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New Zealand Potato Sector Report - 2014

Report Categories:
Potatoes and Potato Products
Agricultural Situation

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Report Highlights:

New Zealand Potato production in 2013, at 525,000 metric tons, was marginally (5%) ahead of 2012 production. Tomato Potato Pysllid is still causing damage and increased costs for control. Integrated Pest Management and mesh covering hold considerable promise for efficient control of the pest. Exports in 2013 bounced back up to reach 100,967 metric tons (MT), nearly 15% ahead of 2012. So far for 2014 exports are on a par with 2013 with no significant change to product mix.

General Overview of the NZ Potato Industry

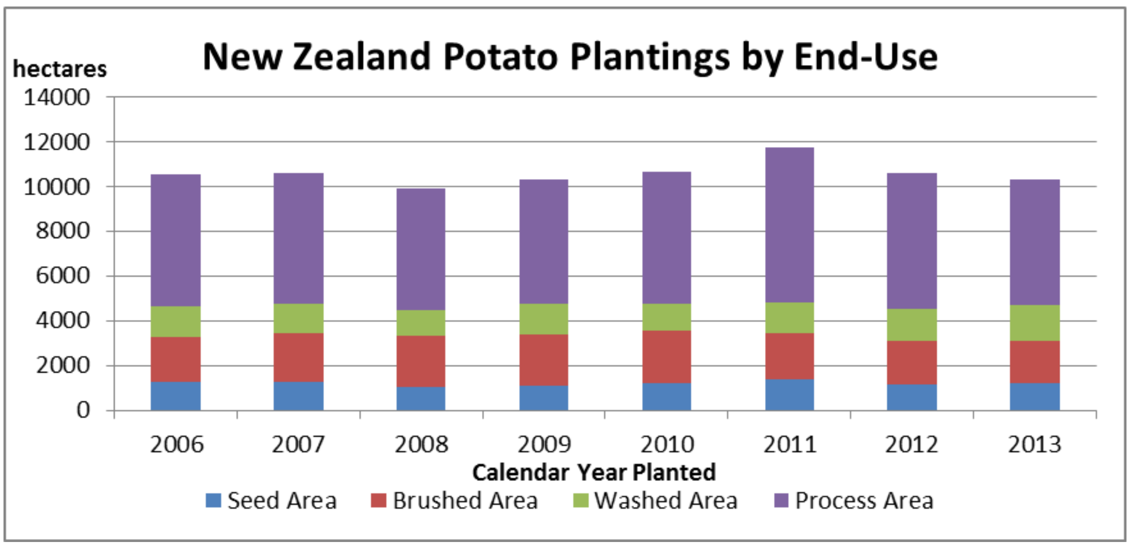
Planted Area:

New Zealand Potatoes - Planted Area in Hectares								
Year Planted	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Total Area	10534	10605	9952	10290	10670	11717	10591	10329
Seed Area	1260	1242	1057	1077	1194	1358	1156	1182
Brushed Area	2030	2207	2262	2299	2374	2091	1920	1922
Washed Area	1361	1309	1142	1363	1175	1368	1443	1594
Process Area	5883	5848	5472	5551	5927	6901	6073	5631
Grower numbers							220	174

Source: Potatoes NZ

Production: Usually 500,000 to 550,000 metric tons (MT) per annum

Product Streams:



Source: Potatoes NZ

Main growing areas: Pukekohe, Hawkes Bay, Manawatu and Canterbury. Fresh potatoes can be harvested all year round. Most potatoes in Manawatu, Hawkes Bay & Canterbury are grown with irrigation.

Most common commercial varieties are: Russett Burbank, Innovator, Rua, Nadine, Agria, Moonlight, Desiree, Ilam Hardy, Red Rascal, Ranger Russet and Shepody.

Main Processors: Frozen processing is dominated by McCain Foods of Canada, which has a plant in Timaru, with a potential output of 140,000 MT and Mr Chips (now owned by Balle Bros) with plants in Auckland and Christchurch, with potential output rated at 80,000MT. The crisping industry is small in New Zealand, with four processing companies operating here: Bluebird, owned by PepsiCo-Frito Lay; ETA, owned by PEP of Australia; New Zealand company, Fresher Foods; and grower owned Heartland.

2012/13 Production Season

New Zealand Grown Potatoes Production & Demand Estimated in metric tons		
Description	**CY2012**	**CY2013**
Total Volume to Merchant or Actually Processed	500,000	*525,000*
Processed for Domestic Consumption	250,000	*250,000*
Processed for Export	165,000	*176,000*
Retained for seed	5,000	*20,000*
Exported Fresh	30,000	*29,000*
Consumed Fresh Domestically	50,000	*50,000*
Total Usage	500,000	*525,000*

Source: Potatoes NZ, GTA, Post estimates

2013/14 Production Season

It is likely planted areas in 2014 will be similar to 2013, with production in the range of 500,000 to 550,000MT.

One of the big management issues for growers over the last five years has been crop damage due to the spread of Tomato Potato Psyllid (TPP). The Psyllid carries two diseases: Liberibacter and Phytoplasma which cause Zebra chip in the tubers and hair-sprouting of tubers respectively. Zebra chip downgrades processing potatoes. The three year Government and Industry joint funded program to develop Integrated Pest Management (IPM) tools for better control of TPP is about to end. A series of workshops for growers are being held during August 2014. The novel and established techniques to control the psyllid promise to: reduce the number of sprays needed as well as the severity of chemicals used, resulting in reduced total costs per hectare.

Another novel method to control psyllid, mesh covering, has been trialed in Canterbury for two years. The second trial using mesh recorded 24% yield increases over control plots (no psyllid control) and a 126% increase in market grade tubers. There was also a significant decrease in blight incidence. However the cost at the moment, probably somewhere between NZ$2,250 to NZ$2,500 per hectare is significantly greater than the NZ$700 to NZ$1,000 per hectare for chemical control. Commercial volumes of the mesh should bring its cost (currently NZ$1,900 per hectare) down significantly. If chemical applications for blight and other insects can be reduced, this solution looks to be a serious contender. It will appeal to organic growers especially.

Trade

Exports

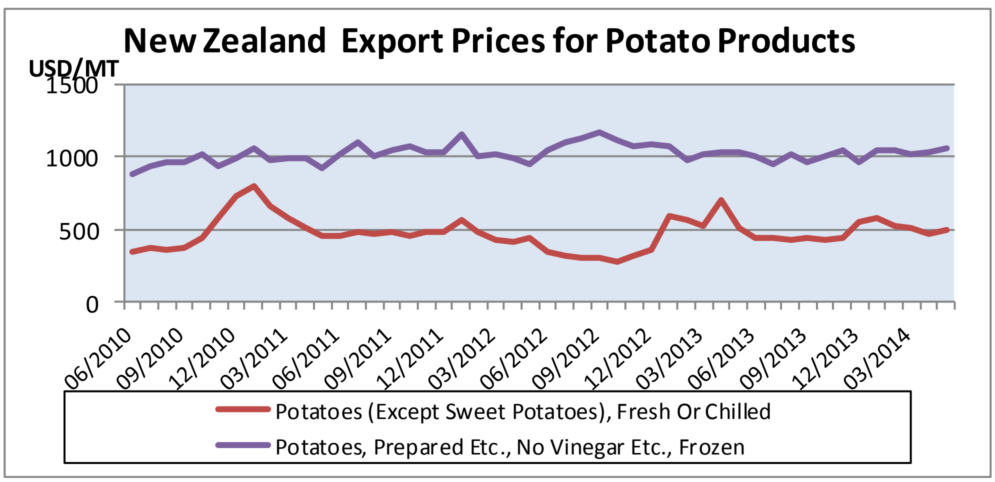
New Zealand Potato and Potato Product Exports by Product Type								
Description	**Quantity in Metric Tons for Calendar Year**							
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Fresh, Frozen, par-cooked, preserved	109,222	102,252	94,067	101,360	98,666	103,064	87,915	100,967
Potatoes, Prepared Etc., No Vinegar Etc., Frozen	81,462	76,386	67,869	71,488	68,014	71,035	55,139	69,121
Potatoes (Except Sweet Potatoes), Fresh Or Chilled	27,346	25,576	25,666	29,393	30,245	29,973	30,397	28,722
Potatoes, Prepared Etc. No Vinegar Etc., Not Frozen	285	229	335	297	287	1,354	1,839	2,119
Potatoes Uncookd/Cooked By Boiling In Water,	99	33	161	179	114	688	501	974

Frozn								
Vegetables; Potatoes Whether Or Not Cut Or Sliced	29	29	37	4	5	14	40	32

New Zealand Potato and Potato Product Exports by Destination

Destination Country	Quantity in Metric Tons for Calendar Year						
	2007	2008	2009	2010	2011	2012	2013
Australia	48,170	48,908	44,962	40,556	51,647	40,577	54,163
Fiji	20,587	18,041	19,359	18,996	18,238	22,614	22,219
French Polynesia	4,808	4,104	4,093	4,622	4,313	3,848	3,962
Japan	4,515	2,835	3,882	4,011	4,526	3,681	3,932
Papua New Guinea	1,806	1,886	2,242	2,912	3,454	2,188	2,703
New Caledonia	1,569	2,599	2,013	1,856	3,098	1,688	2,259
Malaysia	5,849	3,908	6,945	9,739	3,016	1,358	1,987
Samoa (Western)	1,329	1,368	1,611	1,454	1,325	1,603	1,545
China	378	0	24	1	22	395	1,541
Thailand	2,875	1,244	2,804	1,296	4,955	4,852	1,409
Singapore	1,326	1,147	5,449	5,467	832	908	903
Indonesia	1,442	1,086	793	2,152	2,840	648	827
Rest of the World	7,598	6,945	7,184	5,604	4,800	3,551	3,516
Total All Destinations	102,252	94,067	101,360	98,666	103,064	87,915	100,967

Source: GTA



Source: GTA

New Zealand Potato Export Statistics Commodity: Potatoes all HS codes, Fresh, Frozen, par-cooked, preserved Year To Date: January - May							
Partner Country	Quantity (MT)			% Share			% Change
	2012	2013	2014	2012	2013	2014	2014/2013
Australia	18,074	19,861	21,584	50.30	49.84	53.75	8.67
Fiji	8,541	9,419	9,193	23.77	23.63	22.89	- 2.40
French Polynesia	1,778	1,988	1,875	4.95	4.99	4.67	- 5.69
New Caledonia	676	658	1,342	1.88	1.65	3.34	104.09
Japan	1,909	1,469	1,252	5.31	3.69	3.12	- 14.79
Papua New Guinea	968	1,197	774	2.70	3.00	1.93	- 35.39
Samoa (Western)	577	640	601	1.61	1.60	1.50	- 6.10

Indonesia	141	503	567	0.39	1.26	1.41	12.72
Thailand	1,053	518	536	2.93	1.30	1.33	3.46
Malaysia	514	909	486	1.43	2.28	1.21	- 46.53
Rest of World	1,702	2,690	1,947	4.74	6.75	4.85	-27.62
Total All Destinations	**35,933**	**39,853**	**40,154**	**100.00**	**100.00**	**100.00**	**0.75**

Source: GTA

Imports

New Zealand Import Statistics From World Commodity: Potatoes all HS codes, Fresh, Frozen, par-cooked, preserved							
Calendar Year: 2011 - 2013							
Description	Quantity			% Share			% Change
	2011	2012	2013	2011	2012	2013	2013/2012
Fresh, Frozen, par-cooked, preserved	14,066	15,366	15,076	100	100	100	-1.88
Potatoes, Prepared Etc., No Vinegar Etc., Frozen	12,161	13,946	14,102	86	91	94	1.12
Potatoes, Prepared Etc. No Vinegar Etc., Not Frozen	758	446	596	5	3	4	33.55
Potatoes Uncooked/Cooked By Boiling In Water, Frozen	1,126	932	350	8	6	2	-62.46
Vegetables; Potatoes Whether Or Not Cut Or Sliced	20	38	20	0	0	0	-46.8
Potatoes (Except Sweet Potatoes), Fresh Or Chilled	0	5	9	0	0	0	93.69

Source: GTA

New Zealand Import Statistics Commodity: Potatoes all HS codes, Fresh, Frozen, par-cooked, preserved							
Calendar Year: 2011 - 2013							
Destination Country	Quantity			% Share			% Change
	2011	2012	2013	2011	2012	2013	2013/2012
Australia	9019	9311	8362	64.12	60.59	55.47	- 10.19
Belgium	1349	2876	2158	9.59	18.71	14.32	- 24.94
United States	1832	1655	1926	13.02	10.77	12.77	16.35
Canada	912	743	1026	6.48	4.84	6.81	38.08
Netherlands	422	352	947	3.00	2.29	6.28	169.25
Rest of World	532	428	657	3.78	2.79	4.36	53.50
Total all Destinations	14066	15366	15076	100.00	100.00	100.00	- 1.88

Source: GTA

Comments on Markets, Market Access & Policy

Overall New Zealand's potato export volumes in 2013 recovered ground lost to competition from the EU in 2012.

Australia, the major export market for New Zealand, only takes processed French Fries or other processed potato products from New Zealand. Potatoes New Zealand is working to get market access for fresh potatoes which would be shipped to transitional facilities and processed directly. Progress has been delayed again with an Australian Senate trade committee maintaining the ban on fresh imports until an Import Risk Analysis has been completed. New Zealand says this won't have a different outcome to the Australian Department of Agriculture (formerly Agriculture, Fisheries, & Forestry) 2009 Pest Risk Assessment (PRA). The main issue is the threat of Tomato Potato Psyllid entering Australia which the PRA said "posed no substantive concerns" for the Australian potato industry under the proposed fresh potato entry conditions.

Fiji is by far and away New Zealand's biggest volume market for fresh potatoes. Exports to Fiji in 2012 and 2013 increased approximately 15% in volume compared to previous years. However there are still doubts over the efficiency of the marketing chain. It is felt more value could be returned to growers back in New Zealand.

New Zealand seems to have permanently lost market share to competition from EU exports in markets such as: Malaysia; Thailand; Indonesia; and Singapore. Additionally extra compliance costs for testing for example have decreased margins, making these destinations largely uneconomic.

Exports of French Fries to China have grown from nothing in 2008 to 1,541MT in 2013. The potential for further growth in NZ french fry exports to China is significant.

A subsidiary unit of Potatoes NZ, the Export Market Development Group (EMDG), which provides marketing support for the sector, has refreshed its approach with several initiatives that appear to be targeting enhanced human capability and skills among the exporting fraternity. The new programs are:

- A cut down MBA style program focusing on off-shore markets for sector participants;
- Market exploratory grants up to NZ$5,000;
- Market development grants of NZ$5,000 to NZ$25,000; and
- A weekly export report on value and volumes with a focus on Fiji.

EMDG is also focusing is on new access for potatoes to Vietnam, and improved potato access to South Korea. Proposed draft requirements for fresh potatoes for consumption and processing have been received from Vietnam. Research on the efficacy of washing and use of other post-harvest treatments for removing PCN cysts demonstrated that washing is an effective post-harvest treatment and has provided a basis for a proposal to the Republic of Korea (and potentially other markets) to reduce the soil testing requirements.

Sector Leadership and Policy

The interim board for Potatoes NZ has now been replaced with an elected board. Potatoes NZ reorganized itself in 2012 and 2013 to become a pan industry peak group representing all parts of the sector from growers, to processors, and exporters. It undertook an industry review in 2013 which resulted in an agreed industry strategy as it looks toward achieving its sector goal of doubling the value of the New Zealand potato sector to $1NZ billion by 2025. The strategy encompasses three parts:

I. Increasing grower profit from productivity gains by NZ$150 per hectare per annum for ten years;
II. Doubling the value of fresh and processed exports by 2025, and;
III. Increasing the value of the domestic market by 50% by 2025.

One of the key themes, grower productivity, will look to two main areas: plant breeding advancements and on-farm husbandry improvements. Potatoes NZ has been running a Yield Gap Project after recognizing that average yields had plateaued over the last decade. The project has identified some of the main yield drag factors which are: soil compaction and soil/seed borne diseases; variable seed quality; weed competition. However the project also found there are other factors which are reducing yield but have not been identified properly yet.

Increasing the export and domestic value will hinge around continually offering high quality product coupled with extracting better value from the estimated seven tons/hectare of potatoes which go to waste or to low/negative margin uses. A starch processing plant may be an option but it would need 25-30,000MT to be economic, which may be problematic considering the waste potatoes are located in all growing areas right the length of the country.

Additional Information

Potatoes NZ: http://www.nzpotatoes.co.nz/

Horticulture NZ: http://www.hortnz.co.nz/
Ministry of Foreign Affairs and Trade: http://www.mfat.govt.nz/Trade-and-Economic-Relations/Trade-Relationships-and-Agreements/index.php