combined with low prices last season, may reduce the incentive for growers to increase their areas into next year. In addition, the ability to irrigate next season may be compromised, depending on how well reservoirs and boreholes are replenished over the winter.

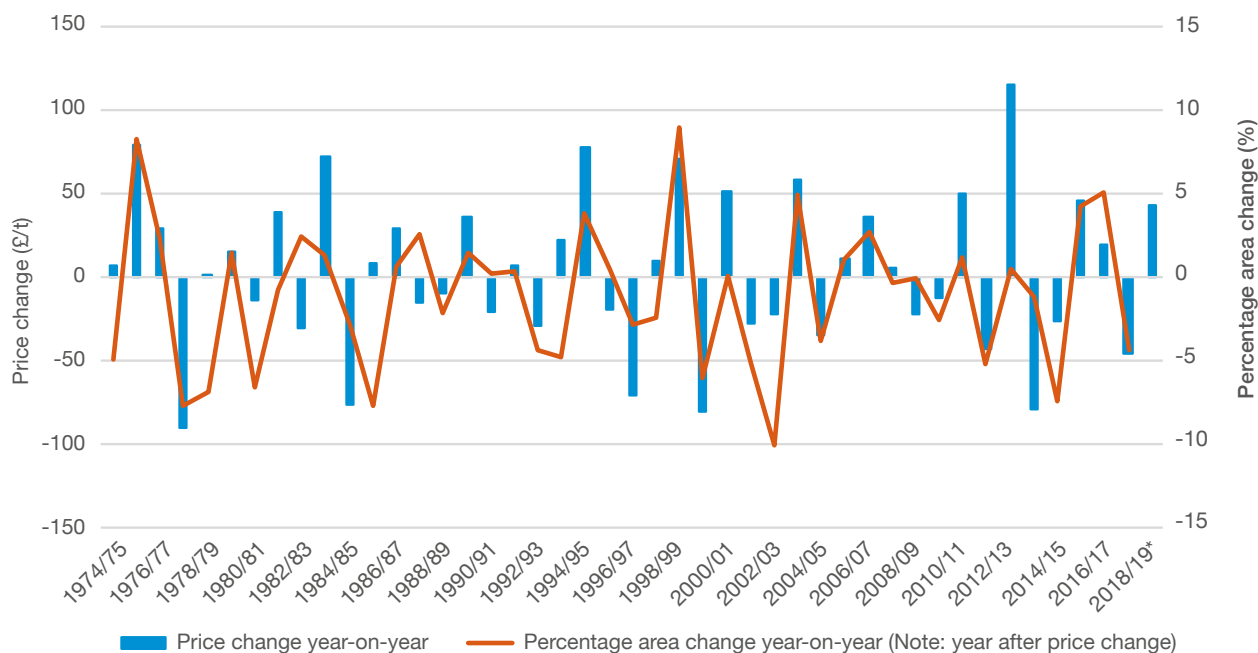


Figure 2. GB potato price and area relationship

*Prices in season to date

Specialisation and consolidation of the industry

The fall in planted area has been paired with a long-term rationalisation in the number of registered growers. This season, the number of registered growers fell to 1,751 – a reduction of 715 growers since 2000. Meanwhile, the average area per grower has been steadily rising during this period.

Consolidation within the industry has led to a minority of growers planting an increasing proportion of the GB potato crop. In 2018, 17% of registered growers planted 100 ha or more of potatoes. This compares with just 5% of growers in 2003.

Meanwhile, the number of smaller scale growers has declined, with only 830 registered growers planting between 3 and 29 ha in 2018, compared with 2,249 in 2003.

While there are many factors underlying the reduction in the number of smaller scale growers, economies of scale is a factor that cannot be ignored. The high costs associated with potato-related machinery is likely to reduce the attractiveness for small operations. At the same time, this is likely to encourage the expansion of medium-to-large-scale operations to gain the maximum benefit from investments in highly specialised machinery.

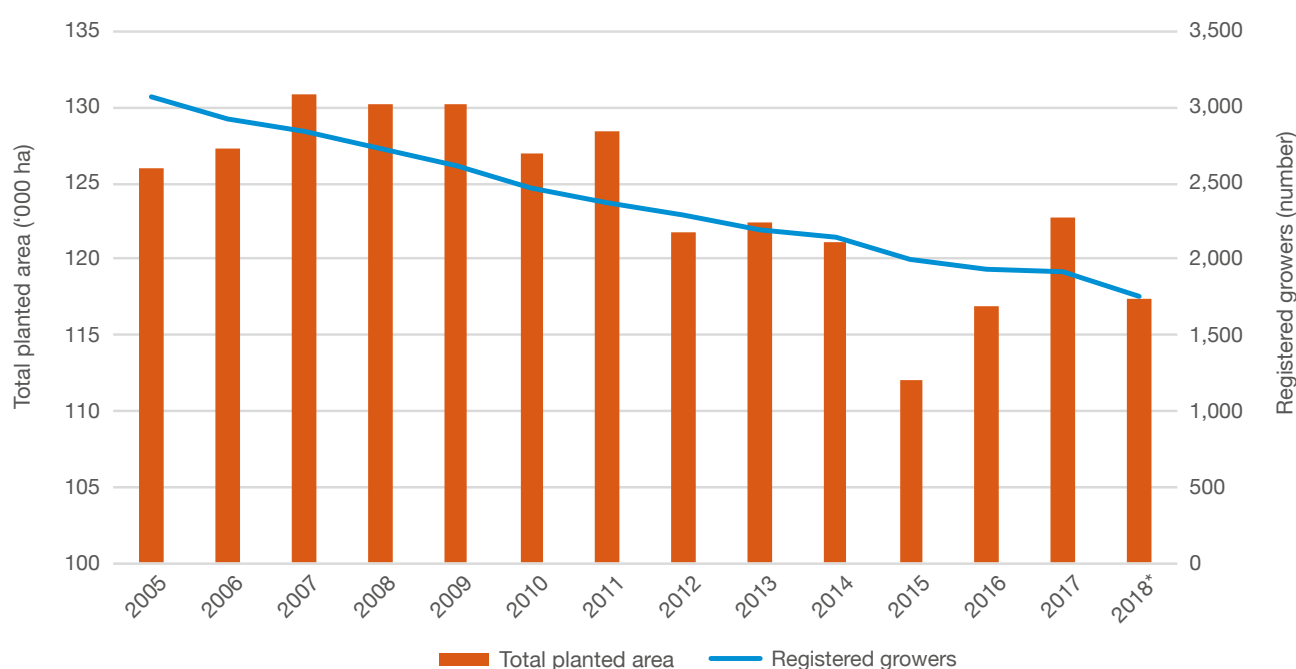


Figure 3. Planted area and number of growers 2000–2018

Notes: 2018*, provisional data as at November 2018

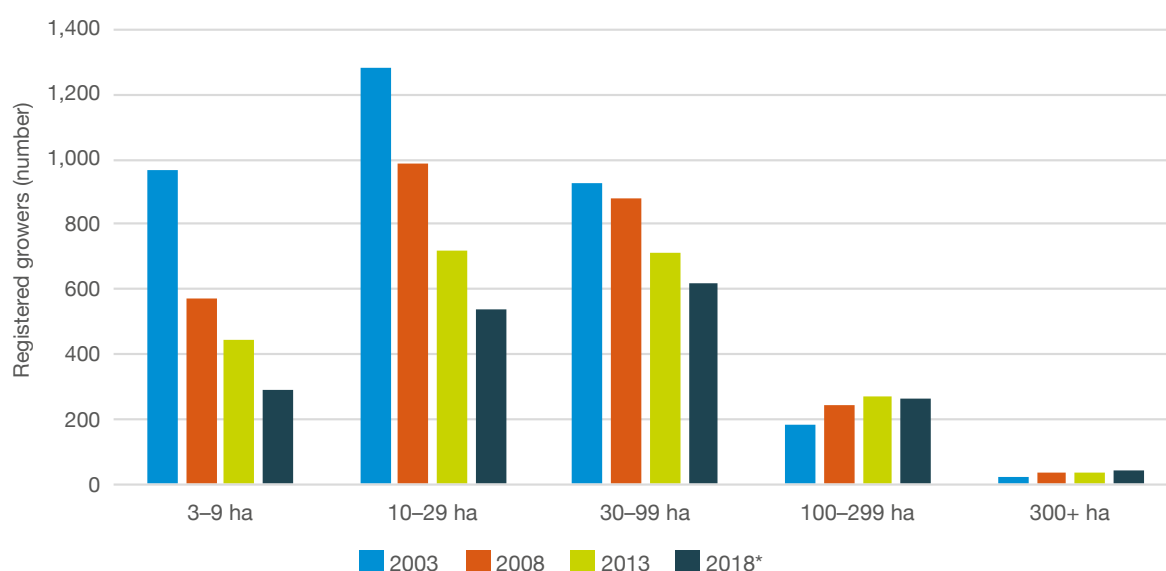


Figure 4. Number of potato growers by size band in hectares

Notes: 2018*, provisional data as at November 2018

Drought impacts

This season, conditions during the growing period came together to produce a perfect storm. This resulted in the outlook for this season being one of tight supplies and persistent quality issues. The year started with delays to plantings as the 'Beast from the East' and ongoing cold and wet conditions during the spring hindered fieldwork progress. This was followed by prolonged hot and dry conditions during the summer, which stalled tuber growth and stressed plants during key growth phases.

Later in the season, late planting exacerbated issues for some, limiting the time available for crops to develop before the onset of the drought in the summer.

Unsurprisingly, irrigated crops have fared significantly better this season, with reports of yields close to average. Unirrigated crops, particularly those on lighter soils, have been reported to be suffering badly, lacking yield and with persistent quality issues prevalent. With only 53% of the GB planted area in 2018 having access to irrigation, around half of the domestic area was exposed to the full impacts of the drought.

A national divide is also developing, with crops in Scotland appearing to have fared better than in the rest of Great Britain. This was last seen in the drought year of 2006, when yields in Scotland were, on average, around 25% higher than in England. English demand for Scottish supplies is likely to be strong this season, with decent sized, good quality tubers in demand from the packing market.

A variety of quality issues have been observed in this season's crop. Therefore, the proportion of production able to be utilised may be lower than expected. Tuber size suffered because of stalled growth during the heat, with lower baker fractions and smaller potatoes reported in all fields. So far, this has resulted in a large premium emerging for potatoes with a high baker fraction. In addition, in the bag and processing markets, chips and fries are expected to be shorter this year, simply because fewer potatoes are meeting size specifications. Common scab and other skin defects are prevalent in both irrigated and unirrigated fields, which has led to some packhouses relaxing specifications to meet demand.

Concerns about the effect of the drought on yields led many growers to delay desiccation in an attempt to allow crops to bulk up. For some, this strategy paid off, with growers capitalising on kind autumn conditions and rainfall to allow crops to bulk up for longer. Unfortunately, for others this resulted in emergence of secondary growth. Secondary growth appears to be more common in frying and processing varieties and has led to issues with frying in a number of samples.

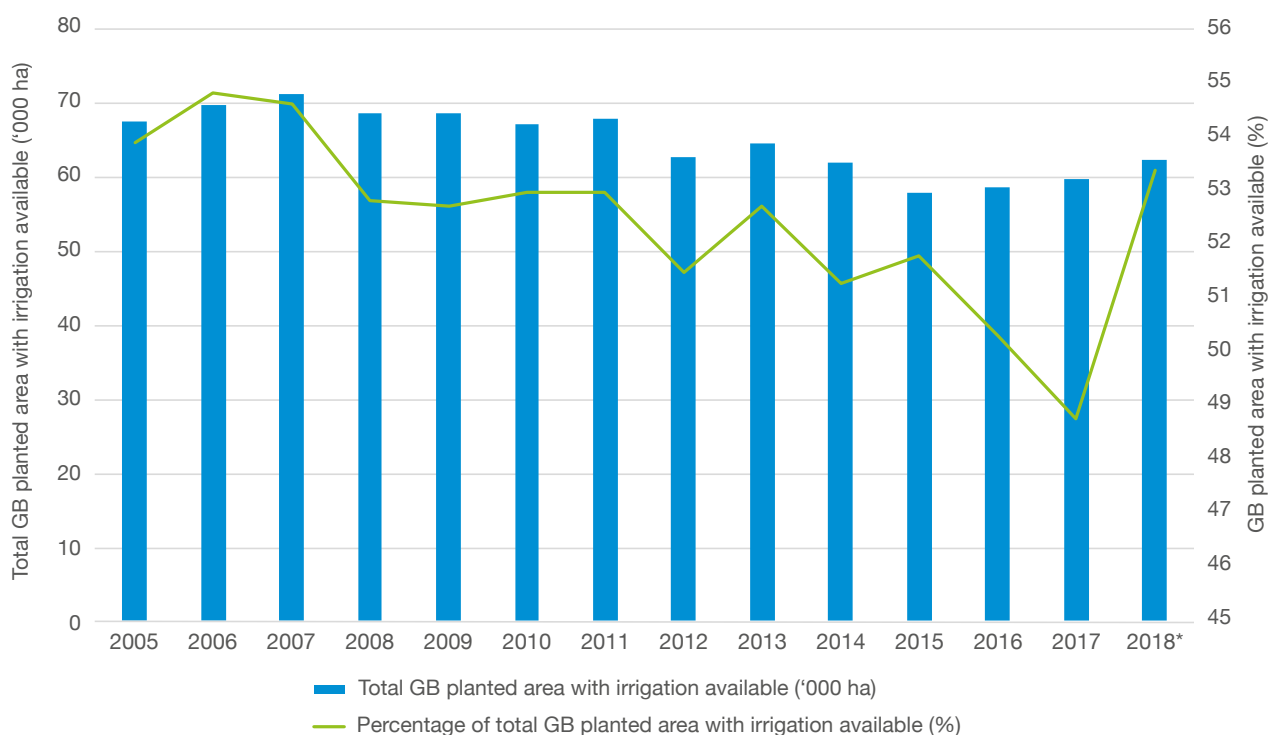


Figure 5. GB area with irrigation available

Notes: 2018*, provisional data as at November 2018

Planted area by sector

This season saw a reduction in area for all market sectors, excluding the 'other ware' category, which includes all of the area for which growers have not disclosed market sectors. The processing sector was the least affected, only falling by 1.1% from 2017. Other sectors demonstrated more significant decreases, with the pre-pack sector falling to 43.2 Kha – a 6.1% reduction from 2017. While less impactful on total area because of their size, the area grown for the fresh bag and chipping markets fell by 12.7% and 14.0%, respectively.

The area grown to other ware increased this season. Because it is unknown for which sector these potatoes are destined, it could affect the reduction recorded in the other sectors.

The area reduction recorded this season was probably affected by muted free-buy prices in 2017/18. This can be observed by looking at the reduction in chipping area, because this sector is traditionally dominated by free-buy purchases. Equally, the dynamic can also be seen in Figure 7 (see below), which shows the split in area between free-buy and contract for the packing and processing sectors.

The area planted to free-buy pre-pack potatoes fell significantly this season – down 17% from 2017/18. This drove the overall decline in area, with contracted area increasing slightly. This may have been a result of poor prices last season encouraging growers to seek a more consistent margin through contracts. Similarly, the reduction in processing area was caused by a fall in free-buy plantings, with contracted area up slightly on the year.

The difficulties that may emerge this season as a result of tight supplies may be further exacerbated by the reduction in free-buy area. Any shortfalls in contracted supplies will see purchasers turn to the free market to secure supplies. Competition for what is likely to be an undersupplied free-buy market may cause price increases as the season progresses. Further compounding this is the mechanism by which most contracts are supplied: normally, tonnage that is produced as surplus to contract requirements is sold in the free market and as such, any reduction in this surplus will further diminish free-buy supplies.

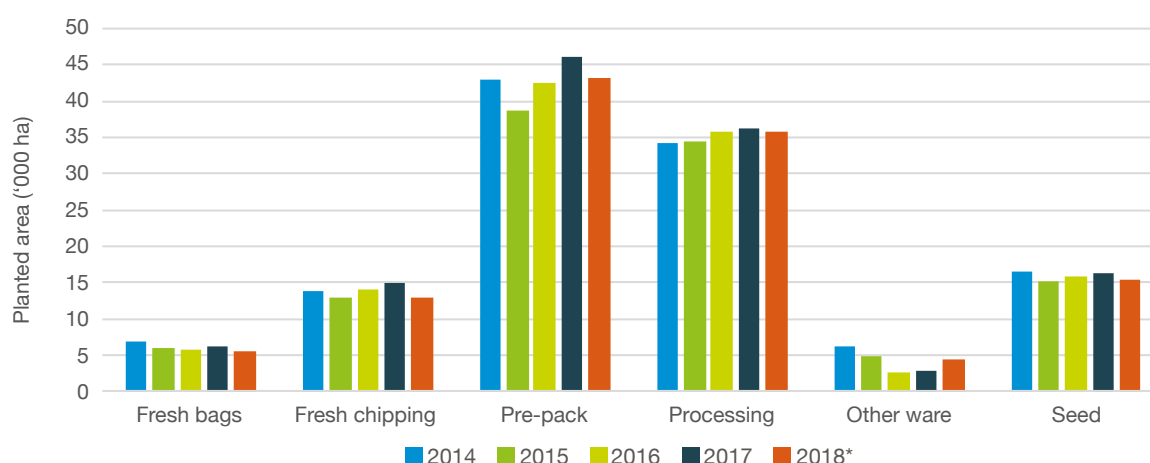


Figure 6. Planted area by sector

Notes: 2018*, provisional data as at November 2018

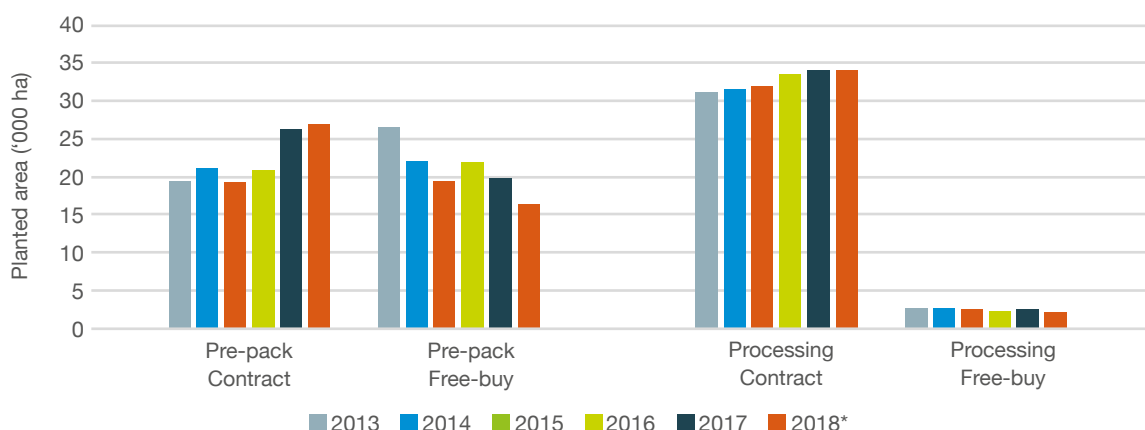


Figure 7. Contract free-buy breakdown for packing and processing markets by planted area

Notes: 2018*, provisional data as at November 2018

Price outlook

AHDB's Weekly Average Price Survey (WAPS) provides a weekly look at overall directional trends in the potato market. It comprises two prices: the overall average, produced by combining the free-buy market values as well as the contract market values and the free-buy rate, which is a spot market price for the week in question. Both of these prices are derived from a panel of 20+ companies within the potato industry, covering a large proportion of first purchases made each week. Although these prices are produced using actual sales information, the different market sectors represented mean that the price produced should only be used to show directional price trends and not to represent any individual market's actual price at the time.

High production last season led to prices being depressed, with the WAPS average free-buy price ending the 2017/18 season at £106.97/t. In contrast, the first free-buy WAPS price this season came in at £296.92/t – almost triple the last price in 2017/18 and higher than the equivalent period in 2012.

The price difference between old and new crop resulted in packhouses utilising competitively priced old crop supplies for as long as quality held. In turn, this has likely shortened the season for packhouses – a factor that may reduce pressure on supplies and cap price rises in the months ahead.

Since then, we have seen the WAPS price index ease as more supplies and lower priced maincrop varieties entered the market. In a normal year, prices would begin to rise in the coming weeks as increased store loading reduced availability of supplies in the market. However, without a clear view on the final state of production, the direction of prices in the short term remains uncertain.

High variability means that there is little consensus in the market on both the size and usability of this season's crop. Should the situation be better than first thought, prices are likely to be pressured as a result, despite the fact that production will probably remain below average. Equally, should production be affected to the extent that was originally feared, then prices are likely to be supported throughout the season.

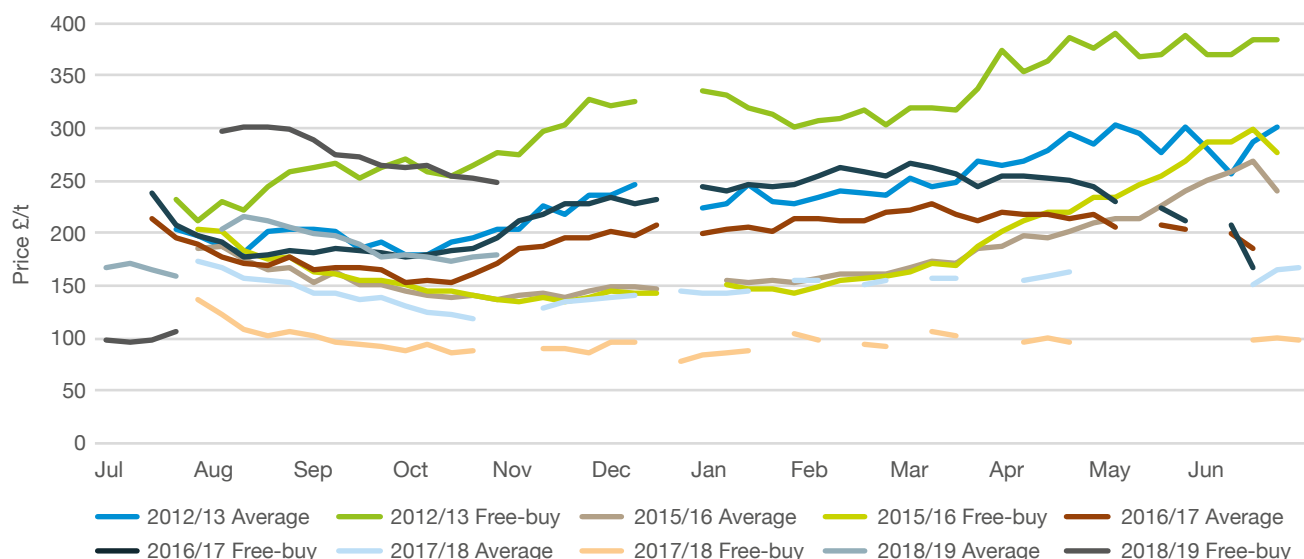


Figure 8. GB weekly average and free-buy trends

Source: AHDB

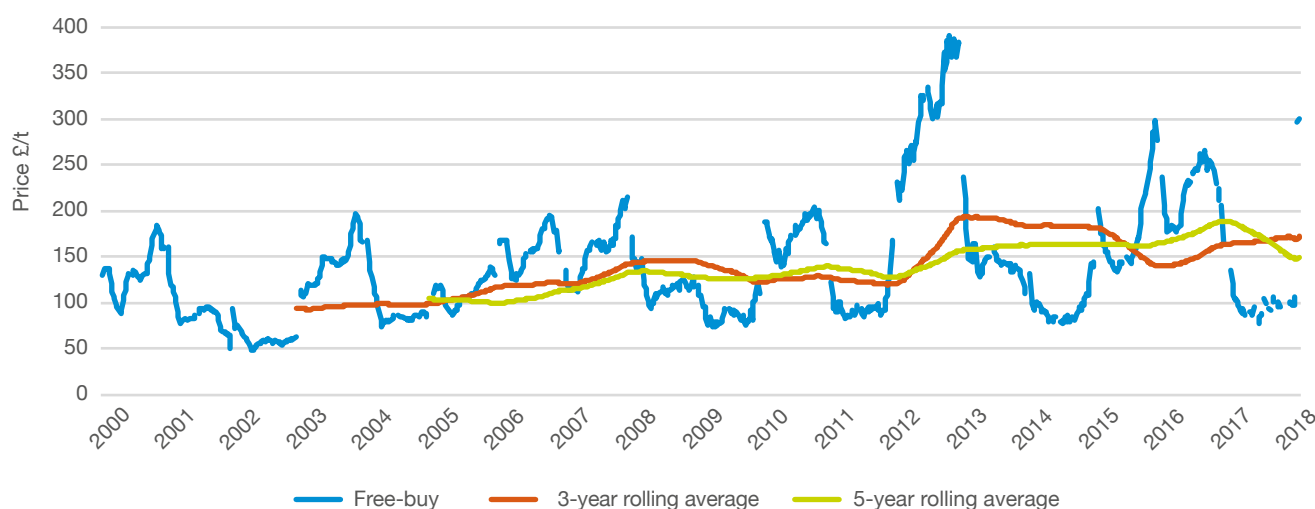


Figure 9. GB weekly average trends and long-term averages from 2000-2018

Source: AHDB

European market overview

In recent years, the dynamics of supply and demand in continental Europe have exerted a growing influence on the domestic market. The potato industry in Europe has continued to consolidate and with this, a growing proportion of pan-European organisations have begun to use European potato growing areas as a singular source of supply.

While similar in some aspects, the continental potato industry differs from the domestic market in several ways. Compared to Great Britain, a larger proportion of the crop in mainland Europe is grown under contract. This is probably a reflection of the intended market of the crop. Most countries place a greater focus on the processing industry, with a lower proportion of production destined for the fresh/table markets.

In **Belgium**, the industry is overwhelmingly geared towards production of processing potatoes. Over the last 20 years, planted area has been steadily expanding because of strong demand from the processing sector. The fresh potato market in Belgium is heavily dependent on imports, particularly from France, although in recent seasons the Netherlands and Germany have been exporting increasing volumes into Belgium.

France grows a larger proportion of potatoes for the fresh market than other continental countries and in this aspect has the most similar makeup to the British industry. France is the world's largest exporter of potatoes and remains an important source of fresh potatoes for many European countries. Approximately half of the potatoes exported from France are destined for the fresh market (mainly to the south of Europe) and the other half for Belgium and the Netherlands. Here they are processed

and then reimported to France, or exported to other countries as French fries, flakes or crisps.

As in much of continental Europe, most potatoes grown in **the Netherlands** are utilised by the processing industry. Total production from the Dutch harvest is insufficient to meet processor demand and an increasing volume of potatoes are imported from Belgium, France and Germany to meet requirements. Globally, the Netherlands is the largest exporter of seed potatoes. Dutch seed often directly competes for market share with British supplies, with the customer base for both countries overlapping significantly.

Germany is the largest producer in the north-western European potato area, also producing the greatest quantity of potatoes for the early market. The European processing industry relies on imports of German early potatoes to help meet the demand from factories at the start of the season.

European outlook

According to the NEPG (North-Western European Potato Growers) last season potato production, excluding seed and starch, in North-western Europe (Germany, Belgium, France and the Netherlands) reached 24.1 Mt – around 2.7 Mt over the five-year average (2013–2017).

Similarly to Great Britain, production looks set to reduce significantly this season. Challenging planting conditions at the start of the year and drought stressing plants during key growth phases will no doubt affect volumes. Reports currently place yields as being down on average and frequent emergence of quality issues, including secondary growth, means that the proportion of available supplies able to be utilised may tighten even further

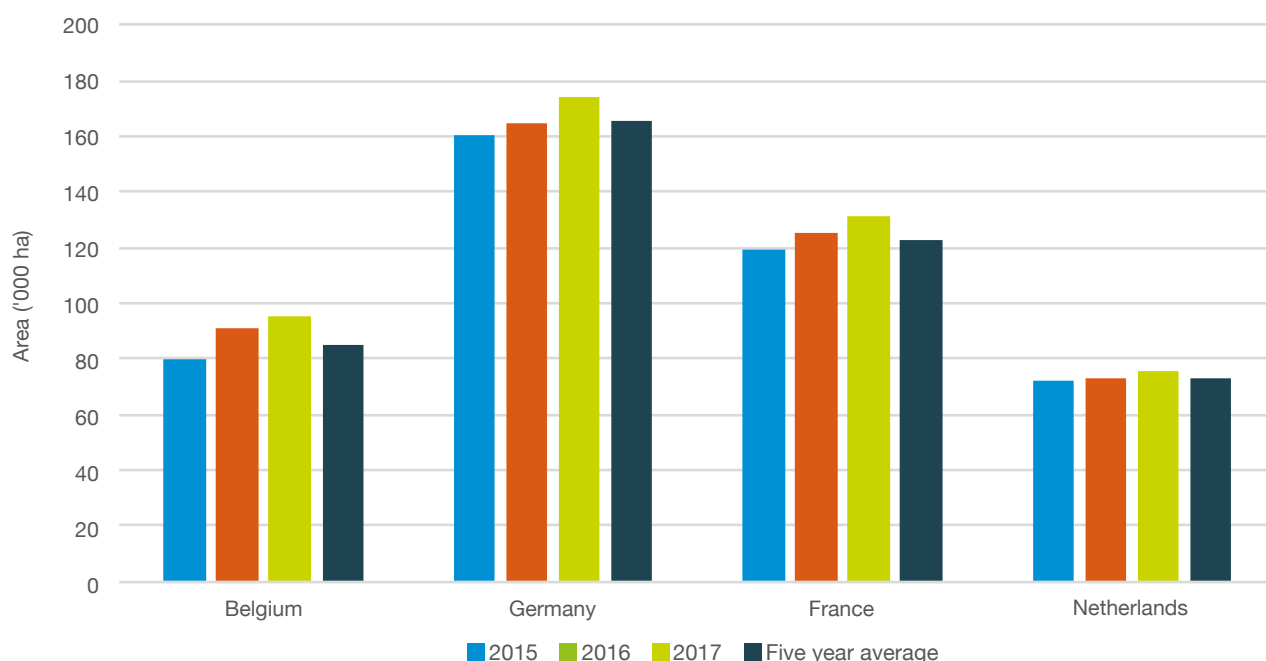


Figure 10. North-west European potato area (excluding seed and starch)

Source: NEPG, AHDB

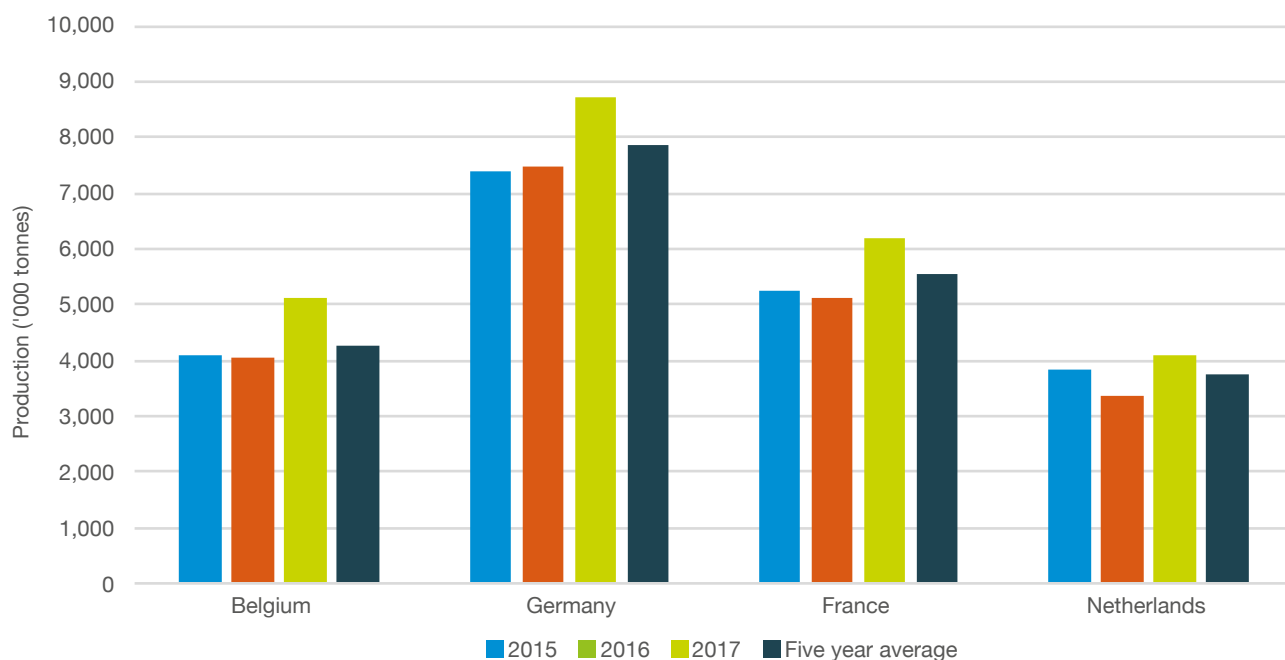


Figure 11. North-west European potato production (excluding seed and starch)

Source: NEPG, AHDB

Issues with this season's crop appear to be widespread in Bintje, a popular processing variety on the continent. Ongoing quality issues have reportedly led to some processors restricting intake of the variety because of the increased workload associated with removing higher levels of tare.

Belgium appears to have been significantly affected by this summer's weather because a low percentage of the Belgium crop has access to irrigation. German and Dutch production has also suffered, with higher than normal levels of defects and below average production.

Currently, the situation in France remains slightly different to the rest of Europe, with a 3.5% expansion in area helping to offset yield reductions. At the start of October, the French Ministry of Agriculture and Food estimated potato production, excluding potatoes for starch, to reach just under 6.1 Mt. While this is a 6.1% fall from last season, it remains 6.9% above the five-year average (2013–2017).

Approximately 70% of the area in the above-mentioned countries is grown under contract and shortfalls in contracted volumes are likely to lend support to prices in the free market, both domestically and in mainland Europe. The knock-on impact this may have into the domestic market is covered in the trade section below.

At the time of writing, the mechanism by which the UK will leave the EU is unknown. Changes to trade regulations and tariffs have the potential to heavily affect the influence that European production has on the domestic industry.



According to data from Her Majesty's Revenue and Customs (HMRC) in the 2017/18 season, total UK potato exports increased by 11.2% to a total of 435 Kt. An increase in exports of processed potato products accounted for 93% of this movement, while a marginal increase in seed exports accounted for the remaining rise. Exports of fresh potatoes fell very slightly on the year, by less than a percentage point.

Total UK potato imports fell to 945 Kt in 2017/18 – down 4.8% from the previous season. A 74 Kt reduction in imports of fresh potatoes caused by high domestic production last season was a key driver. Imports of processed potatoes continued to increase this season, reaching 784 Kt – up 3.8% from 2016/17.

Most UK import and export trade continues to be intra-EU. In 2017/18, the UK exported 121 Kt of processed potato products to EU destinations – a 40.2% increase on the year. Seed exports also rose slightly and fresh exports remained steady on the year, with little opportunity to increase given that the continent also faced an oversupply situation in the 2017/18 season.

In 2017/18, UK imports of EU processed potato products continued to increase, for the third consecutive season. Imports of fresh potatoes fell from the previous season – probably because ample domestic supplies reduced import requirements.

Imports of fresh potatoes tend to stay steady in a normal season. On average, over the past five years (2013–2018), the UK has imported 165 Kt of fresh potatoes from the EU each season. A reduction in European production is unlikely to reduce imported volumes as shown in 2012/13. A season of low supply caused by adverse weather, the UK still managed to import 683 Kt of fresh potatoes. However, the probable price increase of these supplies over the season means that cheap European imports are unlikely to act as a cap on domestic prices this season. This may exacerbate the issues that are expected to emerge in the domestic market this year.

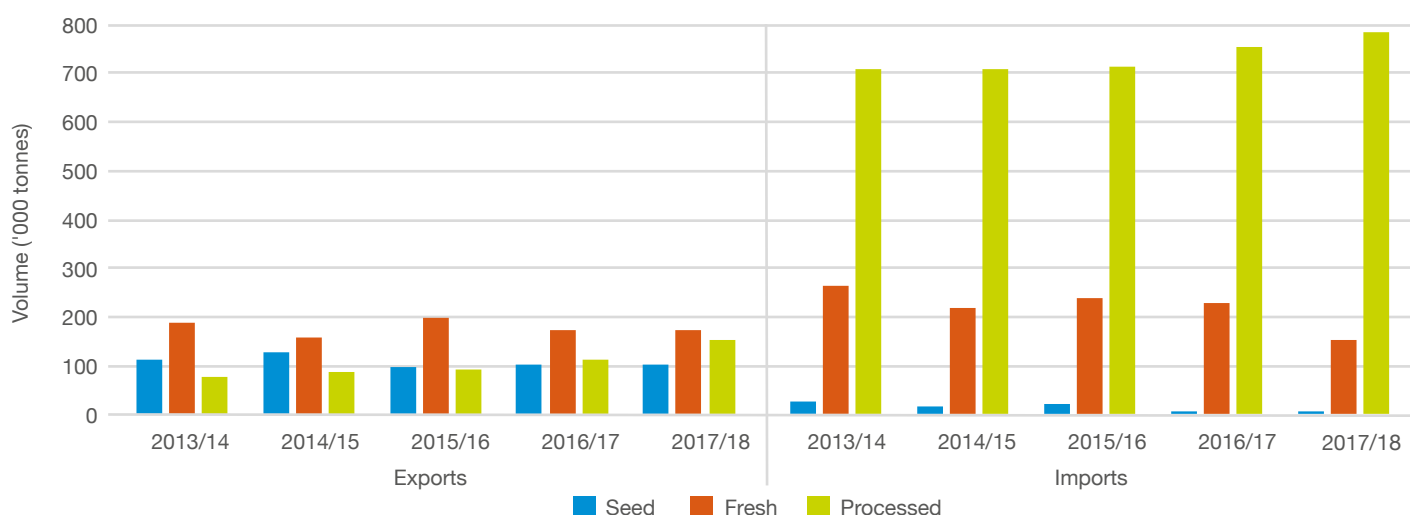


Figure 12. Total UK trade, crop year (Jul-Jun)

Source: HMRC

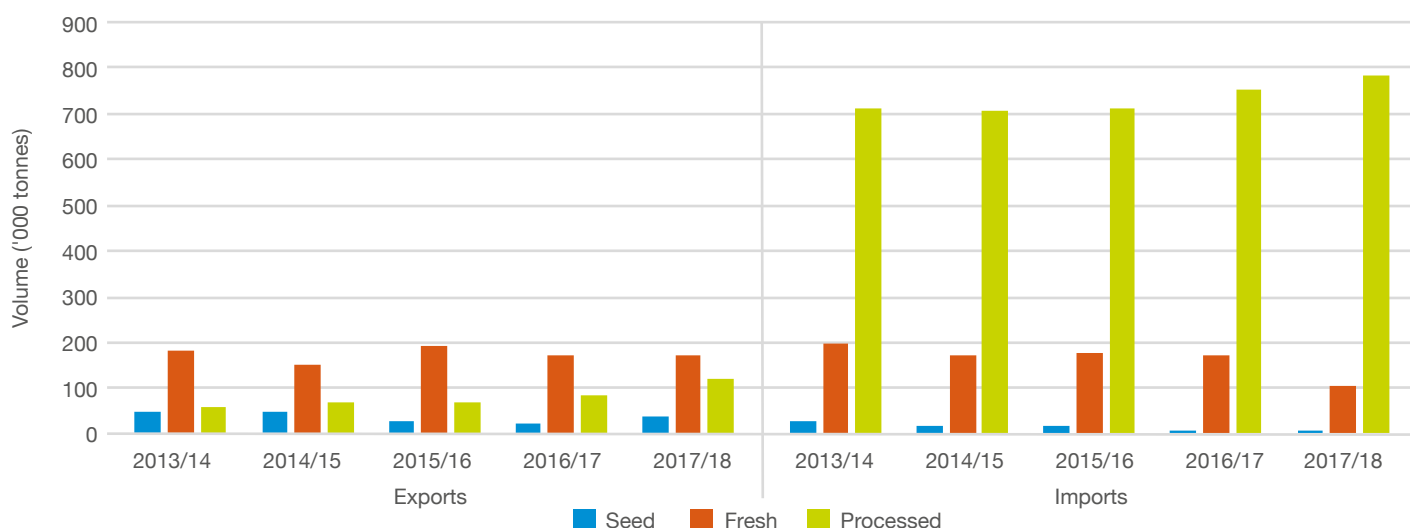


Figure 13. UK trade with the EU, crop year (Jul-Jun)

Source: HMRC

In terms of extra-EU trade, UK seed continues to be the largest export product, with most seed sent to Egypt. With the opening of new markets for Scottish seed, including Kenya and China, we may see increases to other regions in the coming years. UK exports of processed potato products also continued to increase on the year.

Imports of fresh potatoes from non-EU destinations fell again to 49 Kt last season, with most of this tonnage of new potatoes being of Israeli origin. The limited quantity of fresh imports from non-EU destinations highlights the importance of European supplies to fulfil shortfalls in the domestic market. They are unlikely to be fully met by extra-EU suppliers because of the difficulties and costs associated with transporting fresh potatoes across large distances.

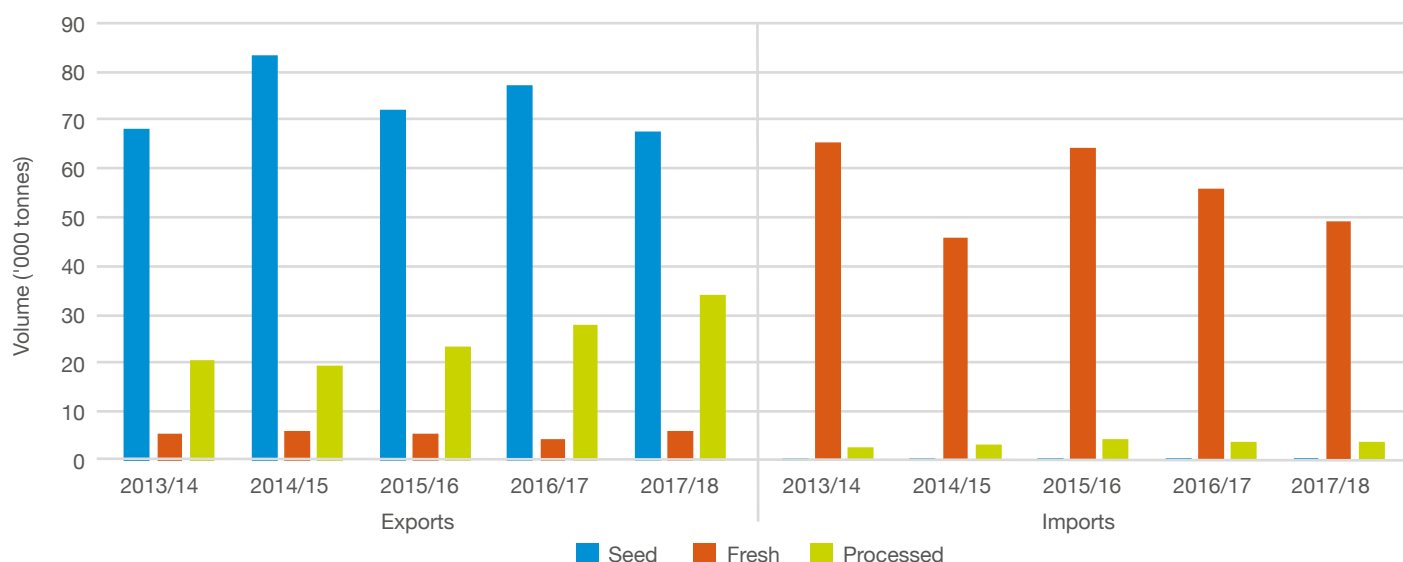


Figure 14. UK trade with the rest of the world, crop year (Jul-Jun)

Source: HMRC



Changing consumer eating trends

Currently, in the UK, only 35% of consumers claim they enjoy and are confident in cooking a variety of dishes. This leaves 32% who claim they have a limited repertoire of things they feel confident cooking and 33% who either do not enjoy cooking or have a basic or no level of cooking skill (AHDB/YouGov, Consumer Tracker, Aug 18). As well as a lack of cooking confidence, lifestyles are also changing. There is significant growth in the number of 1–2 person households and a drive for varied, convenient and healthy food that is still enjoyable and offers value for money.

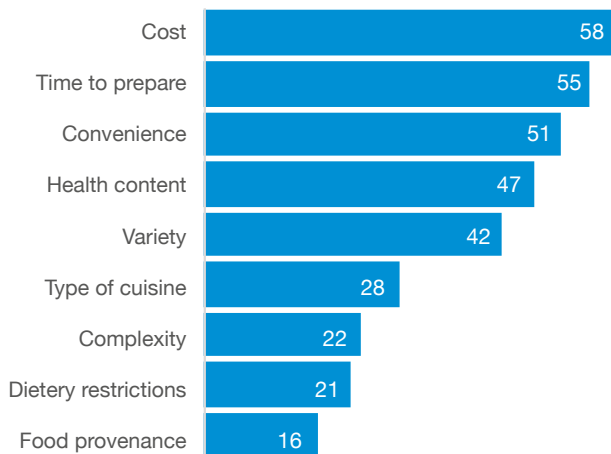


Figure 15. What consumers take into account when deciding what to eat (in home or out of home) (%)

Source: AHDB/YouGov, Consumer Tracker Aug 18

This evolution of consumer needs has had an impact on food categories in both retail and foodservice, particularly for potatoes.

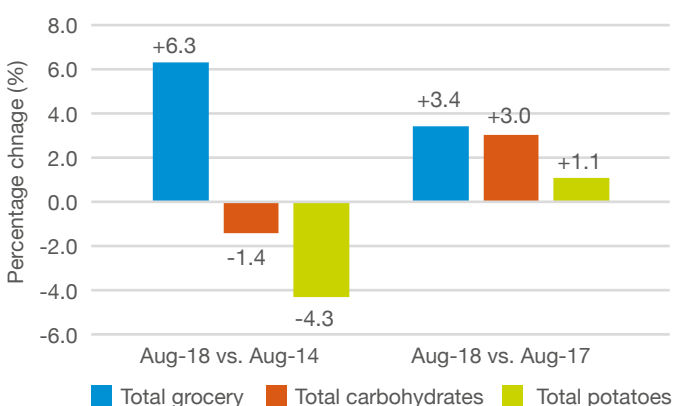


Figure 16. Total grocery, carbohydrate and potato value performance, long term versus short term

Source: Kantar Worldpanel, 52 w/e 12 Aug-18

Potatoes in the retail market

The GB food and drink retail market is growing – there has been a value increase of 3.4% in the recent year, meaning it is now worth just under £113 billion (Kantar Worldpanel, 52 w/e 12 Aug-18). A particularly strong performance in the past couple of years has meant that longer-term growth has accelerated to +6.3% versus the year ending August 2014.

According to Kantar Worldpanel, carbohydrates account for a 6% share of the food and drink retail market. According to Kantar Worldpanel, they have been in value decline over the longer term (-1.4% versus year ending August 2014) but growing in the shorter term (+3.0% versus year ending August 2017). We see a similar story with potatoes (which account for 45% of carbohydrate value), with reversing performance in the last year (-4.3% versus year ending August 2014 and +1.1% versus year ending August 2017).

In the year ending August 2018, volume growth for carbohydrates was at +0.6%, driven by ambient rice and noodles, dry pasta and savoury snacks. This carbohydrate volume growth is considerably slower than value growth; therefore, average price rises for certain carbohydrates, including bread, chilled rice and fresh pasta, are a driver of carbohydrate value performance.

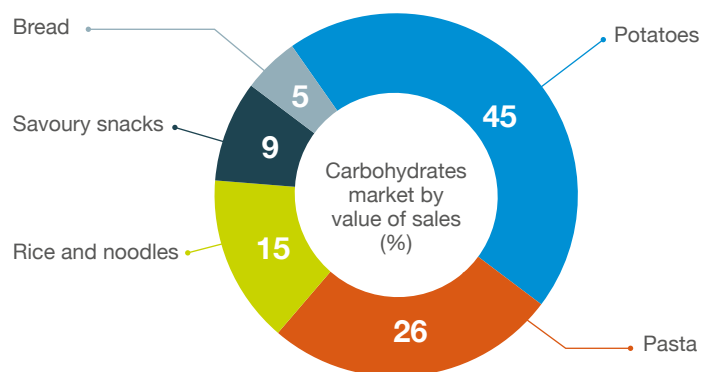


Figure 17. Breakdown of the share of the carbohydrates market by value of sales

Source: Kantar Worldpanel, 52 w/e 12 Aug 18

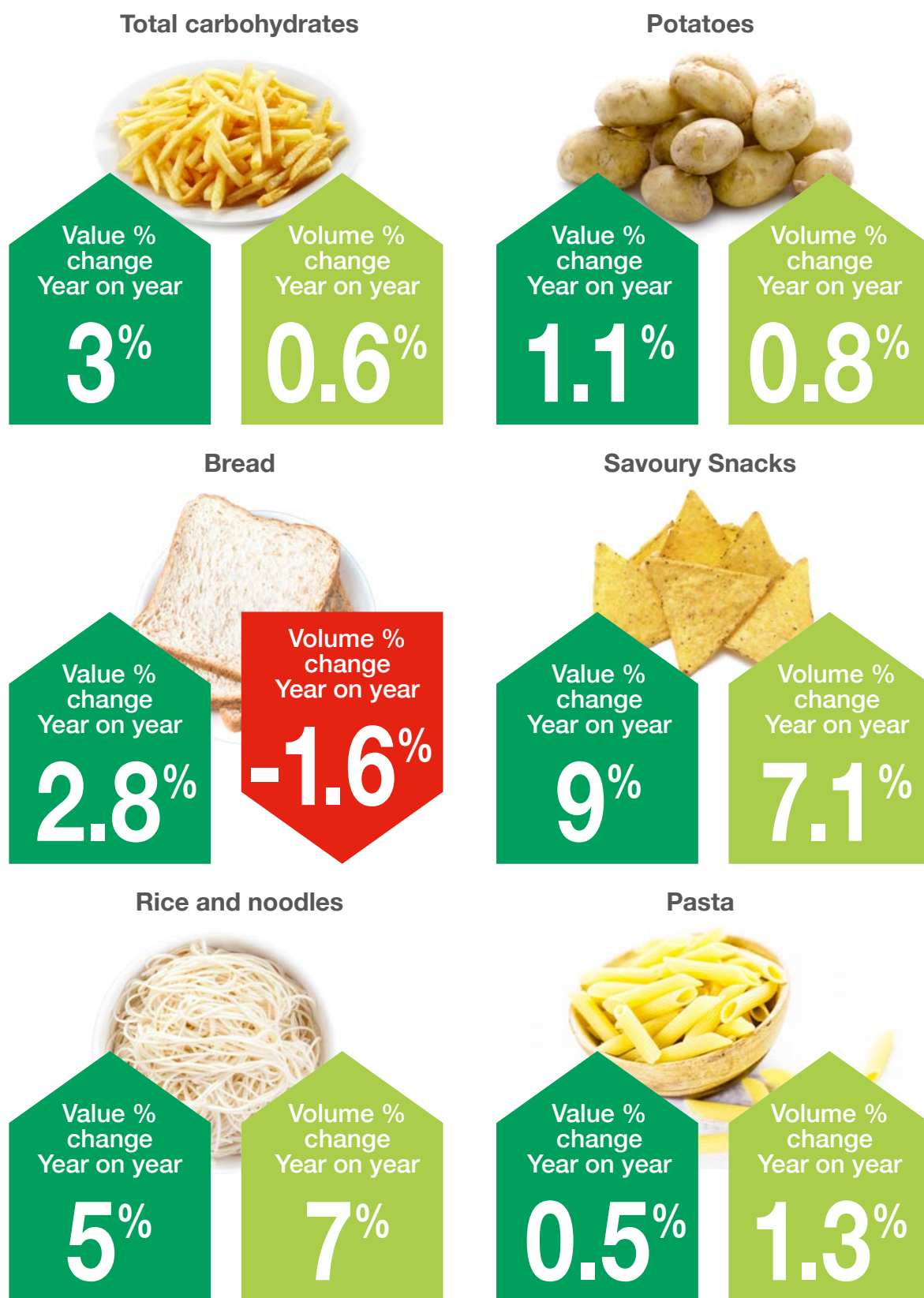


Figure 18. Value and volume year-on-year performance of carbohydrates market

Source: Kantar Worldpanel, 52 w/e 12 Aug 18

Consumer needs

Approximately three-quarters of consumers agree that carbohydrates give you energy (76%), are a good fuel for sport/energy (72%) and are an important part of a healthy diet (72%) (AHDB/YouGov, Consumer Tracker, Aug-18). As already mentioned, health and convenience are key consumer needs. Perceptions on these aspects differ depending on the carbohydrate, which helps to explain sector performance. Currently, potatoes are perceived as the third healthiest carbohydrate (behind sweet potatoes and rice) and the third most convenient carbohydrate (behind pasta and rice). Rice and pasta, scoring higher

on these aspects, are seeing stronger volume growth in the market, although remain a smaller share overall at 14% combined. There is an opportunity to communicate the perceived benefits of potatoes over pasta and rice, with potatoes having a stronger link with fibre and keeping you fuller for longer. While 64% perceive potatoes as being easy to prepare, a significant gap to pasta and rice shows an opportunity to improve. Sweet potatoes are also becoming more established in the market, being positioned as healthy, less fattening and a good source of fibre.

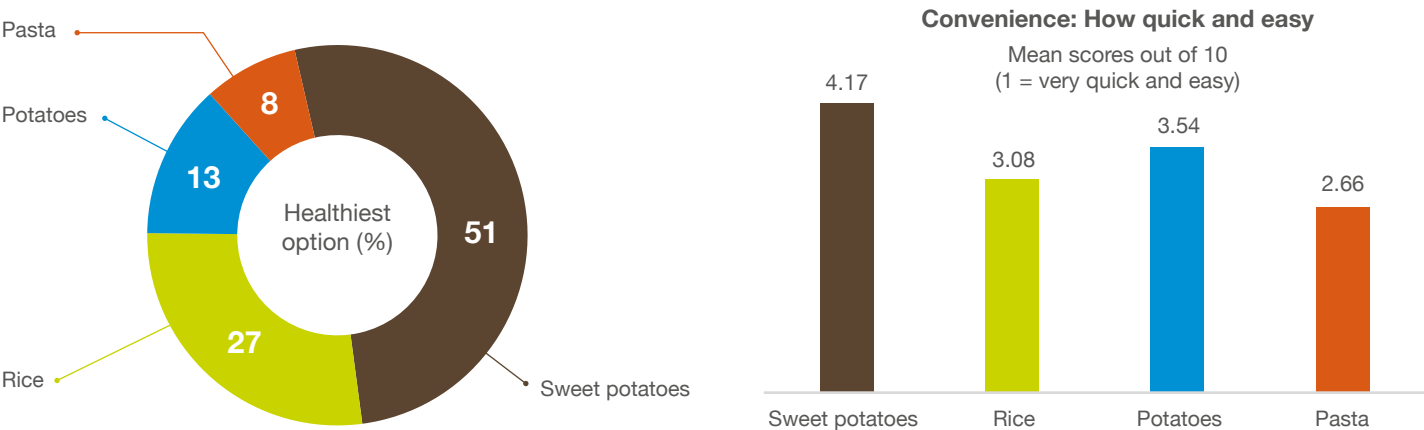


Figure 19. Healthiest option and convenience score for carbohydrates
Source: AHDB/YouGov, Consumer Tracker Aug 18

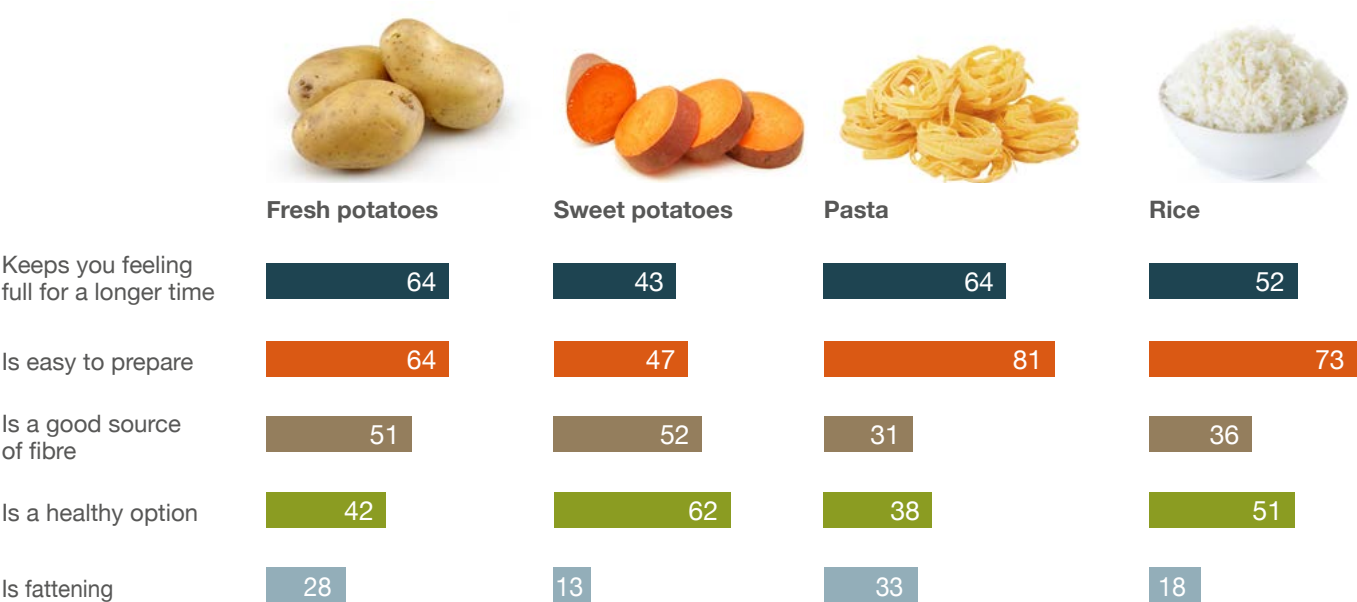


Figure 20. Nutrition perceptions related to carbohydrate type (%)
Source: AHDB/YouGov, Consumer Tracker Aug 18

Potato sector performance

Within the potato market, the biggest sector by value is fresh, accounting for 34%, followed by crisps at 32% and frozen at 25%.

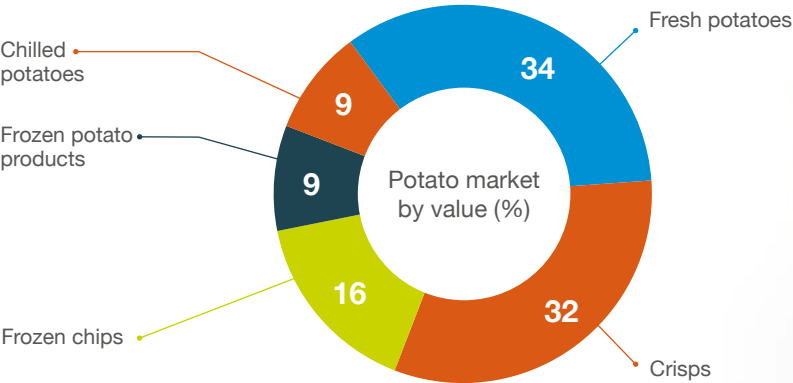


Figure 21. Share of the potato sector by value of sales

Source: Kantar Worldpanel, 52 w/e 12 Aug-18

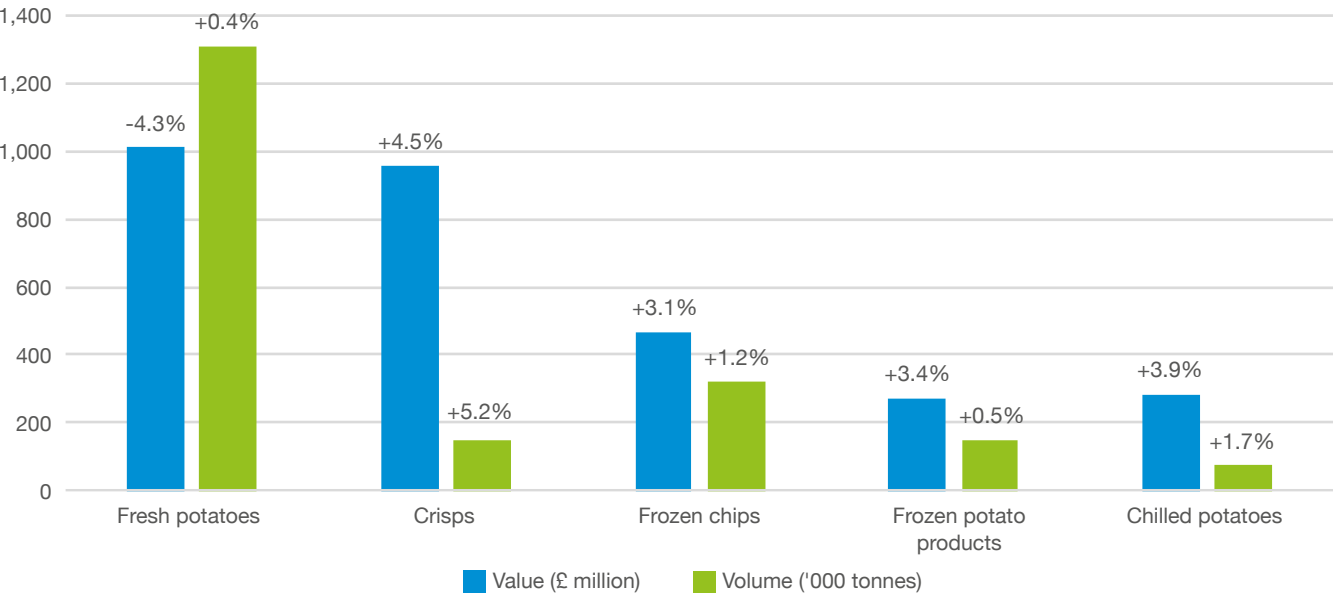


Figure 22. Value, volume and year-on-year percentage change of potato sectors

Source: Kantar Worldpanel, 52 w/e 12 Aug-18



According to Kantar Worldpanel data, fresh potato value sales have continued their long-term downward trend over the past five years, declining by 19.6% versus 2014 and by 4.3% versus 2017. However, in the recent year, the volume of fresh potatoes sold in GB retail started to recover, increasing by 0.4% in the year ending August 2018. This has reversed the longer term trend, with volumes of fresh potatoes now being up 1.9% versus 2014.

Volume growth for fresh potatoes in the recent year (year ending August 2018) comes from maincrop, which accounts for 61% of fresh potato volume sales and is up by 1.5% year-on-year. Baking potatoes are declining by 2.1% and new potatoes by 0.4%. The growth for fresh is driven by hard discounters at +2.9%, as other retailers are relatively stable.

Crisps are the fastest growing potato category in both value and volume. In the year ending August 2018, value sales for the category grew by 4.5% and volume sales by 5.2%. Premiumisation in this sector is driving

performance, with hand-cooked crisps and sharing bags performing strongly in the last year.

The frozen potato sector is now worth £735 million, with 63% of the value coming from frozen chips and 37% from other frozen potato products. The sector is growing in value by 3.2% year-on-year and volume by 0.6%. The volume growth is coming purely from frozen chips. They have seen a turnaround in performance thanks to more premium offerings in the market appealing to older consumers and smaller households, as opposed to just children.

The chilled potato sector represents a small proportion of the total potato market at 9%, but it is an important value-added segment. Value growth of +3.9% in the year ending August 2018 was driven by increased volumes (+1.7%) and rising prices (+2.2%).

The convenience of frozen and chilled potatoes is the reason why consumers are turning to these categories.

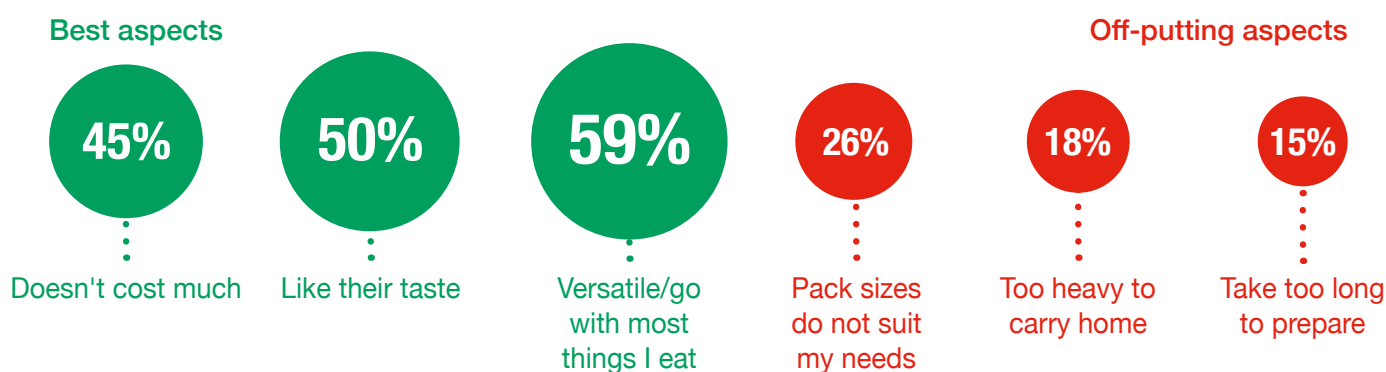


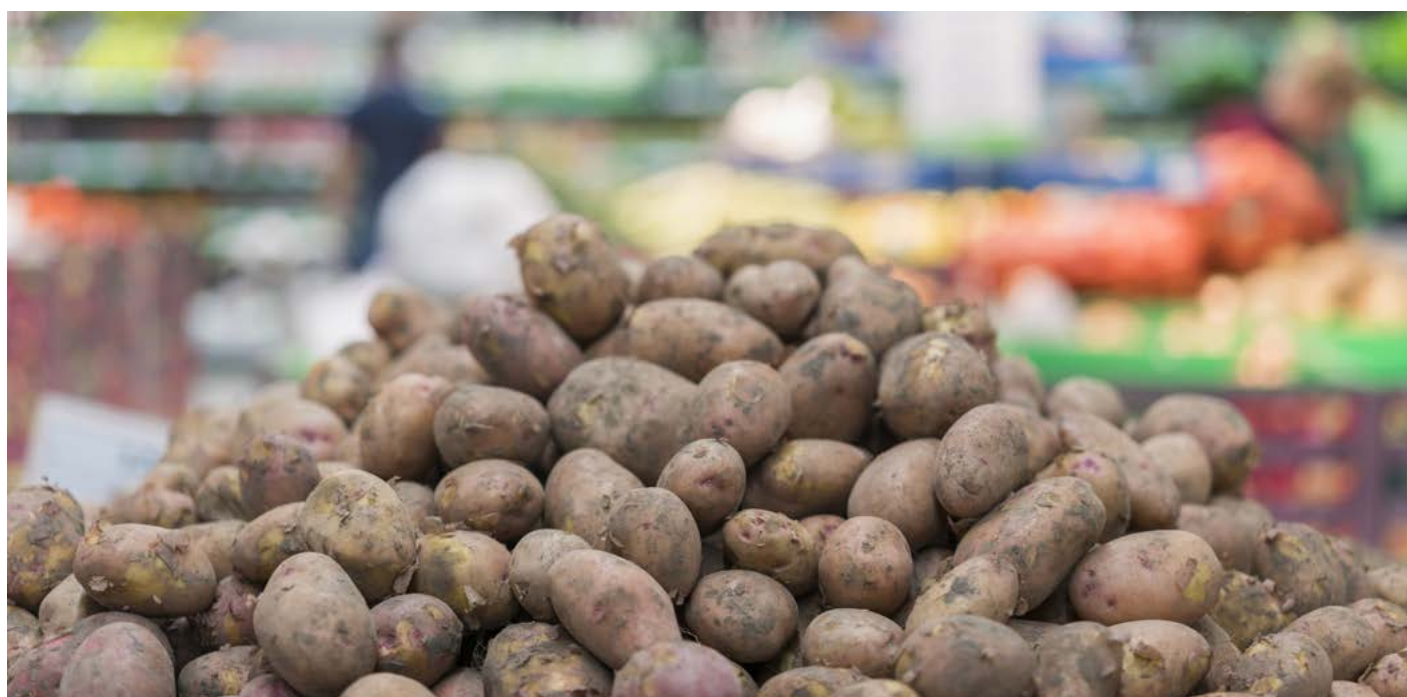
Figure 23. Pros and cons buying fresh potatoes

Source: AHDB/YouGov, Consumer Tracker Aug-18

Base: All respondents in potato section (Aug-18: 1014)

YGq21: Which THREE, if any, of the following would you say are the best aspects of potatoes? (Please select up to three options)

YGq20: Which THREE, if any, of the following put you off buying more fresh potatoes? (Please select up to three options)



'More than a bit on the side' campaign

Our hugely successful 'Potatoes: More than a Bit on the Side' campaign was launched in July 2015, utilising EU funding, in conjunction with Bord Bia. The aim of the campaign was to re-engage younger consumers with the potato, demonstrating its health and nutritional virtues, as well as showing modern and contemporary ways in which potatoes can be used to fit in with today's busy lifestyles.

Purchase figures for fresh potatoes have shown an increase in volume since the start of the campaign (see above), with frequency of purchase also increasing steadily over recent years. This follows on from a long-term decline trend, starting in the 1970s.

The campaign used a mixture of traditional marketing channels, including high-footfall rail commuter links, particularly on digital billboards at rush hour – the peak decision-making time for that internal "what's for tea?" debate. The campaign also tapped into the current trend of working with social media influencers, including Deliciously Ella in the first year and Camilla Thurlow from Love Island earlier this year. These personalities resonate well with the target audience, who are more frequently looking for information on social media channels. With influencers promoting the nutritious virtues of potatoes and other foods, consumers often try to follow similar diets to those people within their social media network they can relate to and trust.

Since its launch, we have seen that consumer attitudes towards the health messages used as part of the campaign have increased steadily year on year – actually from a relatively high base. By highlighting the number of recipes offering consumers healthy and convenient solutions, which can be prepared in under 30 minutes, we have also seen positive shifts in convenience messages as well, which ties in to consumers looking for quick and easy solutions to support their lifestyles.

Our tracking work after each burst of activity has revealed that consumer attitudes towards health messages associated with potatoes has increased from the pre-campaign tracking base, with 82% of consumers agreeing that "potatoes are healthy" (from a base of 68%), three-quarters agreeing that they are an essential part of any diet (60%) and 72% agreeing that potatoes are fat-free (55%). Versatility remains a key benefit for potatoes, with 92% agreeing that they are a versatile product.

Gaining support from such high profile influencers as Deliciously Ella only serves to reinforce the positive health credentials of potatoes – they are naturally fat-free, saturated fat-free, salt-free, gluten-free, low in sugar, a source of fibre and potassium and contribute 13% of Vitamin C to the UK diet (NDNS). We know that consumers are interested in the campaign, given that the www.lovepotatoes.co.uk site has received 2 million visits in the last 12 months, which is obviously supported by the increase in consumption figures.



Figure 24. 'More than a bit on the side' campaign

Potatoes in the foodservice market

According to MCA Insight, the implied value of the eating-out foodservice market* fell by 3.5% in the year ending June 2018. This is attributed to a decline in eating-out visits, which are down by 5.5%. Average spend per visit is up by 1.4% because of menu inflation. A lack of consumer confidence and economic uncertainty has resulted in consumers treating themselves less often, eating out less when they are feeling lazy and removing eating out from their day-to-day routine.

In the year ending June 2018, 3.3 bn eating-out visits (the equivalent of 33.9% of total eating-out occasions) involved a potato product**. This is 6.2% lower than in the year ending June 2017, so is declining faster than the overall market at -4.8%. Both full service restaurants, which account for 44% of potato occasions, and quick service retail at 48%, are driving this. The loss in servings is the equivalent of approximately 23,455 tonnes fewer potatoes consumed in foodservice in the last year.

In terms of formats, all are declining – particularly chips/ wedges and fries, which account for 58% of potato occasions. The exception to this is hash browns, which account for 12% of potato occasions.

Out of home, potato products are most often consumed with fish (18.4% of potato occasions), beef burgers (16.2%) and a full English breakfast (9.9%). While the beef burger is in growth as offerings innovate, traditional British dishes are losing share to more adventurous world cuisines such as Portuguese and Middle Eastern. Therefore, for potatoes to reverse their decline in foodservice, traditional dishes should modernise and there should be a focus on providing inspiration for international potato-based dishes.

More information about consumer trends can be found at ahdb.org.uk/retail-and-consumer-insight

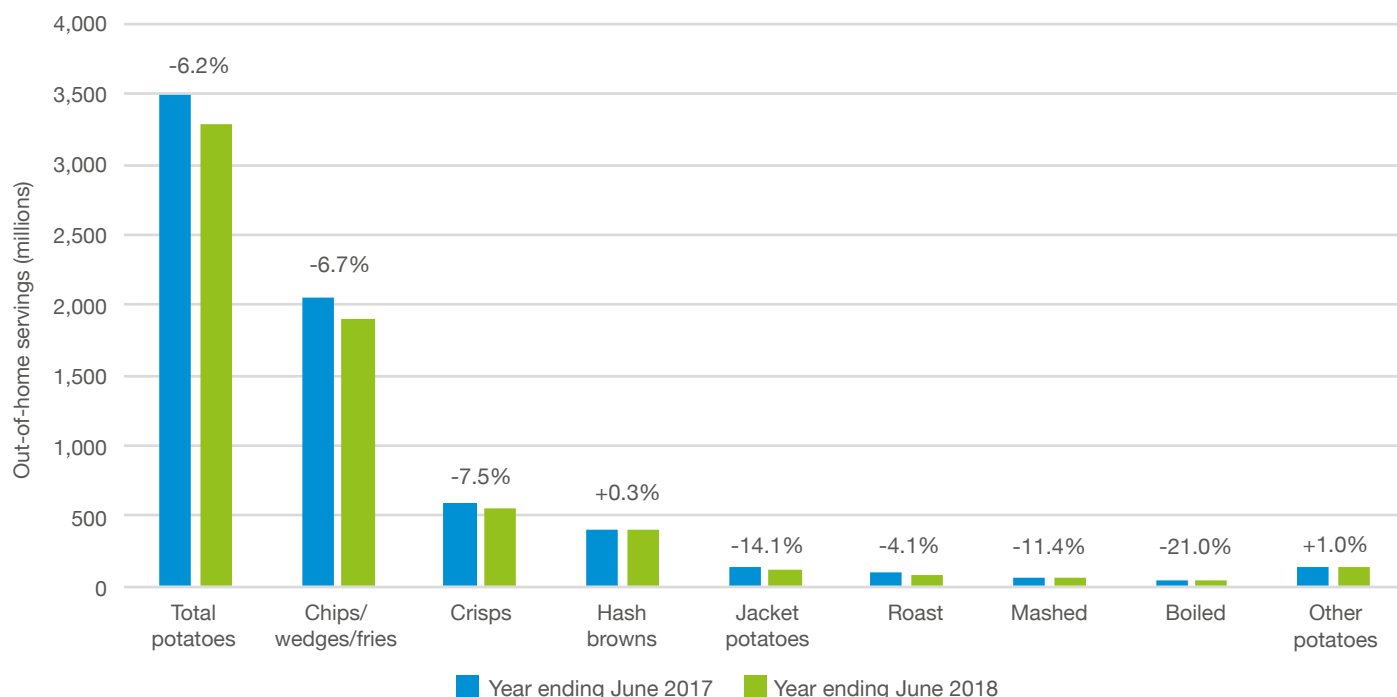


Figure 25. Total out-of-home servings of potatoes

Source: MCA Eating Out Panel year ending June 2018

*The foodservice market is defined as quick-service restaurants, full service restaurants, contract catering and leisure/travel establishments. It does not include eating out occasions for under 18s or tourists, takeaways purchased and eaten at home, takeaway deliveries or the public sector.

**Potato includes sweet potato because consumers do not specify which they consumed.

Appendix 1: Data resources

Weekly Average Price Survey (WAPS)

WAPS provides top-line economic indicators of the GB potato industry. Each week, a sample of purchasers complete a form summarising total tonnage and value of ex-farm purchases, categorised by bags/bulk and contract/free-buy. The MI team scrutinises the information provided and calculates the weekly average price (a weighted combination of both free-buy and contract prices) and the free-buy average price.

- The WAPS sample consists of approximately 20 purchasing companies and grower groups encompassing all market sectors
- In the 2017/18 season, the WAPS sample captured first purchases encompassing 28% of the total tonnage of the 2017 crop
- The MI team maintains regular contact with contributors and queries prices weekly to determine significant price movements
- Audits of contributors are conducted annually to ensure accuracy and consistency of data provided

The WAPS survey is open to all purchasers buying potatoes directly from growers. If you wish to contribute to the WAPS survey, please contact the AHDB MI team on **024 7647 8894**.

Potato Weekly Price Survey

The survey is open to growers and purchasers who wish to contribute price information. To ensure wide and accurate coverage of the pricing situation from week to week, the MI Potatoes team calls regular contacts – a combination of growers and purchasers from all sectors – on a weekly basis. These prices then form the basis for the price quotes published in Potato Weekly each Friday, with breakdowns dependant on region, variety and market sector.

For further information or to contribute prices or information to the survey, please contact the AHDB MI team on **024 7647 8894**.

AHDB Potatoes Grower Panel Survey

What is the Grower Panel?

The AHDB Potatoes Grower Panel is made up of growers who give information on seed use, yields and sale pathways from selected fields under their management. The data is used to provide national crop statistics on potato production.

What does the Grower Panel survey involve?

The survey involves completing a single form for each sample crop. It covers seed and planting details, yields sold and stored, sold price if known, wastage and intended markets and sale dates. The form is sent out in the autumn for completion and returned once the crop has been harvested. There is also a storage stocks survey, involving completion of a single form three times a year. These forms can either be completed on paper, or online via the Potato Data Centre. Survey members also participate in telephone surveys related to their potato crop and storage.

What are the benefits?

The information collected is used to provide key market information about the potato industry and, in doing so, supports our levy payers in making informed business decisions.

How to get involved?

Contact the AHDB MI team on **024 7647 8894**.

AHDB Potatoes Market Intelligence publications

As well as primary data collection, the AHDB Potatoes MI team releases several publications that provide insight and analysis into the latest industry trends.

Potato Weekly – Potato Weekly summarises the weekly price information gathered by the MI Potatoes team on a Wednesday and Thursday. The publication also provides weekly market commentary and insight surrounding crop development and storage and hosts the latest analysis, articles and market update videos from the team.

Market Dynamics – The Potato Market Dynamics Report provides a concise summary of relevant GB potato market issues reflecting the season as it develops. It covers supply and demand, trade, consumption and retail data, as well as highlighting external influencers and drivers.



Potato Data Centre (PDC)

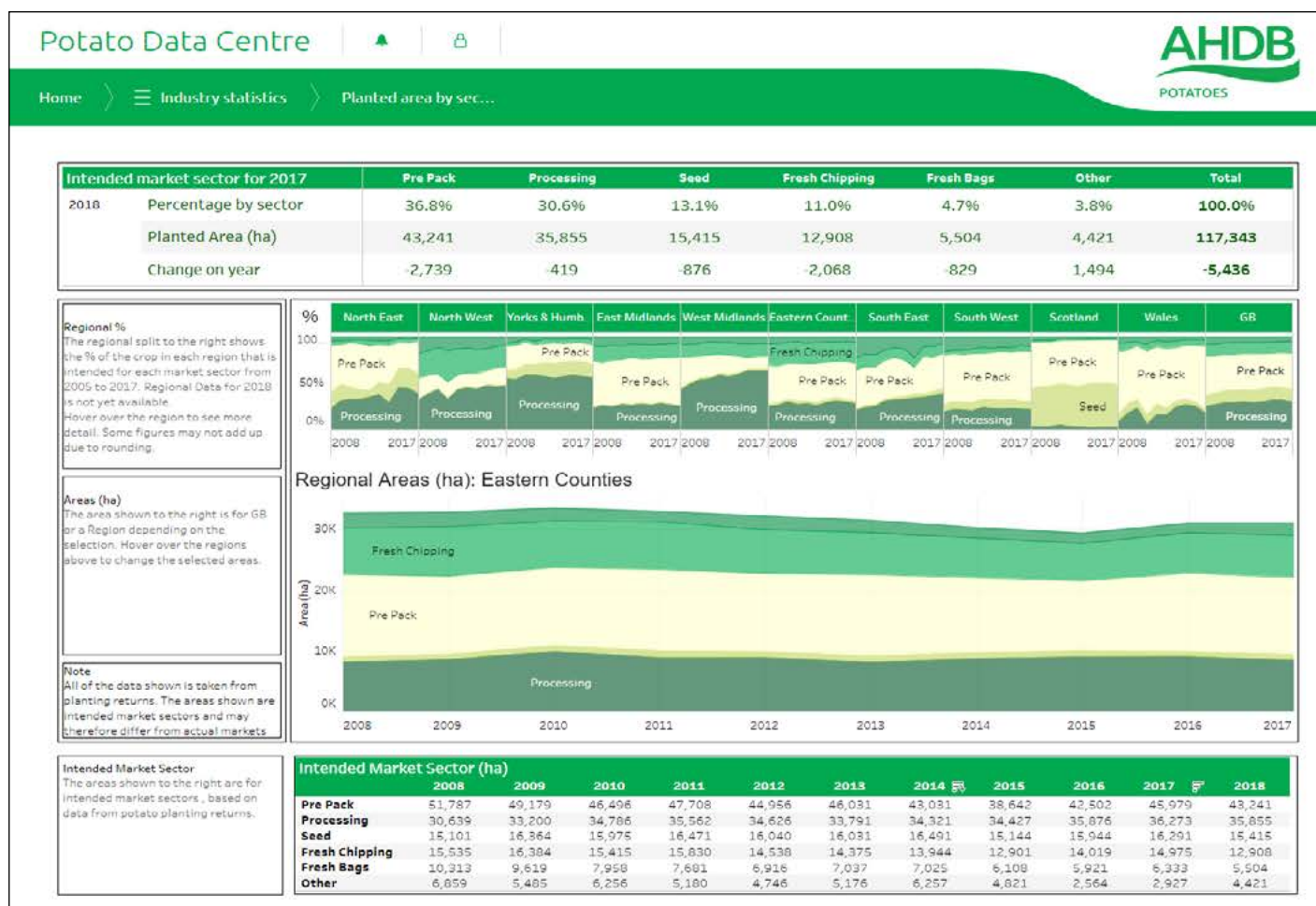
The Potato Data Centre provides the industry with the latest prices and statistics visualised in an interactive format. Users can use the dashboards to gain customisable insight on a variety of topics such as WAPS, area, production, yield and varietal information.

Access this resource at potatodatacentre.ahdb.org.uk

Reliability of MI Potatoes data

All AHDB MI primary data collection and systems are certified to an ISO 9001:2015 standard.

Regular audits and maintenance of this certification enables the MI team to provide consistent, high quality outputs to the industry.



Appendix 2: Glossary

Earlies	Refers to all potatoes harvested on or before 31 July each year	Prices	All prices are ex-farm
Fresh	Raw consumption potatoes	Processed	Processed products are reported in finished product weight tonnage, unless otherwise stated
Maincrop	Potatoes are considered to be maincrop if harvested after the end of July each year	Trend	In this context, the word trend is used to highlight the line or curve of best fit
Meal occasions	Number of times that a particular food is eaten as part of a meal	Years	All crop years are July to June, unless otherwise stated
Plantings	All references to plantings refer to the measurement of planted area, either to Registered Area from registered producers or Total Area, which includes an allowance for undeclared/unregistered area	Yields	All potato yields quoted in this publication relate to harvested tonnage and are expressed in terms of tonnes per hectare
Pre-pack	Washed potatoes in bags for retail sales		

Contacts

To ensure we continue to meet the industry's needs, we are always keen to receive feedback on the outputs and information we provide. To give us your feedback on the report, or for further information about our Market Intelligence services, please contact:



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