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Agricultural Situation

Potato Update

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Report Highlights:
Russia is the second largest potato producer in the world, but crop yield is well below the global average. The Russian Veterinary and Phytosanitary Surveillance Service has imposed a de facto ban on imports of fresh potatoes from the United States by declaring a list of quarantined pests and diseases that exclude U.S. exports. There are market opportunities presently for U.S. processed potato products, specifically potato flakes and granules. Although Russian consumers generally prefer traditional potatoes with white flesh, they are warming up to potatoes with yellow flesh or red skin. Fresh potatoes are being sold in smaller, more convenient packages reflection Russian consumer's new need for convenience. The POTATO RUSSIA exhibition was held in Moscow this August. Hundreds of representatives from companies involved in potato production, breeding, chemicals, machinery, and research and development were present.

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Executive Summary

Russia is the second largest potato producer in the world, but the crop yields are still well below the global average. Low potato yields can largely be explained by the fact that 93 percent are produced on privately-owned family plots of about 0.06-4.00 hectares, farm plots do not have access to adequate farm inputs, and producers may underreport production.

The Russian Veterinary and Phytosanitary Surveillance Service (VPSS), has imposed a de facto ban on imports of fresh potatoes from the United States by declaring a list of quarantined pests and diseases that exclude U.S. exports. Because of import restriction on fresh potatoes, U.S. potatoes are primarily going to Russia in frozen form. The volume of imported potato flakes, granules, and pellets is still relatively low but growing. There is potential for U.S. processed potato exports to grow.

Potatoes are a staple food for Russians, often referred to as their second bread. Although Russian consumers generally prefer traditional potatoes with white flesh, they are warming up to potatoes with yellow flesh or red skin. Potatoes are beings sold in smaller, more convenient packages. Quality and convenience are becoming increasingly important to consumers attracting them to processed products. Potatoes in Russian stores and markets are being marketed by variety.

The Potato Russia International Conference took place in August 2007 in Moscow. Hundreds of people involved in potato production, breeding, chemicals, machinery, and research and development were present. This report included facts collected at that show.

Domestic Production

Of the 42.9 million acres of potatoes planted in the world, 6.8 million acres (or 16 percent) are planted in Russia. Russia is the second largest potato producers in the world after China, but their average yield is well below the global average. While agriculture enterprises in Russia achieve high yields, the Russian average yield is only about half of the global average yield.

Low potato yields can largely be explained by the fact that 93 percent are produced on privately-owned family plots of about 0.06-4.00 hectares. Five percent are produced by agriculture organizations (formerly collective farms) supported by the government. Two percent are grown on private farms. This is a drastic shift from the Soviet period when only one-third of total production came from family plots. Because reported production requires paying taxes, underreporting from private plots does occur. This might tend to lower production estimates.

Russia has great potential in potato production. Advanced Russian potato farms have already experienced astounding yields. Through the Program for Agriculture and Market Regulation 2008-2012, the Russian government intends to double the federal expenditures on agriculture support and rural development in hopes of increasing agricultural production by 4 percent. It is possible that potato production will experience even higher growth.

The three major areas where potatoes are grown are: Northwest Russia, Central Russia (Volga Valley, Urals, Siberia, Far East), and south and southeast Russia. Potato farmers in Northwest Russia grow the popular Nevsky and Elizaveta varieties. Central Russia has rather difficult climate conditions but vast amounts of land. Forty percent of the potatoes grown in Central Russia are Nevsky and 15 percent are Lugovskoy. South and southeast Russia have hot summers and consequently potatoes have high insect damage. The most common variety being grown in these southern regions is Volzhanin.

Throughout Russia, the most common domestic varieties being grown are:

- Nevsky (41%)[1]
- Udacha (17%)
- Elizaveta (3%)
- Zhukovsky ranny (1%)

Most common foreign varieties being produced are:

- Romano (12%)
- Rosara (9%)
- Red Skarlet (7%)
- Saturna (4%)
- Karatop (3%)

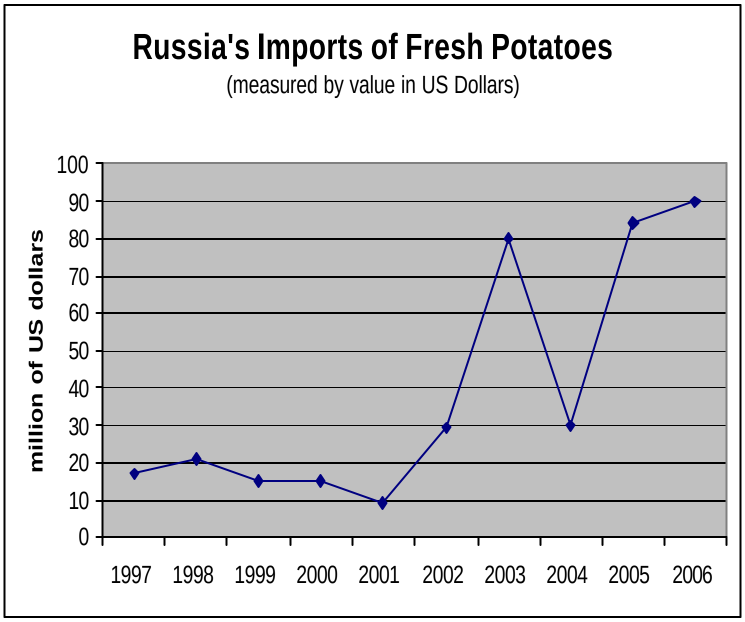
Above is a display of the Red Scarlet potato at the Potato Russia field day. Red Scarlet is becoming a popular foreign variety planted in Russia.

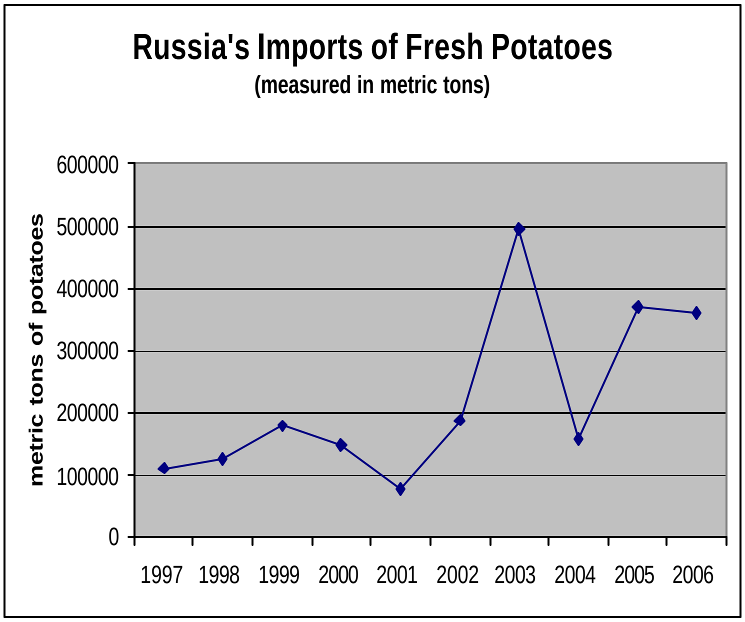
[1] Percentage of total potato production (domestic plus foreign varieties)

Above is a display of the Nevsky potato displayed at the Potato Russia field day. Nevsky is the most common potato planted in Russia.

Imports

Table Potatoes (Fresh)

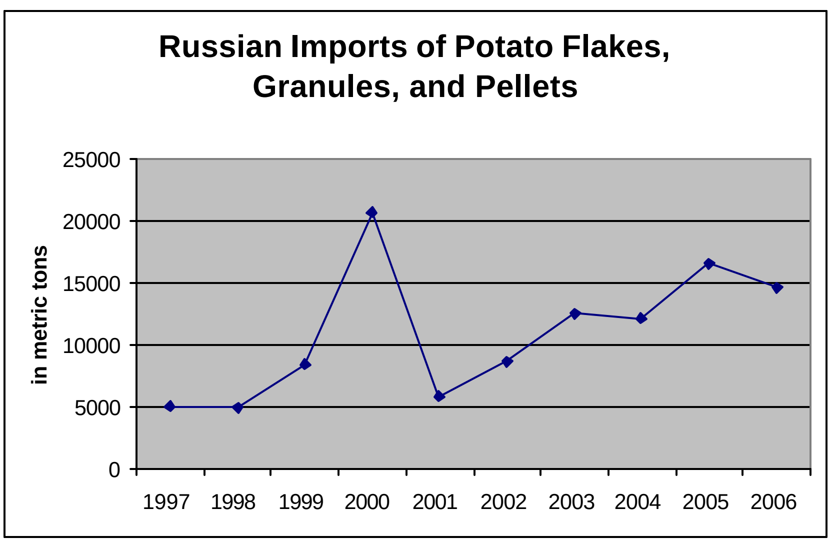




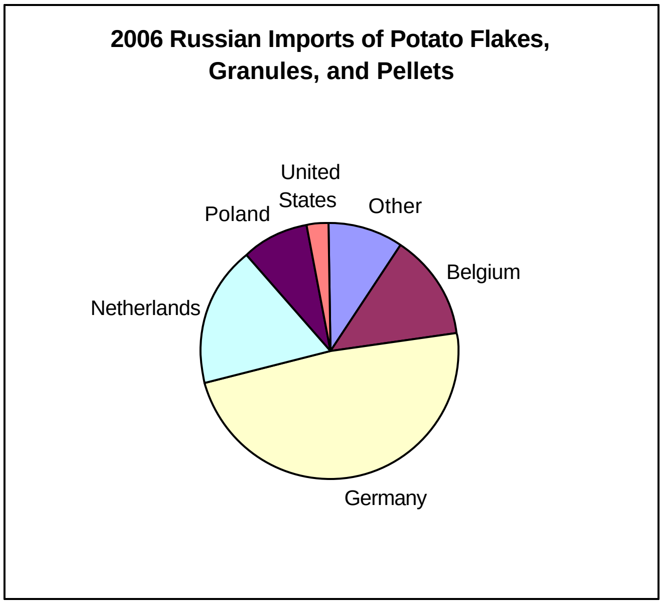
Fresh potato imports began to grow in 2001, but have been highly variable. The value of potatoes imported has increased faster than the tonnage, likely due to the decreasing value of the U.S. dollar and importation of high quality potatoes. The market for foreign fresh potatoes is distributed over many countries, but the Netherlands, Egypt, and China are the largest exporters to Russia.

Potato Flakes, Granules, and Pellets

The volume of imported potato flakes, granules, and pellets is still relatively low but growing. In 2006, US$11,854,559 was imported by Russia. Unless phytosanitary restrictions change, potato flakes, granules, and pellets represent the market opportunity for U.S. potato exports to grow. At this point, Germany has captured the majority of the market for imported potato flakes, granules, and pellets.



* Statistics taken from Global Trade Atlas

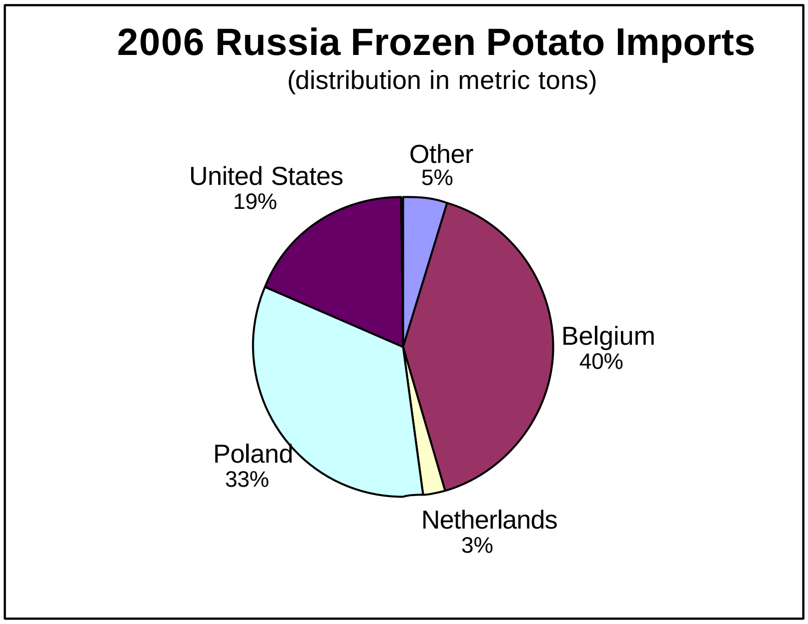


* Statistics taken from Global Trade Atlas

Frozen potatoes preserved in anything but vinegar or acetic acid were imported almost completely from Poland and the Netherlands. The total amount imported almost doubled from 2002 to 2005 going from 24,679 metric tons to 45,446 metric tons.

Imports were not significant for unfrozen potatoes prepared or preserved in anything other than vinegar or acetic acid; sweet potatoes; and potato flour.

Frozen Potatoes



* Statistics taken from Global Trade Atlas

The quantity of imports has been volatile in recent years, probably a reflection of country-specific restrictions placed on frozen potato imports. In 2006, a total of 560 metric tons of frozen potatoes were exported to Russia, whereas a year earlier 1,552 metric tons were imported. The total value of frozen potato imports in 2006 was US$441,803, of which the U.S. exported US$116,394.

Because of import restrictions on fresh potatoes, most U.S. potatoes going to Russia are frozen. U.S. potatoes have a foothold in the market along with Poland and Belgium. In 2006, the U.S. exported 104 metric tons of frozen potatoes making up 19 percent of foreign frozen potatoes. This was a sharp increase from the previous three years when only 12 metric tons per year were exported. Based on an inspection of Moscow stores and restaurants, it is highly possible that the Russian market for frozen potatoes is significantly underreported by official statistics.

Policy

The requirements for the import of fresh vegetables (including potatoes) to the Russian Federation are similar to requirements for all products of plant origin. Like nuts and fresh fruit, fresh vegetables must be accompanied by a phytosanitary certificate. These products are subject to phytosanitary inspection. It is possible to import fresh vegetables only with permission of Russia's Federal Service for Veterinary and Phytosanitary Surveillance Service (VPSS).

VPSS imposed a de facto ban on imports of fresh potatoes from the United States, requesting information on disease incidence that does not conform to international phytosanitary standards.

A letter from VPSS on September 21, 2006, specified the following as quarantined potato pests and diseases:

- Golden nematode (Globodera rostochiensis (Wollenweber) Behrens)
- Pale potato cyst nematode (Globodera pallida (Stone) Behrens)
- Potato rotting (Thepachora Solani Thirum et O'Brien)
- Potato T virus (potato T michovirus)
- Potato yellowing (potato yellowing alfalfa mosaic)
- Potato moth (Phthoremaea operculella Zell)

VPSS also quarantines the following pests not found in the United States:

- Andes potato pests (Premnotrupes spp)
- Andes potato mottling (potato Andean mottle somovirus)
- Andes latent potato tumo virus (potato Andean latent tymovirus)
- Potato wart (synchritum endobioticum (Schilb) Peroval)
- Brown rot (Ralstonia solancearum)

Consumption[2]

Russians consume about 264 pounds of potatoes per person per year. About 50 percent of potatoes are purchased as table potatoes. Although Russian consumers generally prefer traditional potatoes with white flesh, they are starting to warm up to potatoes with yellow pulp or red peels.

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[2] For more information on Russian consumption, please see:
Haverkort, Anton J., Anisimov, Boris V. (ed.). *Potato Production and Innovative Technologies.* Wageningen Academic Publishers. The Netherlands, 2007.

Potatoes are beings sold in smaller packages than they traditionally were. Now packages are usually 1.5, 2.5, or 5 kilogram plastic (polyethylene) foil which protects potatoes from light and allows for ventilation.

Quality and convenience are becoming increasingly important to Russian consumers. The market will likely increase for partially prepared potatoes such as: washed potato, peeled uncooked potatoes, peeled and pre-cooled potatoes, and frozen potato products. Table potatoes that are easy to peel and easy to cook are also gaining popularity.

Potatoes continue to be a staple food for Russians although some potato consumption is being replaced by other foods, particularly green vegetables. Eighteen percent of the average Russian's diet currently comes from potatoes.

Average food consumption in Russia[3]

- 30% dairy
- 18% potatoes
- 16% bread
- 10% veggies
- 7% meat/fish
- 4% fruit
- 15% rest

[3] Taken from presentation given at UNECE meeting

Kroshka Kartoshka is a typical Moscow street vendor which sells baked potatoes with a variety of toppings. Kroshka Kartoshka contacted the U.S. Agricultural Trade Office about finding a U.S. potato supplier but was unable to get VPSS-approved fresh potatoes.

Marketing

Potatoes in Russian stores and markets are being marketed by variety. The picture on the left was a typical display at the Potato Russia International Conference, showcasing an array of potato varieties.

Russians are conscious of potato brands and often purchase brands that they associate with good quality.

Retail

Russians have traditionally shopped at local produce markets where table potatoes are sold in bulk. As GDP rises, more consumers are shopping at grocery stores and hypermarkets. Grocery stores also offer a variety of bulk potatoes as well as packaged potatoes.

Frozen potatoes sold in grocery stores are significantly more expensive than fresh potatoes so the majority of the population[4] purchase table potatoes. The upper-middle class is more likely to purchase frozen potatoes that provide extra convenience.

The market for frozen food, including frozen vegetables, is growing rapidly. Some experts estimate that the frozen food market is growing between 10 and 20 percent annually. Mid-level grocery stores have recently started to offer frozen vegetables in bulk. This allows shoppers to select the quantity of their choice. As of now, these stores do not offered frozen potatoes in bulk.

Potato Russia

The POTATO RUSSIA International Conference took place in August 2007 in Moscow, Russia. Hundreds of representatives from companies involved in potato production, breeding, chemicals, machinery, and research and development were present. It was organized as a collaborative effort of the Russian Ministry of Agriculture and the Dutch organization Europoint. The UNECE Seed Potato standards were discussed in the Russian Congress because several extension bureaus were attending.

Before POTATO RUSSIA began, the Seed Potato Section of the United Nations Economic Commission for Europe (UNECE) Working Party on Agricultural Quality Standards met to discuss promotion of the UNECE Standard on Seed Potatoes.

Some of the commodities facing the most UNECE standards are major export commodities of the United States. The European Union (EU) has adopted many UNECE standards (including potato standards) as their directives. The U.S. has been active in the development of these standards.

Disease List

To facilitate the use of Seed Potato standards, French officials have compiled a list of diseases referred to in the certification. Other countries have added to this list which is available on the UNECE website[5]. During the meeting in August, participants observed pictures as they have been collected from many countries. These pictures will be distributed for final selection and will then be added to the website.

Sampling Survey and Definition of a Lot

A sampling survey, which some U.S. agencies took part in, was distributed in order to focus on developing minimum guidance for sampling procedures to be adopted for lot inspection. It was soon realized that seed lot numbers are not standardized. In some countries a seed lot number refers to the production of different fields as long as the seed source is the same. Before interpreting the survey on sampling, a better definition of seed lots needs to be developed.

Surveys on Crop Inspection and Post-Harvest Testing

A survey will be sent out on crop inspection practices and post-harvest testing. The U.S. survey may be used as a model. Pending no significant changes are made, the Potato Association of America (PAA) internet site[6] will provide available information.

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[4] Per capita GDP is growing but is currently around US$12,000 PPP
[5] http://www.unece.org/trade/agr/standard/potatoes/pot_e.htm
[6] http://www.umaine.edu/PAA/

A field demonstration displays numerous potato varieties and equipment, was part of the Potato Russia International Conference.

Russia's Agriculture Minister Aleksei Gordeev talking with P.G. Bianchi (center) about Russian participation in the seed potato section of the UNECE.

Boris V. Anisimov (right) talking with P.G. Bianchi and S. Malantichev about the use of the UNECE Seed Potato Standard in Russian seed potato certification. Anisimov was an initiator and coordinator of seed potato research production and seed certification program development in Russia, the breeding and seed potato program development at the Potato Research Institute, and a team leader responsible for the breeding and seed program.